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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/06

SPONSOR Leavell LAST UPDATED _____ HB _____

SHORT TITLE Impact of Facility-Based Care on Medicaid SB SM 9

ANALYST Lewis

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	NFI*		

(Parenthesis () Indicate Expenditure Decreases)
*See narrative.

Duplicates HM 4

SOURCES OF INFORMATION

LFC Files

Responses Received From

Aging and Long-Term Services Department (ALTSD)

Human Services Department (HSD)

Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

Senate Memorial 9 requests that the Aging and Long-Term Services Department conduct a study, in cooperation with the Human Services Department and the appropriate statewide organizations representing aging and long-term services, on the financial impact of facility-based and home- and community-based long-term care on the Medicaid budget and identify alternative models of financing long-term care.

The memorial further requests that:

- the study identify appropriate incentives to encourage self-care and the use of insurance, explore potential ways to limit asset identification and asset transfer and promote maximum Medicaid estate recovery;
- the Aging and Long-Term Services Department support the efforts of a statewide organization representing the needs of people with Alzheimer's disease, and other organizations as appropriate, to hold a conference exploring alternative models of financing long-term care services;

- the Aging and Long-Term Services Department develop recommendations on implementation of alternative mechanisms of financing long-term care services and report the findings and recommendations to the Legislative Health and Human Services Committee in October 2006; and
- copies of the memorial be transmitted to the Secretaries of Aging and Long-Term Services and Human Services.

FISCAL IMPLICATIONS

No funds are appropriated to pay for the study. According to the Aging and Long-Term Services Department (ALTSD), there would be minimal fiscal impact to pay for travel and per diem for committee members as well as the cost of putting on a conference. ALTSD believes it can absorb these additional costs.

However, Human Services Department (HSD) argues that HSD reimburses ALTSD for administrative costs relating to Medicaid long-term care, so that the HSD budget will be impacted in terms of staff time and administrative costs for both departments. HSD estimates that the impact on staffing would be the addition of one-half (0.50) full time equivalent (FTE) for program responsibilities (at 50% federal match), with additional staffing impact on ALTSD. Without providing any breakdown of costs, HSD estimates the total cost of the study at \$500,000.

SIGNIFICANT ISSUES

Citing a Kaiser Foundation report titled “Long-Term Care: Understanding Medicaid’s Role for the Elderly and Disabled” (November 2005), the Health Policy Commission (HPC) notes that Medicaid is the single largest source of financing for long-term care. With payments of \$86.3 billion in 2003, Medicaid accounted for nearly half of the nation’s spending on long-term care services.

Noting that the number of Americans age 85 and above is projected to double by 2030 and to quadruple by 2050, the report predicts increasing demand for nursing home and other long-term care services. This increasing demand, combined with trends toward smaller families, higher divorce rates and higher costs for care giving will result in increased pressure on the public programs that currently finance long-term care.

ALTSD worked with other entities and individuals on a preliminary study of “Alternatives to Medicaid Financing for Long-Term Care 2005” that was reported to the Legislative Health and Human Services Committee (LHHS) in November 2005. ALTSD notes that several options have gained prominence nationally as viable methods for alternative financing for long-term care, including long-term care insurance, state “partnerships” for long-term care insurance, annuities, life insurance with long-term care provisions, long-term care insurance offered through employment or unions, and reverse mortgages.

HSD counters that the target audiences for these insurance products are the middle and upper middle-income groups, and that these individuals are already using Medicaid trusts and other mechanisms to legally shelter their income and assets so they can qualify for Medicaid. According to HSD, Congress has begun to analyze the programs and structures that allow upper income individuals to obtain public benefits that were originally intended for poor and low-income individuals and families.

According to HSD, the preliminary study noted above by ALTSD was the product of an ad hoc task force initiated by individuals from the public and private sectors to pursue the issues in a memorial, SM 35, that was introduced but not enacted in 2005. HSD representatives attended the task force meetings as observers only. HSD describes this memorial as an attempt by members of that ad hoc task force to formalize its recommendations.

As the single state Medicaid agency, HSD notes that it is cognizant of the cost of long-term care and continues to work on initiatives to lower Medicaid's long-term care costs. However, HSD questions whether the single state Medicaid agency should be involved in promoting private long-term care insurance, partnership policies, annuities, reverse home mortgages, and tax breaks for those who can afford to purchase these products.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to HSD, individuals interested in pursuing the items delineated in the memorial would work with the private insurance industry for availability and/or purchase of those items. Individuals who qualify for Medicaid would continue to access Social Security Title XIX Medicaid benefits.

ML/nt