

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6208

BILL NUMBER: SB 91

DATE PREPARED: Apr 6, 1999

BILL AMENDED: Apr 5, 1999

SUBJECT: Medicaid eligibility; Personal Needs Allowance.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: **GENERAL**
DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Medicaid Eligibility:* This bill provides that an irrevocable trust, an irrevocable prepaid funeral agreement, or a life insurance policy that provides money for the burial of an individual may not be considered as a resource in determining the individual's eligibility for Medicaid if the value of the irrevocable trust, irrevocable prepaid funeral arrangement, or life insurance policy does not exceed \$10,000. (Current law exempts these instruments from consideration as a resource in determining an individual's eligibility for Medicaid if the value of the instrument does not exceed \$1,400.)

Personal Needs Allowance: The bill also provides for a \$50 personal needs allowance.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) *Medicaid Eligibility:* According to the Office of Medicaid Policy and Planning (OMPP), there would be no fiscal impact to the provision regarding Medicaid eligibility due to current practice.

Personal Needs Allowance: The total estimated cost to the State of increasing the personal needs allowance from \$35 per month to \$50 per month for institutionalized individuals is about \$4.111 million for FY2000 and \$4.226 million for FY2001.

Residents of nursing facilities, intermediate care facilities for the mentally retarded (ICFs/MR), and individuals receiving assistance through the Assistance to Residents of County Homes (ARCH) and Room and Board Assistance (RBA) programs are allowed a monthly personal needs allowance of \$35 for FY99. In the case of an RBA or ARCH recipient with no income, the State pays the recipient the personal needs allowance. This amount is not considered income to the individual in the determination of eligibility and is for the exclusive use of the recipient for personal needs.

Based on current numbers of Medicaid recipients in state operated facilities, group homes, nursing facilities, and recipients of residential assistance in the ARCH and RBA programs (State funded programs with no Medicaid dollars), the total additional cost from increasing the personal needs allowance by \$15 per month (to a total of \$50) would be about \$10.085 million for FY2000. This would represent about \$5.974 million in federal share and about \$4.111 million in state dollars. (This is based on estimated FY2000 Medicaid Program cost shares of 61.01% federal and 38.99% state. As part of the impact to the state, the cost of changing the personal needs allowance for the 1,632 ARCH/RBA recipients is about \$294,000 and would be funded solely from state funds.)

This estimate would be overstated to the extent that some individuals in the Medicaid Program would have zero income. Increasing the personal needs allowance for an individual with no income would not affect state costs.

Note: Although the personal needs allowance for Medicaid eligible individuals residing in community residential facilities for the developmentally disabled (CRFs/DD) is not specifically addressed in the bill, the fiscal impact, above, includes a \$50 personal needs allowance for these individuals, as well.

Explanation of State Revenues: (Revised) See Explanation of State Expenditures, above, regarding federal revenues in the cost-shared Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration

Local Agencies Affected:

Information Sources: Cindy Stamper, Family and Social Services Administration, 232-4966; Bob Hornyak, Aging/In Homes Services, 232-7020; Lauren Polite, FSSA, 232-1149.