

HF225 - 1E - "Med Asst Asset and Spenddown Limits Incr "

Chief Author: **Nick Zerwas**
 Committee: **Health and Human Services Finance**
 Date Completed: **02/28/2017**
 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) Dollars in Thousands	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	21,114	52,704	57,427	61,103
Total	-	21,114	52,704	57,427	61,103
Biennial Total			73,818		118,530

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
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: 2/28/2017 12:50:51 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		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	21,114	52,704	57,427	61,103	
Total	-	21,114	52,704	57,427	61,103	
	Biennial Total		73,818		118,530	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	21,114	52,704	57,427	61,103	
Total	-	21,114	52,704	57,427	61,103	
	Biennial Total		73,818		118,530	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
	Biennial Total		-		-	

Bill Description

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

Under current law, those who have an aged, blind, and disabled basis of eligibility for MA have an income limit of 100 percent of FPG, but if a person’s income is above that limit may gain eligibility through the medically needy or spend down standard which is currently 80 percent of FPG. The medically needy limit is reached by reducing an applicant’s income by the amount of incurred medical expenses. This language would increase the medically needy standard to 100 percent of FPG which would reduce the amount of medical bills a recipient needs to incur before the MA program begins to pay claims.

Those with an aged, blind, and disabled basis of eligibility in MA also have a countable asset limit of \$3,000 for an individual and \$6,000 for a couple. People with assets in excess of these limits must reduce their assets before they are eligible for the program. This legislation would raise the asset limit to \$10,000 for an individual and \$18,000 for a couple.

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 updates to the income tables within DHS eligibility systems and an additional batch job to convert current enrollee spenddown amounts to the new standard outlined in this legislation. The state share of costs for systems work needed to implement this proposal is reflected in this estimate.

This legislation as currently drafted has an effective date of July 1, 2017. MN-IT staff have advised the bill author and house staff that the systems work required to implement the bill cannot be completed until October 1, 2017 and the author has indicated a willingness to amend the bill to accommodate the timing for completion of this work. This fiscal note assumes an October 1, 2017 effective date.

Part A of the expenditure detail shows the effect from reducing or eliminating the spenddown for current enrollees. The total value of the medical spenddown between the current medically needy limit of 80 percent of FPG and the proposed limit of 100 percent FPG in a household of two is equal to \$271 monthly. Based on enrollee data from May 2016, DHS anticipates that the proposed changes would reduce or eliminate the medical spenddown for about 12,000 aged, blind, and disabled MA recipients by FY2019.

Part B details the effect of raising the asset limit on the population with incomes below the current eligibility limit of 100% of FPG but with assets exceeding the current limits. Existing data show that 13 percent of the elderly and 6 percent of disabled MA population receiving Medicare supplement only coverage with incomes between 100% and 120% of federal poverty have assets over the current limits of \$3,000 for an individual and \$6,000 for a couple but below the \$10,000 and \$18,000 limits prescribed in this bill. 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. Costs for basic care coverage are based on the expected managed care costs for recipients over 65 residing in the community and the cost of dual eligible recipients with a disabled basis of eligibility. It is assumed that 90 percent of newly eligible people with a disabled basis of eligibility are eligible for Medicare.

Part C of the expenditure detail 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 as permitted by recent legislation. Projected costs are based on projected managed care rates for these groups.

Additional enrollment resulting from changes to the asset limit and income eligibility standards will also increase the number of persons with current Medicare coverage who will become dually eligible for MA and Medicare. As part of the Medicare Prescription Drug Improvement and Modernization Act of 2003, states must provide "clawback" payments to the federal government for all dually eligible persons receiving drug coverage through a Medicare part D plan. The cost of these additional payments is reflected in this estimate.

The bill 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

Minnesota			
MEDICAL ASSISTANCE			
Fiscal Analysis of HF225 1E			
Increase MA Medically Needy Income Level and Asset Limits			
for Elderly, Blind, and Disabled Recipients			
A. Effect on Spenddown			
Existing standards for FY 2017 are as follows:			
			Difference
Household	Eligibility	Spenddown	from 80% FPG
Size	Standard	Standard	to
	@ 100% FPG	@ 80% FPG	100% FPG
1	\$990	\$792	\$198
2	\$1,335	\$1,068	\$267
3	\$1,680	\$1,344	\$336
4	\$2,025	\$1,620	\$405
5	\$2,370	\$1,896	\$474
6	\$2,715	\$2,172	\$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%			
Household	Monthly Difference from 80% to 100% FPG				
Size		FY 2018	FY 2019	FY 2020	FY 2021
1		\$201	\$204	\$207	\$210
2		\$271	\$275	\$279	\$283
3		\$341	\$346	\$351	\$356
4		\$411	\$417	\$423	\$429
5		\$481	\$488	\$495	\$502
6		\$551	\$559	\$567	\$576
3+ weighted avg		\$397	\$403	\$409	\$414
As of May 2016 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 2017 forecast.					
Household		Disabled			
Size	Elderly	or Blind		Total	
1	4,061	6,685		10,746	
2	358	314		672	
3+	-	33		33	
Total	4,419	7,032		11,451	
Household					
Size		FY 2018	FY 2019	FY 2020	FY 2021
Difference to 100% FPG					
1		\$201	\$204	\$207	\$210
2		\$271	\$275	\$279	\$283
3+ weighted avg		\$397	\$403	\$409	\$414
	May 2016	FY 2018	FY 2019	FY 2020	FY 2021
Recipient trend:					
Elderly		7.2%	2.6%	2.9%	2.9%
Disabled		0.0%	1.5%	2.3%	2.1%
Average Recipients with Spenddown Reduced or Eliminated					
Household					
Size					
Elderly					
1	4,061	4,353	4,466	4,597	4,730
2	358	384	394	406	418

