HB 653

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 653 (Delegate Rosenberg, *et al.*)
(Joint Committee on Welfare Reform)
Appropriations

Welfare Innovation Act of 1997

This bill provides for health screening and substance abuse treatment for Temporary Cash Assistance (TCA) recipients. Recipients with substance abuse problems must agree to participate in available substance abuse treatment programs to continue to receive full cash assistance benefits. It provides for continued cash assistance for all legal immigrants in the country before August 22, 1996 and legal immigrant children and pregnant women arriving after that date. All legal immigrant children will be eligible for State funded food stamp benefits.

The bill takes effect July 1, 1997.

Fiscal Summary

State Effect: General fund expenditures could increase by $4.9 million in FY 1998, which includes funds for increased substance abuse treatment slots, third-party payee fees, new student volunteer coordinator positions, and reduced cash assistance payments for those not complying with required treatment. Federal fund expenditures could increase by $0.3 million in FY 1998, which assumes approval of a federal waiver to support treatment slots and reduced cash assistance payments for noncompliers. Future year expenditures increase with annualization and inflation. Future year expenditures could decrease by a significant amount in future years, depending on the success of substance abuse treatment. General fund revenues could increase by an indeterminate amount due to additional child support collections.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	----	----	----	----	----
GF Expenditures	4.9	6.6	7.0	7.2	7.7
FF Expenditures*	0.3	0.4	0.4	0.5	0.6
Net Effect	($5.2)	($7.0)	($7.4)	($7.7)	($8.3)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds
*Contingent upon obtaining a federal waiver.

Local Effect: Expenditures could increase by a significant amount to support the student volunteer program. Revenues would increase by a minimal amount. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful effect as discussed below.

Fiscal Analysis

Bill Summary:

Substance Abuse Treatment

The bill requires individuals receiving Temporary Cash Assistance (TCA) to comply with health screening requirements. An individual applying for TCA must forward to the individual's managed care organization (MCO) a medical release allowing the Department of Human Resources (DHR) to receive the results of any substance abuse screening. It requires local departments of social services to assess the need of TCA applicants for substance abuse treatment at the time of application. It requires Medicaid MCOs to (1) screen TCA recipients for substance abuse; (2) refer recipients with substance abuse problems to appropriate substance abuse treatment; and (3) notify local departments of social services that a recipient has been referred for substance abuse treatment and whether the recipient is complying with the treatment protocol.

A recipient who complies with substance abuse treatment will receive the full cash assistance benefit and may be exempt from work requirements for a period of time determined by the local department of social services. If the required health screening reveals that a TCA applicant is a substance abuser and the recipient refuses to participate in substance abuse treatment, or if the recipient fails to receive the health screening, the local department of social services is required to (1) reduce cash assistance by the increment for the adult recipient; and (2) pay the remainder of the cash assistance for the child or children to a "third party payee" until DHMH provides notification that the recipient is complying with substance abuse treatment. Cash assistance may not be reduced if the recipient agrees to participate in substance abuse treatment, but appropriate treatment is not available. Subject to the limitations of the State budget, it requires DHMH to require each Medicaid MCO to include in its benefit package substance abuse treatment for TCA recipients. It requires DHMH to seek a waiver to obtain federal funding for the provision of substance abuse treatment for adult TCA recipients.

Legal Immigrants

Subject to the limitations of the State budget: (1) DHR must provide TCA benefits to legal immigrants who meet program eligibility requirements and who have lived in Maryland for one year or previously lived in a State that provided cash assistance to legal immigrants; (2) DHMH must provide medical assistance to legal immigrants who arrived in this country by August 22, 1996 and meet program eligibility standards; (3) DHR must provide food stamp benefits to legal immigrant children under the age of 18 years who meet eligibility requirements; and (4) DHMH must provide medical assistance to legal immigrant children under the age of 18 and pregnant women who arrived in this country after August 22, 1996 and meet program eligibility standards.

Child-Specific and Transitional Benefits

Under current law, single custodial parents receive the full value of all child support payments for a child for whom child-specific benefits are received. The bill repeals this provision, so that single custodial parents must assign their child support rights to the State to reimburse it for child-specific benefits received on behalf of the child. It authorizes local departments of social services to pay an administrative fee to a third party payee to cover the administrative costs of the third party payee for managing a child-specific benefit or transitional benefits.

Higher Education Institutions

Each institution of higher education is required to implement a program that provides student volunteers to tutor and mentor TCA recipients to obtain employment and report to the Joint Committee on Welfare Reform by July 1, 1998 and each subsequent July 1.

