

HF559 - 1A - "Income MA Eligibility Limit"

Chief Author: **Nick Zerwas**
 Committee: **Health and Human Services Finance**
 Date Completed: **03/28/2016**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	27,072	43,224	46,092	
Total	-	-	27,072	43,224	46,092	
Biennial Total			27,072			89,316

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Travis Bunch Date: 3/28/2016 7:54:02 PM
 Phone: 651 201-8038 Email travis.bunch@state.mn.us

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund		-	-	27,072	43,224	46,092
Total		-	-	27,072	43,224	46,092
Biennial Total				27,072		89,316
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		-	-	27,072	43,224	46,092
Total		-	-	27,072	43,224	46,092
Biennial Total				27,072		89,316
2 - Revenues, Transfers In*						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This proposal increases the asset limit used to determine eligibility for aged, blind, and disabled populations in Medical Assistance (MA) and increases the MA medically needy or spend down standard to 100 percent of federal poverty guidelines.

Under current law, those who have an aged, blind, and disabled basis of eligibility for Medical Assistance have an income limit of 100 percent of FPG, but if a persons income is above that limit may gain eligibility through the medically needy or spend down standard which is currently 75 percent of FPG. The medically needy limit is reached by reducing an applicants income by the amount of incurred medical expenses. This limit is scheduled to increase to 80 percent of FPG on July 1, 2016. This language would increase the standard from the income limit in effect on July 1, 2016 of 80 percent FPG to 100 percent FPG.

Those with an aged, blind, and disabled basis of eligibility in Medical Assistance (MA) also have a countable asset limit of \$3,000 for an individual and \$6,000 for a couple. This legislation would raise the asset limit to \$10,000 for an individual and \$18,000 for a couple.

The effective date for the bill is July 1, 2016.

Assumptions

MN-IT staff reviewed this legislation for impacts to DHS information technology (IT) systems. Changes to the spend down standard for those with an aged, blind, or disabled basis of eligibility in Medical Assistance would require work within DHS eligibility systems. The cost of systems work needed to implement this proposal is reflected in this estimate.

Part A of the expenditure calculations shows the effect from reducing or eliminating the spenddown for current enrollees. Based on existing enrollee data, DHS anticipates that the proposed changes would reduce or eliminate the medical spenddown for about 11,600 aged, blind, and disabled MA recipients by FY2017. This estimate assumes that raising the spenddown limit brings in additional enrollees who are not incurring sufficient medical expenses to qualify for MA under the current spenddown limits. Costs for both reducing or eliminating spenddown obligations and the increase in enrollment are reflected in this estimate.

Part B of the expenditure calculations details the costs for raising the asset limit. This estimate is based on the proportion of the MA population with incomes between 100% and 120% of federal poverty enrolled in Medicare supplement only coverage who have assets over the current limits of \$3,000 for an individual and \$6,000 for a couple who would be eligible

for full MA coverage when these limits are raised to \$10,000 and \$18,000. This includes 13% of the elderly and 6% of the current Medicare supplement enrolled population. The proportion of people with incomes below the current income eligibility standard of 100% of FPG with assets exceeding current limits are assumed to be equal to the proportion of Medicare supplement enrollees with incomes between 100% and 120% of poverty which is one third. This estimate assumes that the proportions of the under 100% FPG population affected by the asset limits are one-third of those observed for the 100% to 120% FPG group, which is 4.3% for the elderly and 2% for the disabled. A twelve month phase in is assumed for this effect.

Part C of the expenditure calculations shows the effect of a higher asset limit on nursing facility and elderly waiver recipients. This change is expected to increase MA eligibility because those with assets will expend less of their own resources paying for care prior to becoming eligible for MA. This estimate assumes they will become eligible for MA two months earlier, resulting in a 0.4 percent increase in nursing facility and elderly waiver recipients. This effect is reduced to 0.34 percent to account for married recipients who may gain eligibility through annuitizing assets. This adjustment is necessary as the change in eligibility policy related to annuitization is new and the effect is not in the current data.

The bill as amended also eliminates a provision that extends the asset limit by \$200 for each legal dependent. Few applicants with this eligibility type have legal dependents, and any change in eligibility from this provision is already accounted for with the increase in the asset limit. This estimate assumes that the elimination of the additional \$200 has no fiscal effect.