3+	0	0	0	0	0
Total	4,419	4,737	4,860	5,003	5,148
Disabled					
1	6,685	6,685	6,785	6,940	7,082
2	314	314	319	326	333
3+ Wtd. Avg.	33	33	33	34	35
Total	7,032	7,032	7,137	7,300	7,450
Total Annual Cost for Medical Spenddowns					
Phase-in		75%	100%	100%	100%
Elderly					
1		\$7,874,577	\$10,932,768	\$11,418,948	\$11,919,600
2		\$936,576	\$1,300,200	\$1,359,288	\$1,419,528
3+		\$0	\$0	\$0	\$0
Total		\$8,811,153	\$12,232,968	\$12,778,236	\$13,339,128
Disabled					
1		\$12,093,165	\$16,609,680	\$17,238,960	\$17,846,640
2		\$765,846	\$1,052,700	\$1,091,448	\$1,130,868
3+ Wtd. Avg.		\$117,909	\$159,509	\$166,709	\$174,069
Total		\$12,976,920	\$17,821,889	\$18,497,117	\$19,151,577
		FY 2018	FY 2019	FY 2020	FY 2021
Total MA Cost for Reduced Medical Spenddowns		\$21,788,073	\$30,054,857	\$31,275,353	\$32,490,705
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		10,894,037	15,027,428	15,637,676	16,245,353
State share		10,894,037	15,027,428	15,637,676	16,245,353

B. Effect on Population Under 100% FPG from Asset Limit					
A 12-month phase-in is assumed for this effect.					
		FY 2018	FY 2019	FY 2020	FY 2021
Current-Law Monthly Average Enrollment					
Non-institutional Elderly and Disabled Under 100% FPG					
Elderly		43,401	44,810	46,267	47,751
Disabled		106,788	108,483	111,051	113,409
Percentage effect of asset change:					
Elderly		4.3%	4.3%	4.3%	4.3%
Disabled		2.0%	2.0%	2.0%	2.0%
Projected enrollment effect of asset change:					

Elderly		1,866	1,927	1,989	2,053
Disabled		2,136	2,170	2,221	2,268
Phase-in for enrollment change:		50%	100%	100%	100%
Phase-in for October 2017 implementation:		56.25%	96.88%	100%	100%
Enrollment change with phase-in:					
Elderly		525	1,867	1,989	2,053
Disabled		601	2,102	2,221	2,268
Projected Monthly Costs					
		FY 2018	FY 2019	FY 2020	FY 2021
Basic Care Coverage					
Elderly		\$1,164.21	\$1,231.68	\$1,303.14	\$1,378.70
Disabled		\$690.00	\$724.50	\$760.73	\$798.76
Medicare Premiums					
Elderly		\$170.98	\$181.50	\$192.02	\$202.55
Disabled		\$124.68	\$128.00	\$130.56	\$133.17
Added Costs					
Elderly basic care		\$7,332,829	\$27,589,034	\$31,111,091	\$33,970,491
Elderly Medicare premiums		\$1,076,925	\$4,065,512	\$4,584,275	\$4,990,733
Disabled basic care		\$4,973,660	\$18,273,532	\$20,274,975	\$21,740,776
Disabled Medicare premiums		\$898,719	\$3,228,450	\$3,479,708	\$3,624,636
Total added MA costs		\$14,282,133	\$53,156,527	\$59,450,049	\$64,326,636
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		\$7,141,067	\$26,578,263	\$29,725,025	\$32,163,318
State share		\$7,141,067	\$26,578,263	\$29,725,025	\$32,163,318
Medicare Clawback Costs					
Added recipients for clawback					
Elderly (100%)		525	1,867	1,989	2,053
Disabled (90%)		541	1,892	1,999	2,041
Average monthly clawback cost		\$162.60	\$165.86	\$169.17	\$172.56
Medicare Clawback Cost		\$2,078,992	\$7,480,212	\$8,096,629	\$8,478,876