Immunity

The bill provides immunity from damages in civil actions for volunteers engaged in community service work under the Family Investment Program and alters the Maryland Tort Claims Act to include nonprofit organizations serving as third party payees to TCA recipients.

Family Investment Program Savings

The bill authorizes local departments of social services to carry over into the next fiscal year any unexpended savings allocated from the Family Investment Program. It requires that any excess funds from the fiscal 1997 and 1998 appropriations to the Family Investment Program be transferred to the Citizens Tax Reduction and Fiscal Reserve Account. Funds from the account may only be appropriated after approval by the Legislative Policy Committee (LPC), after the LPC has referred the LPC request to the Joint Committee on Welfare Reform and the budget committees for their recommendations.

Background: Federal welfare reform legislation authorizes states to test for the presence of drugs as a condition of cash assistance, bars newly-arrived legal immigrants from most public welfare benefits for five years, and terminates food stamps for current legal immigrant recipients when their case comes up for redetermination in 1997. This bill responds to the provisions outlined by federal welfare reform.

State Revenues:

Child-Specific and Transitional Benefits

Single custodial parents must assign their child support rights to the State to reimburse it for child-specific benefits received on behalf of the child. State revenues could increase by a potentially significant amount, depending on the number of child-specific benefits received by single custodial parents and the extent to which child support benefits are actually collected. TCA child support collections are distributed 47.7% to the State, 45.8% to the federal government, and 6.5% to local governments.

State Expenditures: Exhibit 1 provides a summary of the bill's provisions which affect State expenditures. Additional detail on each item is provided below.

Exhibit 1
Summary of Expenditures
(in millions)

	1998	1998	2000	2001	2002
Treatment Costs (GF/FF)	$6.3	$8.8	$9.2	$9.6	$10.1
3rd Party Payee Admin. Costs (GF)	0.4	0.5	0.5	0.5	0.5
Higher Education Costs (GF)	0.4	0.4	0.4	0.4	0.5
Noncomplier Savings (GF/FF)	(1.9)	(2.7)	(2.7)	(2.8)	(2.8)
Total	$5.2	$7.0	$7.4	$7.7	$8.3

Substance Abuse Treatment-Additional Treatment Costs

Expenditures for additional substance abuse treatment slots could increase by an estimated $6.3 million in fiscal 1998, which reflects a 90-day start-up delay. The information and assumptions used in calculating the estimate are stated below:

- 84,200 adult TCA recipients;
- 16%, or 13,472, of the TCA recipients are estimated to need substance abuse treatment (based on data from U.S. Department of Health and Human Services and sampling of TCA recipients in Montgomery County);
- of the 13,472 who need substance abuse treatment, an estimated 95%, or 12,798, will comply with treatment requirements and an estimated 20%, or 2,694, will fail to comply;
- the distribution of TCA recipients among various types of treatment is similar to the distribution for Medicaid recipients receiving substance abuse treatment, as shown in **Exhibit 2** below.

Exhibit 2
Estimated Treatment Cost Of TCA Recipients Needing Substance Abuse Treatment

TREATMENT MODALITY	NUMBER OF TCA CLIENTS NEEDING TREATMENT	ESTIMATED TREATMENT COST (in millions)
Halfway House (1)	135	$ 1.5
Intermediate Care (2)	1,347	$ 4.1
Other Residential (3)	270	$ 4.9
Methadone Mainten. (4)	4,580	$15.1
Outpatient Programs (5)	3,772	$ 5.4
Intensive Outpatient (6)	3,368	$ 9.9
TOTAL	13,472	$40.9

(1) $62/day x 365 days (bed turnover every six months)
(2) $100/day x 365 days (bed turnover every 30 days)
(3) $100/day x 365 days (bed turnover every six months)
(4) $3,286/year (12 month length of stay per client)
(5) $2,884/year (slot turnover every six months)
(6) $5,900/year (slot turnover every six months)

Source: Department of Health and Mental Hygiene

Exhibit 2 shows that the cost of providing substance abuse treatment for TCA recipients would be an estimated $40.9 million, but does not take into account (1) non-compliance by some recipients; (2) costs already budgeted for Medicaid covered services; or (3) costs already budgeted in the DHMH's Alcohol and Drug Abuse Administration. Some of the treatment will be provided by MCOs under their contract to serve Medicaid recipients. Medicaid MCOs are already required to provide an initial health screening. The Medicaid MCO benefit package is limited primarily to outpatient treatment, methadone maintenance treatment, intensive outpatient treatment for pregnant and postpartum women, and residential treatment to children and adolescents only. Since the bill directs DHMH to require each Medicaid MCO to include in its benefit package inpatient, intermediate care, and halfway house substance abuse treatment for adult TCA recipients (subject to the limitations of the

