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BILL ANALYSIS

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Senate Bills 362 and 363 (as introduced 6-5-19)  
Sponsor: Senator Curtis Hertel, Jr. (S.B. 362)  
Senator Mike Shirkey (S.B. 363)  
Committee: Health Policy and Human Services

Date Completed: 6-12-19

### **CONTENT**

#### **Senate Bill 362 would amend the Social Welfare Act to do the following:**

- **Modify the date by which an able-bodied recipient would have to verify that he or she was meeting the Healthy Michigan Plan's (HMP's) workforce engagement requirements, from the tenth of each month to the last day of each month, for the previous month's qualifying activities.**
- **Allow a recipient to verify compliance with the workforce engagement requirements at a date after the missed date for reporting.**

**Senate Bill 363 would amend the Social Welfare Act to provide an exemption from the reporting workforce engagement requirement if the Department of Health and Human Services (DHHS) could verify a recipient's compliance through other data available to it.**

#### **Senate Bill 362**

Under the Act, the Department must apply for a waiver under Section 1115 of the Social Security Act and to submit subsequent waivers to prevent a lapse in the workforce engagement requirements as a condition of receiving medical assistance under the Healthy Michigan Plan (Michigan's Medicaid-expansion program that provides health care benefits to low-income individuals who do not qualify for Medicaid). After the waiver requested is approved, the Department must include certain requirements in its implementation of the workforce engagement requirements, as described below.

(Section 1115 of the Social Security Act authorizes the Secretary of the U.S. Department of Health and Human Services to waive specific provisions of health and welfare programs, including Medicaid, for experimental, pilot, or demonstration programs in a state.)

Among other things, the waiver must be a request to allow, and the Department must require in its implementation, a requirement that an able-bodied recipient verifies that he or she is meeting the workforce engagement requirements by the 10th of each month for the previous month's qualifying activities through MiBridges or any other subsequent system. Instead, under the bill, an able-bodied recipient would have to verify that he or she was meeting the workforce engagement requirements by the last day of each month for the previous month's qualifying activities.

The bill specifies that if a recipient did not verify that he or she was meeting the workforce engagement requirements by the last day of the month for the previous month, he or she could verify compliance with the workforce engagement requirements at a date after the

missed date for reporting. If the recipient verified compliance at a later date, the month would not be a noncompliance month.

(A recipient currently is allowed three months of noncompliance within a 12-month period. The recipient may use a noncompliance either by self-reporting that he or she is not in compliance that month or by the default method of not reporting compliance for that month. The DHHS must notify the recipient after each use of a noncompliance month, and, after a recipient uses three noncompliance months in a 12-month period, the recipient loses coverage for at least one month until he or she complies.)

### **Senate Bill 363**

Under the Social Welfare Act, the Department must apply for a waiver under Section 1115 of the Social Security Act and submit subsequent waivers to prohibit and prevent a lapse in the workforce engagement requirements as a condition of receiving medical assistance under the HMP. After the waiver requested is approved, the Department must include certain requirements in its implementation of the workplace engagement requirements.

Among other things, the waiver must be a request to allow, and the Department must require in its implementation, the following:

- A requirement of 80 hours average per month of qualifying activities or a combination of any qualifying activities, to count toward the workforce engagement requirement.
- A requirement to allow certain substance use disorder treatment to count toward the workforce engagement requirements if the treatment impedes the ability to meet the workforce engagement requirements.
- A requirement that community service must be completed with a nonprofit organization that is exempt from taxation under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code.
- An exemption for a recipient who meets certain conditions, such as the caretaker of a family member who is under the age of six years, a recipient who currently receives temporary or permanent long-term disability, a recipient who is a student, among other things.

Under the bill, the waiver also would have to be a request to allow, and the Department would have to require in its implementation, an exemption from the reporting requirement if the Department could verify the recipient's compliance through other data available to it.

MCL 400.107b

Legislative Analyst: Tyler VanHuyse

### **FISCAL IMPACT**

The bills would lead to both positive and negative fiscal impacts of indeterminate amounts.

The bills effectively would simplify the monthly reporting requirement in two ways. First, HMP recipients subject to the work engagement requirements would have more leeway to report; instead of having to report compliance by the 10th of each month, a recipient would have until the end of the month or could verify compliance for that month at a subsequent date. Second, if the DHHS could verify compliance through other means, such as income reporting for eligibility for other programs (such as the Family Independence Program or the Food Assistance Program), the recipient would be exempt from monthly reporting.

The DHHS estimates total annual HMP call center costs of \$11.0 million Gross, \$5.5 million General Fund/General Purpose (GF/GP) for numerous services (beyond work engagement

compliance) related to the HMP. The changes in the bills would reduce the number of people who would have to check in each month and would spread out their phone calls to the entire month instead of having the calls come in during the first ten days of the month. These changes would reduce administrative costs by an indeterminate amount. For each cohort of 50,000 recipients who otherwise would phone in but now would be exempt from monthly reporting, there would be up to 600,000 fewer phone calls each year. If each of those calls took five minutes to process, that would equate to 50,000 fewer hours of staff time required or about 25.0 fewer FTEs needed. The cost of 25.0 FTEs would be in the range of \$1.0 million GF/GP given typical field staff wages, benefits, and Federal match funding. Spreading out the calls over the full month (instead of having to be during the first ten days) also would reduce administrative burden by an indeterminate amount; these staff would still have numerous other responsibilities, but there would be less need for overtime for time sensitive responsibilities early in each month.

This administrative cost savings estimate is indeterminate due to the number of assumptions reflected above it is not clear how long a typical call would take, whether there would be other nonphone ways to check in (such as via the Internet or an app), or how many people would be exempt because of the DHHS's ability to verify compliance in other ways.

The changes also likely would effectively reduce the number of people sanctioned due to there being more ways and a longer time period to verify compliance. This would abate any reduction in caseload and costs due to noncompliance and would effectively increase State expenditures as cases that otherwise would have been subject to sanction no longer would be sanctioned. The fiscal year 2019-20 Executive, Senate, and House Appropriations Committee budgets for DHHS assumed a reduction in HMP costs of \$50 million Gross as some of those subject to the HMP work requirement would lose HMP eligibility either due to increased income or sanctions. Due to the 90% Federal HMP match rate that will take effect on January 1, 2020 (the date the work engagement requirement takes effect), the GF/GP savings built into the budget would be \$5.0 million. Both the Gross and GF/GP amounts are extremely rough estimates; the number of noncompliant individuals under the original legislation is, at this point, impossible to estimate due to the lack of experience in Michigan or in other states. Similarly, the impact of Senate Bills 362 and 363 on reducing the number of people sanctioned is impossible to determine. It should be noted that each individual case sanctioned or not sanctioned accrues average HMP costs of \$6,000 Gross and \$600 GF/GP per year. As such, each cohort of 1,000 cases that are sanctioned or not sanctioned reflects approximate spending of \$6.0 million Gross and \$600,000 GF/GP, and if 1,000 people who would have been sanctioned under the original legislation were not sanctioned, GF/GP costs would increase by \$600,000.

The figures quoted above (\$1.0 million GF/GP for wages for each cohort of 50,000 people who phone in and \$600,000 GF/GP in HMP spending for each 1,000 cases that were sanctioned) are not meant to serve as estimates of the fiscal impact of these bills, but to illustrate the scale of the impact. The actual number of people who no longer would be required to phone in under the legislation and the actual number of cases sanctioned are indeterminate and will remain so until there is some experience with the work engagement requirements. As such, the fiscal impact of these bills is indeterminate.

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.