

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number SB 1325

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Reynolds

3. Committee Education and Health

4. Title Expands Medicaid Coverage for Aged, Blind and Disabled Individuals.

5. Summary/Purpose: The bill expands Medicaid eligibility for aged, blind and disabled individuals from 80 percent of the federal poverty level (FPL) to 100 percent.

Effective July 1, 2001, Medicaid eligibility was expanded to cover aged, blind and disabled individuals (ABD) up to 80 percent of FPL. Prior to this expansion, to qualify for full Medicaid benefits, ABD individuals had to receive Supplemental Security Income (SSI), reside in a long term care facility or be enrolled in a home and community based care waiver.

Currently, non-institutionalized ABDs whose income exceeds 80 percent FPL have to spend down to the medically needy income limits before they can receive full Medicaid benefits. Those ABD individuals between 80 and 100 percent FPL who also qualify for Medicare coverage can enroll for limited Medicaid benefits as a Qualified Medicare Beneficiary (QMB). Under this category of eligibility, ABD individuals receive Medicaid coverage for their Medicare premiums, co-payments and deductibles. They do not, however, receive any coverage for services not covered by Medicare.

Under this legislation, all ABD individuals up to 100 percent of FPL would receive full Medicaid benefits. This would include individuals who do not qualify for Medicare coverage and would have Medicaid as their primary medical care provider.

The bill contains a second enactment clause stating that the provisions of the bill shall not be effective unless there is an appropriation to carry out the purposes of the bill included in the general appropriations act passed by the 2007 Session of the General Assembly.

6. Fiscal Impact Estimates are: Final.

Medical Expenditure Impact: (Service Area 45609)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	40,648,760	N/A	GF
2008	40,648,760	N/A	NGF
2009	103,849,151	N/A	GF
2009	103,849,151	N/A	NGF
2010	135,863,579	N/A	GF
2010	135,863,579	N/A	NGF
2011	150,160,174	N/A	GF
2011	150,160,174	N/A	NGF
2012	162,398,229	N/A	GF
2012	162,398,229	N/A	NGF
2013	175,631,507	N/A	GF
2013	175,631,507	N/A	NGF

Administrative Expenditure Impact: (Service Area 49902)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	54,805	N/A	GF
2008	164,415	N/A	NGF
2009	76,794	N/A	GF
2009	230,381	N/A	NGF
2010	100,809	N/A	GF
2010	302,427	N/A	NGF
2011	113,306	N/A	GF
2011	339,916	N/A	NGF
2012	124,115	N/A	GF
2012	372,343	N/A	NGF
2013	135,468	N/A	GF
2013	406,405	N/A	NGF

7. Budget amendment necessary: Yes, in order for the provisions of this bill to become effective. A budget amendment is needed for FY 2008 in the amounts of \$40,703,565 (GF) and \$40,813,175 (NGF) spread across the two service areas as shown in the expenditure tables in ITEM 6.

8. Fiscal implications: During FY 2006, there was an average of 12,939 individuals enrolled in the 80 percent ABD group. Claims expenditures for this group total \$102.1 million for an estimated average expenditure of \$7,889 per monthly eligible.

The 12,939 number approximates the number of aged, blind and disabled individuals between 74 percent and 80 percent of FPL. An assumption of a similar distribution of individuals in the band of 80 to 100 percent of FPL will result in increased enrollment of 43,130 (12,939 divided by 6 times 20). Based on DMAS' data on the number of QMB-only enrollees (currently limited to ABDs between 80 and 100 percent of FPL) DMAS estimates actual enrollment for the non long-term care population would be closer to 32,700. Historically, it takes several years after an eligibility expansion to reach full enrollment for the new population group. For the ABD group between 80 and 100 percent of FPL there were in FY 2006 18,801 average monthly enrollees who could be immediately enrolled as full benefit dual eligibles and can be used as a proxy for the first year enrollment. The table below shows the projected enrollment assumptions.

Fiscal Year	2008	2009	2010	2011	2012	2013
Projected 80%-100% ABD Enrollment	18,801	24,933	31,066	32,700	33,681	34,691

It is estimated that the cost per enrollee will be approximately \$8,362 for a full year (the \$7,889 FY 2006 cost adjusted for inflation). Multiplying the estimated FY 2006 enrollment times the cost per enrollee results in estimated expenditures of \$157.2 million total funds.

The increase in costs will be offset by:

1. *Decreases in expenditures for the QMB-only population*

Under this proposal, this coverage group would be eliminated since all of the current QMB-only population will become fully eligible for Medicaid and Medicare. In FY 2006 there was \$11.9 million in QMB only expenditures which would partially offset the increase in the expenditures for the eligibility group. Inflating this to FY 2008 costs results in a net reduction in expenditures of \$12.6 million

2. *Decreases in expenditures for the medically-needy population*

Expanding the coverage to 100 percent of FPL will significantly reduce expenditures and enrollment in the medically needy categories since fewer individuals will have to spend down to the medically needy income limits to qualify for coverage. In FY 2006, Medicaid expenditures for Aged, Blind and Disabled recipients in the medically needy categories totaled approximately \$136.5 million. It is estimated that medically needy expenditures would decrease by about \$59.7 million in the initial year with this expansion.

This results in an estimated net increase in expenditures of \$84.9 million (\$157.2 million minus \$12.6 million minus \$59.7 million) in FY 2008. This estimate is then adjusted to \$81.3 million total funds (\$40.6 million GF) to reflect a half month billing lag the first year. Estimates in future years are calculated using a similar methodology and are adjusted for inflation and increases in enrollment up to the 32,700 level by FY 2011.

In addition, expanding the coverage to 100 percent of FPL will increase the number of claims processed in the Virginia Medicaid Management Information System (VaMMIS) and the claims processing fees assessed by DMAS' fiscal agent. This calculation represents estimated costs based on projected enrollment populations and projected claims volume at a fixed rate of \$.22 per claim. Claims processing fees are reimbursed at a 75 percent federal match.

Claims Processing Fees			
Fiscal Year	Projected Enrollment	Projected Claims per Person	Total
2008	18,801	53	\$219,220
2009	24,933	56	\$307,175
2010	31,066	59	\$403,237
2011	32,700	63	\$453,222
2012	33,681	67	\$496,458
2013	34,691	71	\$541,873

9. Specific agency or political subdivisions affected: Department of Medical Assistance Services.

10. Technical amendment necessary: No.

11. Other comments: None.

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cc: Secretary of Health and Human Resources