Expenditure and/or Revenue Formula

Fiscal Analysis of HF559-0: Increase MA Medically Needy Income Level for Elderly, Blind, and Disabled Recipients					
A. Effect on Current-law Spenddown					
Existing standards for FY 2016 are as follows:					
Household Size		Eligibility Standard @ 100% FPG	Spenddown Standard @ 75% FPG	Est. Spenddown Standard @ 80% FPG	Difference from 80% FPG to @ 100% FPG
1		\$981	\$736	\$785	\$196
2		\$1,328	\$996	\$1,062	\$266
3		\$1,675	\$1,256	\$1,340	\$335
4		\$2,022	\$1,516	\$1,618	\$404
5		\$2,369	\$1,776	\$1,895	\$474
6		\$2,716	\$2,036	\$2,173	\$543
These standards are adjusted annually, based on CPI inflation in the previous calendar year. For purposes of the cost projections which follow, we trend the differences at an annual rate of 1.5% except no change for FY 2017.					
Monthly Difference from 80% to 100% FPG					
Household Size		FY 2016	FY 2017	FY 2018	FY 2019
1		\$196	\$196	\$199	\$202
2		\$266	\$266	\$270	\$274
3		\$335	\$335	\$340	\$345
4		\$404	\$404	\$410	\$416

Fiscal Analysis of HF559-0: Increase MA Medically Needy Income Level for Elderly, Blind, and Disabled Recipients					
5		\$474	\$474	\$481	\$488
6		\$543	\$543	\$551	\$559
3+ Wtd. Avg.		\$376	\$376	\$381	\$387
As of June 2015 MA had the numbers of recipients with spenddowns shown in the following table. We assume these counts increase based on overall enrollment trends for MA elderly and disabled in the February 2016 forecast.					
Household Size		Elderly	Disabled or Blind	Total	
1		3,803	6,770	10,573	
2		359	334	693	
3		1	22	23	
4		-	11	11	
5		-	3	3	
6		-	2	2	
Total		4,163	7,142	11,305	
Difference to 100% FPG					
Household Size		FY 2016	FY 2017	FY 2018	FY 2019
1		\$196	\$196	\$199	\$202
2		\$266	\$266	\$270	\$274
3+ Wtd. Avg.		\$376	\$376	\$381	\$387
Recipient trend:					
		FY 2016	FY 2017	FY 2018	FY 2019
Elderly		1.00%	2.40%	2.40%	2.40%
Disabled		0.00%	2.70%	2.70%	2.70%
Average Recipients with Spenddown Reduced or Eliminated					
Elderly Household Size		FY 2016	FY 2017	FY 2018	FY 2019
1		3,841	3,933	4,027	4,124
2		363	372	381	390
3+		1	1	1	1
Total		4,205	4,306	4,409	4,515

Fiscal Analysis of HF559-0: Increase MA Medically Needy Income Level for Elderly, Blind, and Disabled Recipients

Disabled Household Size		FY 2016	FY 2017	FY 2018	FY 2019
1		6,770	6,953	7,141	7,334
2		334	343	352	362
3+ Wtd. Avg.		38	39	40	41
Total		7,142	7,335	7,533	7,737
Total Annual Cost for Medical Spenddowns					
Phase-in		0%	100%	100%	100%
Elderly		FY 2016	FY 2017	FY 2018	FY 2019
1		\$0	\$9,250,416	\$9,616,476	\$9,996,576
2		\$0	\$1,187,424	\$1,234,440	\$1,282,320
3+		\$0	\$4,510	\$4,572	\$4,644
Total		\$0	\$10,442,350	\$10,855,488	\$11,283,540
Disabled		FY 2016	FY 2017	FY 2018	FY 2019
1		\$0	\$16,353,456	\$17,052,708	\$17,777,616
2		\$0	\$1,094,856	\$1,140,480	\$1,190,256
3+ Wtd. Avg.		\$0	\$175,884	\$182,880	\$190,404
Total		\$0	\$17,624,196	\$18,376,068	\$19,158,276
		FY 2016	FY 2017	FY 2018	FY 2019
Total MA Cost for Reduced Medical Spenddowns		\$0	\$28,066,546	\$29,231,556	\$30,441,816
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		0	14,033,273	14,615,778	15,220,908
State share		0	14,033,273	14,615,778	15,220,908
B. Effect on Population Under 100% FPG from Asset Limit					
Current-Law Monthly Average Enrollment		FY 2016	FY 2017	FY 2018	FY 2019
Non-institutional Elderly and Disabled Under 100% FPG					
Elderly			44,730	46,029	47,307
Disabled			106,113	109,473	112,825

Fiscal Analysis of HF559-0: Increase MA Medically Needy Income Level for Elderly, Blind, and Disabled Recipients						
Percentage effect of asset change: Elderly			4.3%	4.3%	4.3%	
Percentage effect of asset change: Disabled			2.0%	2.0%	2.0%	
Projected enrollment effect of asset change: Elderly			1,923	1,979	2,034	
Projected enrollment effect of asset change: Disabled			2,122	2,189	2,257	
Phase-in for enrollment change:			45.8%	100.0%	100.0%	
Enrollment change with phase-in: Elderly			882	1,979	2,034	
Enrollment change with phase-in: Disabled			973	2,189	2,257	
Projected Monthly Costs: Basic care cost projections are based on expected managed care costs for Elderly recipients in the community. Average costs for the Disabled are based on average projected MA basic care costs for non-institutionalized Medicare-MA dual eligibles. Medicare premium costs are based on current MA forecasts for Medicare average buy-in costs.						
			FY 2016	FY 2017	FY 2018	FY 2019
Basic Care Coverage						
Elderly			\$1,031.00	\$1,082.00	\$1,136.00	
Disabled			\$652.58	\$685.21	\$719.47	
Medicare Premiums						
Elderly			\$156.97	\$167.87	\$178.78	
Disabled			\$114.42	\$117.85	\$121.39	
Added Costs						
Elderly basic care			10,906,583	25,698,543	27,730,228	
Elderly Medicare premiums			1,660,530	3,987,074	4,364,093	
Disabled basic care			7,617,233	18,002,974	19,481,955	
Disabled Medicare premiums			1,335,561	3,096,343	3,287,013	
Total added MA costs		0	21,519,907	50,784,934	54,863,289	
Federal share %		50.00%	50.00%	50.00%	50.00%	
Federal share		0	10,759,954	25,392,467	27,431,644	
State share		0	10,759,954	25,392,467	27,431,644	

