HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

**HOUSE BILL NO.** 1322 **PRINTERS NO**. 2628 **PRIME SPONSOR**: Kaufer

**COST / (SAVINGS)**

| FUND | FY 2015/16 | FY 2016/17 |
|---|---|---|
| **General Fund** | **See Fiscal Impact** | **See Fiscal Impact** |

**SUMMARY**: House Bill 1322, Printer's Number 2628, amends the Public Welfare Code to: ensure residency verification for applicants of general assistance; codify the Keystone Education Yields Success (KEYS) Program; increase the maximum income eligibility limit for subsidized child care and provide a structure for co-payment reductions; extend the provider submission provisions for out-of-home placements; extend the Statewide Quality Care Assessment; extend the medical assistance (MA) day-one incentive payment for non-public nursing homes; repeal a methadone treatment report requirement; amend the needs-based budgeting language for services provided by counties to children; repeal the MA Managed Care Organization (MCO) Gross Receipts Tax (GRT); create a new MCO assessment; amend the child care provisions to reflect the need to license and inspect family child care homes; create a provisional licensing structure for child care facilities; establish a tiered penalty provision for facilities licensed by the DHS; amend or add definitions to the kinship care provision of the Welfare Code as required by federal law; and change the name of the Public Welfare Code to the Human Services Code.

**ANALYSIS**:

## Residency Verification for Applicants of Assistance

This legislation requires applicants for public assistance, not including medical assistance, to disclose all states in which they have resided and collected public assistance in the last five years in their application for assistance. When an applicant provides such information, DHS may not authorize general assistance until it receives notification that public assistance is scheduled to close in the other state. This section of HB 1322 is effective in 60 days.

## Keystone Education Yields Success (KEYS) Program

This legislation codifies the KEYS Program, as administered by DHS. KEYS offers career counseling, tutoring and academic supports to those parents who are eligible for Temporary Assistance for Needy Families (TANF) or Supplemental Nutrition Assistance Program (SNAP) benefits and who are enrolled in a degree program at one of the 14 community colleges in PA, a career or technical school registered with the Department of Education, or a PASSHE University.

Individuals who are enrolled in the KEYS program will be permitted to count their education, including class and study time as set by the school, towards their "core TANF work requirement" for a period of 24 months. Additionally, 6-month extensions may be granted if the individual meets the following requirements

- Enrolled in a high-priority occupation;
- Maintained a 2.0 GPA; and
- Made satisfactory progress towards completion of the degree

Individuals who fail to comply with the terms and conditions of KEYS shall be terminated from the program. There is no entitlement created for the KEYS Program and services are only available to the extent that funding is available. This section of HB 1322 is effective in 60 days.

**Child Care Subsidy**

HB 1322 increases the income eligibility limit to 275% of the federal poverty level (FPL) and beginning July 2017 to 300% of FPL as well as establish a copayment reduction for working additional hours. The amendment requires DHS to establish a sliding scale for copayments based on the annual income of the family. The percentage shall be as follows:

1) no more than 8% of income for those who are 100% of FPL and below
2) 11% for those above 100% of FPL, but not more than 250% of FPL
3) 13% for those above 250% of FPL, but not more than 275% of FPL
4) 15% for those above 275% of FPL, but not more than 300% of FPL

The family shall remain eligible for the child care subsidy during the 12-month period between initial application and redetermination even if there is a temporary change in the parent or caretakers status as working or attending job training or education programs.

After July 1, 2017, if a family can demonstrate that it has worked hours in excess of the minimum and increased its annual income, they can qualify for a co-payment subsidy reduction of .75% for every 5 hours worked in excess of the 20-hour minimum. The total reduction is 3% of annual income and cannot be less than the minimum set by statute, which is presently $5.

Implementation of these provisions is subject to the availability of funding.

**Statewide Quality Care Assessment**

HB 1322 extends the Statewide Quality Care Assessment through June 30, 2018, increases the percentage of the assessment from 3.22% to 3.71% of net inpatient revenue and establishes an observation rate which will be paid to hospitals for those individuals who are treated on an out-patient, observation status. Presently there is no payment required for MA patients who are treated on an observation status.

Cancer hospitals are added to the list of exempt hospitals and the department is allowed to rebase the net inpatient revenue from fiscal year 2010-11 to a different fiscal year after publishing a notice in the Pennsylvania Bulletin at least 30 days prior to the date on which an assessment amount calculated with the rebased amounts is due to the department. Additionally, there is language to address hospitals that have been sold, merged or consolidated since 2010 and how the assessment should be calculated for those hospitals.

