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FISCAL IMPACT STATEMENT

LS 6035

BILL NUMBER: SB 539

NOTE PREPARED: Jan 14, 2009

BILL AMENDED:

SUBJECT: Medicaid Income Spend-down Pay-in Option.

FIRST AUTHOR: Sen. Simpson

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill requires (instead of allows) the Office of Medicaid Policy and Planning to apply to the federal government for an amendment to the state's Medicaid Plan to allow a Medicaid recipient to elect to participate in the pay-in option in the state's Medicaid spend-down program. The bill repeals the current noncode act on the same subject.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill would require the Office of Medicaid Policy and Planning (OMPP) to submit a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS) and amend the existing state spend-down rule in order to add a pay-in option to Medicaid. The State Plan Amendment and the administrative rule changes could be accomplished within the existing level of resources available to OMPP.

Under the pay-in option, the state would receive direct payments from recipients to meet their monthly, or possibly, some portion of the monthly spend-down obligation. These funds would be used to pay for Medicaid covered and non-covered services incurred before the recipient becomes eligible for Medicaid each month.

This bill would not affect the amount of spend-down Medicaid recipients pay. However, it would require additional administrative expenditures for OMPP to implement the pay-in option. The inclusion of a pay-in option as an additional method to meet the spend-down obligation would require some modifications to the Medicaid claims processing system (AIM), revisions to the Indiana Client Eligibility System (ICES), and the addition of a system to collect the spend-down pay-in amounts. Estimates of the cost of modifications to the

AIM system and ICES are not known at this time.

The pay-in could operate similarly to the premium collection process for the Children's Health Insurance Program (CHIP) and M.E.D. Works, or the Healthy Indiana Plan (HIP) required power account payments. A contractor collects and tracks the payment of the premiums in those programs. The cost of adding a spend-down pay-in program to those services is not known at this time. The spend-down program would differ from the other programs, requiring a monthly invoice that would vary from month to month. [This information will be updated when information is made available by FSSA.]

OMPP reports that Qualified Medicare Beneficiaries (QMBs) participating in the pay-in option would be required to be included in the Medicare prescription drug "clawback" obligation, increasing the amount paid to Medicare. (QMBs are Medicare beneficiaries for whom Medicaid pays Medicare premiums, coinsurance, and deductibles.) This is \$95 per recipient per month. There were 25,095 QMBs participating in spend-down requirements in FY 2008.

The bill could increase the amount of services individuals must receive before meeting their spend-down requirements to become eligible for Medicaid services each month. If an individual uses the pay-in option, the state would reimburse providers for all spend-down billed services at Medicaid payment rates, while if the individual incurs the expenses before they become eligible for Medicaid, the services would likely be billed at higher rates applicable to private payers. The spend-down pay-in option is not a premium; if the individual does not incur medical services to the level of the pay-in, the balance becomes refundable or it may be applied to a future month.

There was an average of 37,854 members per month that had spend-down obligations during FY 2008. The number of individuals that would use a pay-in option is unknown.

Background on Spend-Down: Spend-down is a provision that allows the elderly or persons receiving SSI whose income exceeds the Medicaid financial eligibility standard to receive some Medicaid assistance. The amount that income exceeds the eligibility standard is the amount of the spend-down required before the applicant becomes eligible for Medicaid each month. The current standard is \$637 per month for a single applicant and \$956 per month for a couple. Obligations incurred (but not necessarily paid), must be for medical expenses that are not subject to or paid by insurance, although payments made by state or local programs will count toward an applicant's monthly spend-down obligation. Once the spend-down obligation is met for the month, Medicaid pays for any other covered services incurred in that month.

Documentation of spend-down obligations was previously done on a manual basis by the recipients with the local Offices of Family Resources until January 2006, when OMPP implemented a new system that treats the spend-down obligation in a manner similar to an insurance deductible. Medical providers file their claims with Medicare or other insurers first. A Medicaid claim is filed once Medicare or other insurers have processed the claim. Medicaid deducts the spend-down amount from the claim and notifies the provider that they may bill the patient for the amount that Medicaid does not pay. In certain other circumstances, the recipient must still provide bills or receipts to their local Office of Family Resources.

Medicaid is jointly funded by the state and federal governments. The state share of program expenditures is approximately 37%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 63%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: Under the pay-in option, the state would receive direct payments from recipients to meet their monthly, or possibly some portion of the monthly, spend-down obligation. These funds would be used to pay for Medicaid covered and non-covered services. Federal financial participation (FFP) would not be available for these expenditures; it is available only for state expenditures in excess of the individual's spend-down pay-in amount.

See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: OMPP, Family and Social Services Administration, and the Health Assistance Partnership website at: http://www.healthassistancepartnership.org/assets/pdfs/Pay-in_Option3611.pdf

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