Fiscal Analysis of HF559-0: Increase MA Medically Needy Income Level for Elderly, Blind, and Disabled Recipients

C. Effect of Asset Test Change on Nursing Facility and EW Recipients

NF base forecast:		FY 2016	FY 2017	FY 2018	FY 2019
NF average recipients		14,905	15,023	14,935	14,926
NF paid days		4,891,608	5,007,255	4,972,838	4,961,164
NF payments per day		\$169.54	\$192.76	\$200.30	\$209.75
NF Payments		829,300,365	965,175,193	996,081,065	1,040,618,138
NF recipient increase		0	51	51	51
Phase-in percentage			75.0%	100.0%	100.0%
NF recipient increase phased in		\$0.00	\$38.31	\$50.78	\$50.75
Additional NF paid days		\$0.00	\$12,768.50	\$16,907.65	\$16,867.96
NF payments per day		\$169.54	\$192.76	\$200.30	\$209.75
Additional NF Payments		0	2,461,197	3,386,676	3,538,102
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		0	1,230,598	1,693,338	1,769,051
State share		0	1,202,541	1,654,730	1,728,716
County share		0	28,058	38,608	40,334
EW base forecast:		FY 2016	FY 2017	FY 2018	FY 2019
EW average recipients		23,261	24,159	25,001	25,888
EW recipient increase			82	85	88
Phase-in percentage			75.0%	100.0%	100.0%
EW recipient increase phased in		0	62	85	88
EW HMO payment per month		\$1,345.06	\$1,425.39	\$1,514.76	\$1,622.78
Additional EW Payments (E&D Basic Care)		0	1,053,737	1,545,142	1,714,040
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		0	526,869	772,571	857,020
State share		0	526,869	772,571	857,020
Basic care costs for added NF and EW recipients: Projected monthly costs are based on projected elderly HMO rates for institutional recipients (NF) and for elderly HMO rates for recipients in the community (EW). Costs for Medicare premiums are included for both groups.					
		FY 2016	FY 2017	FY 2018	FY 2019
Additional NF avg. recipients		0	38	51	51

Fiscal Analysis of HF559-0: Increase MA Medically Needy Income Level for Elderly, Blind, and Disabled Recipients					
Additional EW avg. recipients		0	62	85	88
Basic care avg. monthly for NF recipients		\$298.16	\$309.19	\$324.64	\$340.89
Basic care avg. monthly for EW recipients		\$994.00	\$1,031.00	\$1,082.00	\$1,136.00
Medicare premiums for NF and EW recip.		\$143.85	\$156.97	\$167.87	\$178.78
Additional costs for NF recipients		0	214,295	300,110	316,460
Additional costs for EW recipients		0	878,224	1,274,942	1,388,721
Total additional costs (E&D Basic Care)		0	1,092,518	1,575,053	1,705,181
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		0	546,259	787,526	852,591
State share		0	546,259	787,526	852,591
Fiscal Summary (\$000s)		FY 2016	FY 2017	FY 2018	FY 2019
LTC Facilities Asset change: NF costs		0	1,203	1,655	1,729
LTC waivers Asset change: EW costs		0	527	773	857
Elderly & Disabled Basic Care Reduced Spenddowns		0	14,033	14,616	15,221
Elderly & Disabled Basic Care Asset change: MA enrollment		0	10,760	25,392	27,432
Elderly & Disabled Basic Care Asset change: NF & EW recipients		0	546	788	853
MA Costs: State share total		0	27,069	43,223	46,091

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019
MA	33 ED	MA Grants		27,069	43,223	46,091
GF	11	Systems (MAXIS)		3	1	1

Fiscal Tracking Summary (\$000s)						
		Total Net Fiscal Impact		27,072	43,224	46,092
		Full Time Equivalents				

Long-Term Fiscal Considerations

Costs to the Medical Assistance program would be ongoing

Local Fiscal Impact

This bill will have an annualized impact of about \$40,000 per year on counties.

References/Sources

DHS Reports and Forecasts

February 2016 Forecast

Agency Contact: Patrick Hultman 651.431.4311

Agency Fiscal Note Coordinator Signature: Don Allen

Phone: 651 431-2932

Date: 3/28/2016 2:44:05 PM

Email: Don.Allen@state.mn.us