**MCO Gross Receipts Tax / MCO Assessment**

This legislation repeals the current GRT on MA MCOs which the federal government has deemed is in violation of the broad-based tax requirement for federal matching funds. The GRT is replaced with a Managed Care Organization Assessment effective July 1, 2016.

The assessment is expanded to all MCOs, specifically MA MCOs, Act 68 MCOs and all CHIP plans. The assessment is a fixed, per member, per month assessment of $13.48, effective July 1, 2016, and will be the same fixed rate through fiscal year 2019-20. Adjustments to the assessment can be made by the administration so long as appropriate notice is provided and the assessment does not exceed the maximum amount under 42 CFR 433.68 (f) (3) (i) (relating to permissible health-care related taxes) or any other maximum established under federal law.

**MA Day-One Incentive payments**

The legislation returns language which was previously moved to the fiscal code back to the welfare code. It continues the MA Day-One incentive payments to those non-public nursing homes to take MA eligible patients. The language mirrors that which has been in effect since fiscal year 2013-14.

**Mileage Reimbursement Report**

HB 1322 repeals the requirement that the counties submit a biennial report to DHS detailing the costs and cost avoidance of mileage reimbursement for methadone treatment.

**Child Welfare Needs-Based Budget**

HB 1322 updates the child welfare needs-based budget language to reflect the change from fiscal year budgeting to cash basis budgeting as reflected in the General Appropriations bill. The language expressly notes that payments for services in one fiscal year will be paid over two fiscal years. Language has been added to the permanent section of the Fiscal Code to allow the department to make payments to counties for outstanding fourth quarter and reconciliation payments so long as the total funds paid to counties for services in that fiscal year do not exceed the aggregate child welfare needs-based budget allocation by the General Assembly for that fiscal year.

In addition, the requirement for providers to submit documentation of its costs of providing out-of-home placement services has been extended through fiscal year 2015-16.

**Tiered Penalties for Unlicensed Facilities**

The legislation creates a tiered penalty structure for unlicensed facilities. This will apply to all facilities which are licensed by DHS. Those facilities include:

- Adult day care
- Child day care
- Family day care
- Boarding home for children
- Mental health establishment
- Personal care home
- Assisted living residence
- Nursing home
- Hospital or maternity home

The tiered criminal and administrative penalties are designed to make it less cost effective for a facility to remain unlicensed and simply continue to pay the fine. Monies collected from offenses are used first to defray expenses incurred to relocate residents and any remaining funds are annually remitted to DHS to offset costs related enforcement.

**Child Care Facilities**

Family child care homes are now to be licensed instead of simply registering with the department. This reflects required changes needed due to the reauthorization of the Child Care Development Block Grant Funds received from the federal government. The facilities are to be licensed and inspected on an annual basis. The family child care homes will be licensed as their registrations expire.

**Kinship care**

HB 1322 adds or amends definitions for eligible permanent legal custodian, sibling and successor permanent legal custodian to comply with federal directives.

**FISCAL IMPACT**: This legislation is the vehicle which provides implementation authority of the General Fund budget for the Department of Human Services.

There is no fiscal impact associated with verifying that general assistance is scheduled to close in another state prior to initiating assistance in Pennsylvania.

There is no fiscal impact related to codifying the KEYS Program as no entitlement has been created for these services.

Extending the maximum income eligibility limit for subsidized child care services and implementing copayment reductions will have no fiscal impact as the changes are contingent on available funding.

The Statewide Quality Care Assessment revenue for the Commonwealth will be $220,000,000 for fiscal year 2015-16 through fiscal year 2017-18.

The previous Medicaid MCO Gross Receipts Tax was found to be non-compliant with federal regulations and will be disallowed; therefore, broadening the tax to include private managed care insurers ensures the continuation of $550,000,000 in federal revenue.

The MA day-one incentive payment for qualified non-public nursing homes for fiscal year 2015-16 is $8,000,000, the same amount as fiscal year 2014-15.

The County Child Welfare provisions that allow for the change to budgeting for payments over two years saves the Commonwealth $172,000,000 in fiscal year 2015-16 with no impact to counties. The extension of the out-of-home placement provider documentation has no negative fiscal impact and is necessary to ensure continuation of $30,800,000 in federal Title IV-E funding.

The imposition of tiered penalties on unlicensed facilities has no fiscal impact as any funds collected are used to offset the cost of relocating residents. There is no increase in enforcement costs related to tiered penalty provisions.

The licensing of family child care facilities and elimination of the methadone mileage report will have no adverse fiscal impact on Commonwealth funds.

**PREPARED BY**: Ann Bertolino
House Appropriations Committee (R)

**DATE**: December 14, 2015

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*