C. Effect of Asset Test Change on Nursing Facility and EW Recipients					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
NF base forecast:					
NF average recipients	14,721	14,673	14,616	14,775	14,916
NF paid days	4,887,413	4,895,838	4,867,419	4,922,340	4,948,551
NF payments per day	\$192	\$199	\$208	\$214	\$220
NF Payments	940,812,138	974,957,989	1,014,414,912	1,052,737,728	1,090,877,828
NF recipient increase	0.34%	50	50	50	51

Phase-in for eligibility effect:		50.0%	100.0%	100.0%	100.0%
Phase-in for October 2017 implementation:		56.25%	96.88%	100.00%	100.00%
NF recipient increase phased in		14	48	50	51
Additional NF paid days		4,682	16,032	16,736	16,825
NF payments per day		\$199	\$208	\$214	\$220
Additional NF Payments		932,304	3,341,229	3,579,308	3,708,985
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		466,152	1,670,615	1,789,654	1,854,492
State share		455,524	1,632,525	1,748,850	1,812,210
County share		10,628	38,090	40,804	42,282
EW base forecast:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
EW average recipients	24,348	25,564	26,462	27,439	28,470
EW recipient increase	0.34%	87	90	93	97
Phase-in for eligibility effect:		50.0%	100.0%	100.0%	100.0%
Phase-in for October 2017 implementation:		56.25%	96.88%	100.00%	100.00%
EW recipient increase phased in		24	87	93	97
EW payment per month		\$1,470	\$1,559	\$1,629	\$1,703
Additional EW Payments (E&D Basic Care)		431,117	1,630,616	1,823,840	1,977,839
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		215,559	815,308	911,920	988,919
State share		215,559	815,308	911,920	988,919
Basic care costs for added NF and EW recipients					
		FY 2018	FY 2019	FY 2020	FY 2021
Additional NF avg. recipients		14	48	50	51
Additional EW avg. recipients		24	87	93	97
Basic care avg. monthly for NF recipients		\$349	\$370	\$391	\$414
Basic care avg. monthly for EW recipients		\$1,164	\$1,232	\$1,303	\$1,379
Medicare premiums for NF and EW recip.		\$171	\$182	\$192	\$203
Additional costs for NF recipients		87,594	318,311	351,420	374,978
Additional costs for EW		391,674	1,478,060	1,673,848	1,836,742

recipients					
Total additional costs (E&D Basic Care)		479,268	1,796,371	2,025,268	2,211,720
Federal share %		50.00%	50.00%	50.00%	50.00%
Federal share		239,634	898,186	1,012,634	1,105,860
State share		239,634	898,186	1,012,634	1,105,860
Medicare Clawback Costs					
Added NF or EW average recipients		38	135	144	148
Average monthly clawback cost		\$162.60	\$165.86	\$169.17	\$172.56
Medicare Clawback Cost		\$75,076	\$269,292	\$291,367	\$305,457

Fiscal Summary		FY 2018	FY 2019	FY 2020	FY 2021
		(000)	(000)	(000)	(000)
LTC Facilities					
Asset change: NF costs		\$456	\$1,633	\$1,749	\$1,812
LTC waivers					
Elderly & Disabled Basic Care					
Reduced Spenddowns		\$10,894	\$15,027	\$15,638	\$16,245
Asset change: MA enrollment		\$7,141	\$26,578	\$29,725	\$32,163
Asset change: EW managed care		\$216	\$815	\$912	\$989
Asset change: NF & EW recipients		\$240	\$898	\$1,013	\$1,106
Asset change: Medicare clawback		\$2,154	\$7,750	\$8,388	\$8,784
MA Costs: State share total		\$21,100	\$52,701	\$57,424	\$61,100

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	33-ED	MA Grants	21,100	52,701	57,424	61,100
GF	11	Systems (MAXIS @ 55%)	14	3	3	3
		Total Net Fiscal Impact	21,114	52,704	57,427	61,103
		Full Time Equivalents				

Long-Term Fiscal Considerations

As shown in out-biennium trend.

Local Fiscal Impact

This legislation increases MA eligibility for people under 65, and a small portion of this population does receive nursing facility services. Under Minnesota Statutes 256B.19 subdivision 1, counties are responsible for 20 percent of the nonfederal share of nursing facility costs incurred for MA recipients under 65 years of age for stays exceeding 90 days. The estimated fiscal impact to counties for nursing facility stays in excess of 90 days for the under 65 population is included in the expenditure detail and amounts to roughly \$40,000 per year state-wide.

References/Sources

DHS Reports and Forecasts Division, February 2017 MA Forecast.

Agency Contact: Patrick Hultman (651) 431-4311

Agency Fiscal Note Coordinator Signature: Don Allen

Phone: 651 431-2932

Date: 2/27/2017 9:26:50 AM

Email: Don.Allen@state.mn.us