State budget), expenditures for substance abuse treatment would increase by an estimated $10.5 million. The $10.5 million estimate takes into account the halfway house, intermediate care, and other residential program treatment costs not currently provided by MCOs. If, however, 20% of those who need treatment do not comply with treatment requirements, the actual costs would be $8.4 million, or $6.3 million with a 90-day start-up delay. The bill requires DHMH to seek a waiver to obtain federal funding for the provision of inpatient, intermediate, and halfway house substance abuse treatment for adult TCA recipients. If the waiver is granted, an estimated 20%, or $1.3 million of additional treatment costs would be reimbursed by the federal government. Federal Medicaid reimbursements can be applied only to treatment services, not room and board costs.

In addition, although the bill does not specifically address intensive outpatient treatment, it is estimated that only about 10% of intensive outpatient costs will involve pregnant and postpartum women and be covered by MCOs; therefore the 90% of intensive outpatient costs not covered by MCOs currently could cost $7.1 million, reduced for a 20% non-compliance rate.

Future year expenditures reflect (1) annualization; and (2) 4.7% annual increases in medical inflation costs.

Administrative Fees for Third Party Payees

General fund expenditures would increase by $354,000 annually to pay an administrative fee for third party payees for the estimated 20% of the substance abusers who would not comply with treatment requirements. This estimate reflects (1) 2,694 non-compliers; (2) cash assistance payments of $292/month; (3) a 5% administrative fee; and (4) a 90-day start-up delay. Expenditures for an administrative fee to a third party payee for managing cash assistance benefits for recipients receiving child-specific benefits or transitional benefits could increase by a potentially significant amount, depending on the number of third party payees who choose to participate.

Future year expenditures reflect (1) annualization; and (2) 2% annual increases in ongoing operating expenses.

Substance Abuse Treatment-Reduced Assistance Costs for Non-Compliers

Expenditures for cash assistance benefits would decrease by $1.9 million (50% general funds and 50% federal funds) annually for the estimated 20% of the substance abusers who would not comply with treatment requirements. This estimate reflects (1) 2,694 non-compliers; (2) cash assistance reduction of $81/month; and (3) a 90-day start-up delay.

Future year expenditures reflect (1) annualization; and (2) 2% annual increases in ongoing operating expenses.

Substance Abuse Treatment-Decrease in Future Expenditures Resulting from Successful Treatment

Successful treatment is likely to result in decreased expenditures due to lowered levels of criminal activity, cash assistance payments for recipients able to participate in the workforce, emergency room visits, and uncompensated care. A recent study of the outcomes of substance abuse treatment of 150,000 individuals in California who were parents and/or TCA recipients indicates that measurable treatment benefits exceeded treatment costs. In comparing the year before treatment with the year after treatment, substance abuse decreased by a range of 14% to 42%, criminal activities dropped between 54% to 67%, and hospitalizations declined by 58%.

Substance Abuse Treatment-No Increased Costs for Substance Abuse Screening

The Department of Human Resources advises that expenditures could increase by an estimated $93,383 ($50,427 in general funds and $42,956 in federal funds) in fiscal 1998, which reflects a 90-day start-up delay. This estimate reflects the cost of hiring 3.5 caseworkers to assess the need of TCA applicants for substance abuse treatment at the time of application. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

The Department of Fiscal Services advises, however, that there should be no need for additional positions to administer the IDA Program because TCA caseloads have decreased by 16% since fiscal 1996 without a corresponding drop in the number of caseworker positions. The average monthly caseload was 209,957 in fiscal 1996, is 175,434 in fiscal 1997, and is expected to be 167,400 in fiscal 1998. In addition, much of the responsibility that departments of social services have shouldered in the past for determining Medicaid eligibility for pregnant women and certain children is planned to be shifted to local health departments under implementation of the Medicaid 1115 waiver.

Legal Immigrants

The proposed fiscal 1998 budget includes $3 million ($1.5 million general funds and $1.5 million federal funds) to provide TCA benefits to legal immigrants who arrived in the country before August 22, 1996. This estimate reflects an estimated 2,155 legal immigrant TCA recipients at an average monthly cost of $116. One factor which could produce higher than estimated costs is the decisions of other states with respect to legal immigrants. Maryland TCA expenditures could increase if Maryland's neighboring jurisdictions deny benefits to legal immigrants and immigrants elect to move to Maryland or choose to settle in Maryland after arriving in the country specifically to gain access to benefits. The bill's requirement that benefits be paid during the first twelve months of Maryland residency only if another state also paid benefits to legal immigrants should mitigate any magnet effect.

