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FISCAL IMPACT REPORT

SPONSOR:	Heaton	DATE TYPED:	2/15/00	HB	253/aHAFC
SHORT TITLE:	Health Care Services for Senior Citizens			SB	
				ANALYST:	Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact	Recurring	Fund
FY00	FY01	FY00	or Non-Rec	Affected
	See narrative		Recurring	GF

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to SB 273, SB2

SOURCES OF INFORMATION

LFC files

Health Policy Commission

State Agency on Aging

Human Services Department

SUMMARY

Synopsis of Amendment

The House Appropriations and Finance Committee amendment to HB253 changes the appropriation from \$2,353.0 from the general fund to \$1,000.0 from the operating reserve. The appropriation is made contingent upon the human services department receiving a waiver from the United States Health Care Financing Administration (HCFA) to add a prescription benefit for persons 65 and older to the state medicaid plan.

Technical Issues with HAFC amendment

Amendment 4 has a technical error. Where it reads the "services department" it should read "human services department".

Significant Issues

With the HAFC amendment, the bill tracks with the budget proposed in SB2.

FISCAL IMPLICATIONS OF HAFC AMENDMENT

The bill provides a \$1 million contingent appropriation from the general fund operating reserve. It is unknown whether or not the United States HCFA would approve the waiver as, according to the health policy commission (HPC) several other states have applied for such a waiver and HCFA has not yet acted on those applications. It is also unknown how quickly HCFA would respond to the request. The one million dollars in state funds would leverage an additional \$2.8 million in federal funds, if the waiver is approved. This would be sufficient to cover the costs of providing the additional prescription benefit according to an analysis prepared by the HPC.

Synopsis of Bill

HB 253 appropriates \$2,355.0 from the general fund to the Human Services Department to provide Medicaid coverage for persons 65 years and older whose incomes are less than 100% of the federal poverty level (FPL).

Significant Issues

HB 253 targets those individuals whose income exceed the eligibility for Supplemental Security Income program (SSI) of 72.4% FPL but have income less than 100% FPL. According to the Health Policy Commission (HPC), the bill as written provides for full Medicaid coverage for approximately 7200 persons. However, analysis also considers limiting the program to prescription cost only. (See attached documentation from the HPC)

FISCAL IMPLICATIONS

GF appropriation of \$2,355.0 to HSD which would translate to a total of \$8,968.0 including federal funds. HSD estimates that the program costs will be \$10,375.0 based on a 5% growth rate. This leaves a shortfall of \$1,407.0. Additionally HSD estimates that \$200.0 (\$100.0 GF) would be required for start up costs and administration. HSD estimates that there is a \$475.4 shortfall in GF.

ADMINISTRATIVE IMPLICATIONS

According to HSD 42 CFR 435.201 allows the state to optionally implement coverage on individuals age 65

and older up to 100% of FPL

HSD would be required to complete all of the tasks associated with implementation of a new program. This includes re-programming the Medicaid Management Information System, ISD-2 eligibility system, state plan amendments, training, outreach efforts, providers, and Managed Care Organizations.

Minnesota, Maine and Michigan are pursuing HCFA waivers for pharmacy benefits only for low income seniors through Medicaid .

OTHER SUBSTANTIVE ISSUES

According to the Health Policy Commission:

- Most seniors qualify for Medicare; however, Medicare does not cover prescription medications. The fastest growing cost of health care is prescription drugs.
- The average out of pocket drug expenditure for all Medicare beneficiaries is estimated at \$475 per year and has a greater impact on individuals whose income is less than poverty.
- Nationally, 65% of Medicare beneficiaries had supplemental drug coverage. However, half of beneficiaries spending \$500 or more in out of pocket costs for prescriptions had some type of supplemental drug coverage.
- Seniors who qualify for SSI (Supplemental Security Income) are automatically eligible for Medicaid.
- Seniors with higher income may qualify for Medicaid if they meet the requirements of the institutional-term care or waiver categories.
- Medicare recipients with incomes less than 100% of poverty qualify through the Qualified Medicare Beneficiary (QMB) to have Medicare Part A deductible, Medicare Part B premium, Medicare Part B deductible and coinsurance paid for by Medicaid. QMB only individuals are not eligible for other Medicaid benefits such as medical prescriptions.
- Seniors enrolled in Medicare manage care plans may have prescription drug coverage, however, this is not a required benefit. Nationally 15% of Medicare beneficiaries were enrolled in Medicare plans.
- As of 1997, 14 states had implemented **state only programs** (no federal fund participation) to cover prescription medications. The advantage of a state only program is that it can be limited to appropriated dollars since it does not create an entitlement.

BD/prr