# Department of Planning and Budget
## 2012 Fiscal Impact Statement

1. **Bill Number:** HB 1090

| | | | |
|---|---|---|---|
| **House of Origin** | ☐ Introduced | ☒ Substitute | ☐ Engrossed |
| **Second House** | ☐ In Committee | ☐ Substitute | ☐ Enrolled |

2. **Patron:** O'Bannon

3. **Committee:** Appropriations

4. **Title:** Medicaid eligibility; determination of assets

5. **Summary:** The substitute bill provides that for the purpose of determining eligibility for Medicaid, the sale or transfer of real property at a price that is less than the assessed value of the property shall be considered an uncompensated transfer of assets equal to the amount of the difference between the assessed value of the property and the amount received from the sale or transfer. However, in the following situations a sale or transfer of less than the assessed value of the property shall not be considered an uncompensated transfer of assets: (i) if the price is equal to or greater than the value of the property as determined by a certified appraisal, (ii) at a price obtained in an arm's length transaction after listing the property on a multiple listing service, (iii) if the sale or transfer is pursuant to a court order, or (iv) if it is made for reasons exclusive of becoming or remaining eligible for long-term care services in Medicaid.

6. **Budget Amendment Necessary**: Yes, Item 307, Service Area 45610.

7. **Fiscal Impact Estimates:** Final.

**7a. Expenditure Impact:**

| *Fiscal Year* | *Dollars* | *Positions* | *Fund* |
|---|---|---|---|
| 2012 | - | - | - |
| 2012 | - | - | - |
| 2013 | $483,537 | - | GF |
| 2013 | $483,537 | - | NGF |
| 2014 | $1,482,185 | - | GF |
| 2014 | $1,482,185 | - | NGF |
| 2015 | $2,530,810 | - | GF |
| 2015 | $2,530,810 | - | NGF |
| 2016 | $3,125,771 | - | GF |
| 2016 | $3,125,771 | - | NGF |
| 2017 | $3,236,111 | - | GF |
| 2017 | $3,236,111 | - | NGF |
| 2018 | $3,350,346 | - | GF |
| 2018 | $3,350,346 | - | NGF |

8. **Fiscal Implications:** The proposed bill would expand Medicaid coverage for certain individuals who would otherwise be ineligible for Medicaid payment of long-term care services due to an uncompensated asset transfer based on the sale of property for less than the tax assessed value rather than, as the bill provides, a certified appraisal and other exceptions listed in the bill.

   Currently, as a part of determination of eligibility for Medicaid payment of long-term care services, the eligibility worker looks back five years for transfers of assets, including real estate transfers. In the case of a real estate transfer the value of the asset is determined by the assessment at the time of the sale. County tax assessments are completed with the intention of finding the true 100 percent market value of the property and are completed, at least every three years, but generally more often. If the sales price is less than the assessment, the difference is considered an uncompensated transfer of assets. In some cases this amount prevents eligibility or delays eligibility for those entering nursing facilities or seeking to receive Medicaid payment of their home and community based waiver services. There is currently available an "Undue Hardship" review of cases, that while not overriding the valuation determination, may result in eligibility being granted.

   The proposed legislation allows for a certified appraisal to replace the county tax assessment as a potential determiner of property value. With this alternative way of determining asset value, the Department of Medical Assistance Services (DMAS) assumes more individuals will provide personally-obtained certified appraisals and thus become eligible for Medicaid and for coverage of nursing facility care or less often Medicaid community based waiver care. Based on past "Undue Hardship" reviews that involve the transfer of real property, DMAS estimates an additional 58 individuals would be newly eligible the first year after the proposed legislation goes into effect. These additional individuals are assumed to enter nursing facilities.

   In addition, the bill allows real property sold or transferred pursuant to a court order to not be considered an uncompensated transfer for the purposed of determining Medicaid eligibility for long-term care services. It is not known to what effect this provision will have, but if it results in additional individuals qualifying for Medicaid as compared to current policy the fiscal impact to the state could be even higher than estimated.

   Nursing facility care costs on average $29,700 per person in state fiscal year 2011 and additional acute care costs for those in nursing facilities was $2,500 per person. The newly eligible are assumed to be enrolled gradually through the year and continue to be enrolled into subsequent years. The number of newly eligible individuals is assumed to grow at 2.0 percent a year and nursing facility and additional acute care costs are assumed to grow at 1.5 percent. DMAS estimates fiscal year 2013 costs to be $1.0 million total funds ($0.5 million GF) and $3.0 million total funds ($1.5 million GF) in fiscal year 2014.

**9. Specific Agency or Political Subdivisions Affected:** Department of Medical Assistance Services.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

**Date:** 2/3/12
**Document:** G:\GA Sessions\2012 Session\HB1090H1.DOC