This bill would continue Medicaid benefits to all legal immigrants who arrived before August 22, 1992 (50% federal funds and 50% State general funds) and, in addition, provide State-funded Medicaid benefits to legal immigrant children under the age of 18 and pregnant women who arrived in this country after August 22, 1996. The cost to provide Medicaid funding for legal immigrants will be approximately $42 million in fiscal 1998 (based on 1995 figures adjusted for medical cost inflation), and is included in the proposed fiscal 1998 budget. An estimated 240 children and 180 pregnant women arriving in the country after August 22, 1996 would be eligible for 100% State-funded Medicaid benefits, at a cost of $500,000 for fiscal 1998.

The cost to the State to provide Medicaid assistance to legal immigrants in future years is uncertain at this time because reliable data are not available on the population of new immigrants in Maryland who might apply for Medicaid assistance.

Long-term Medicaid costs could increase if many of Maryland's neighbors deny benefits to legal immigrants and the immigrants elect to move to Maryland or choose to settle in Maryland after arriving in the country specifically to gain access to health insurance. There is little reason to suspect such an occurrence, however, given that neighboring states have yet to make a final determination of whether or not to continue Medicaid benefits; and emergency care in other states will still be available through hospitals.

The proposed fiscal 1998 budget includes $2.0 million in general funds to provide food stamp benefits to legal immigrant children under the age of 18 years. An estimated 2,271 children will receive assistance at a cost of $2 million.

Higher Education Institutions

The bill requires each institution of higher education to develop and implement a program to provide student volunteers to tutor, mentor, and provide other services to TCA recipients to assist in obtaining employment and in meeting other Family Investment Program requirements. General fund expenditures could increase by an estimated $363,008 in fiscal 1998, which reflects a 90-day start-up delay. This estimate reflects the cost of hiring 11 Volunteer Coordinators at the State colleges and universities to administer the student volunteer program and assumes that one position would be required for each institution that doesn't already have a program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$305,753
Computers/Office Furniture	50,435
Other Operating Expenses	6,820
Higher Education FY 1998 State Expenditures	**$363,008**

St. Mary's College advises that it currently has a literacy program which could serve to meet the bill's requirements. The University of Maryland at College Park advises that its MSTART program currently assists 100 to 150 TCA recipients a year with job training skills and provides follow-up services to recipients who have found work.

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Immunity

The bill alters the Maryland Tort Claims Act to include non-profit organizations serving as third party payees to TCA recipients. This could result in increased general fund expenditures that are potentially significant, depending on the number of organizations that are willing to serve as third-party payees.

Local Revenues: Single custodial parents must assign their child support rights to the State to reimburse it for child-specific benefits received on behalf of the child. TCA child support collections are distributed 47.7% to the State, 45.8% to the federal government, and 6.5% to local governments.

Local Expenditures: An estimated 18 new Volunteer Coordinator positions would be required at the formula-funded community colleges to support new positions to administer the student volunteer program, resulting in a significant expenditure increase.

Small Business Effect: The bill could favorably affect small business substance abuse treatment providers if DHMH is able to obtain a waiver to get federal funds for more inpatient treatment slots. The bill's authorization of local departments of social services to pay an administrative fee to third party payees could benefit small businesses, since the bill includes both nonprofit and for-profit organizations in the definition of third party payee.

The bill's provisions on substance abuse treatment and volunteer mentoring programs could increase the number of people in the Maryland workforce by encouraging people to overcome substance abuse problems and other impediments to participating in the workforce. Small business child care providers in areas of the State where the demand for child care services exceeds the supply of providers could be favorably affected. Child care services are almost entirely provided by small business.

Additional Comments: Expenditures at the 27 independent colleges and universities in Maryland could increase by a significant amount to support new positions to administer the student volunteer program.

Information Source(s): Department of Human Resources; Department of Health and Mental Hygiene (Medical Care Programs Administration); Maryland Higher Education Commission; University of Maryland System; Morgan State University; St. Mary's College; *Joint Committee on Welfare Reform, Report of the 1996 Interim,* December 1996; *Alcohol and Other Drug Treatment for Parents and Welfare Recipients: Outcomes, Costs, and Benefits*; U.S. Department of Health and Human Services, January 1997; Department of Fiscal Services

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