

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6579
BILL NUMBER: HB 1257

NOTE PREPARED: Jan 28, 2003
BILL AMENDED:

SUBJECT: Personal Needs Allowance.

FIRST AUTHOR: Rep. Hasler
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that certain elderly or disabled individuals who are enrolled or eligible for Medicaid or federal Supplemental Security Income are allowed a monthly personal allowance of \$78. The bill requires the monthly personal allowance to be annually adjusted.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) The total additional cost to the state from increasing the personal needs allowance from \$52 to \$78 is estimated to be \$6.3 M in FY 2004 and \$6.9 M in FY 2005 after adjusting by the Consumer Price Index.

Total Expenditures are estimated to be \$15.1 M in FY 2004, with the federal share amounting to \$8.8 M. The total for FY 2005 is estimated to be \$16.8 M with the federal share being \$9.8 M

Background Information: Residents of nursing facilities, intermediate care facilities for the mentally retarded (ICFs/MR), and individuals receiving assistance through the Assistance to Residents of County Homes (ARCH) and Room and Board Assistance (RBA) programs are allowed a monthly personal needs allowance of \$52 for FY 2003. In the case of an RBA or ARCH recipient with no income, the state pays the recipient the personal needs allowance. This amount is not considered income to the individual in the determination of eligibility and is for the exclusive use of the recipient for personal needs.

Based on estimated numbers of Medicaid recipients in state-operated facilities, nursing facilities, CRF/DDs, as well as recipients of residential assistance in the ARCH program (a state-funded program with no Medicaid dollars), the total additional cost from increasing the personal needs allowance by \$26 per month

(to a total of \$78) would be about \$15.1 M for FY 2004. This represents the total additional benefit to institutionalized individuals. This total expenditure consists of about \$8.8 M in federal share and about \$6.3 M in state dollars. (This is based on Medicaid program cost shares of about 62% federal and 38% state. As part of the impact to the state, the cost of changing the personal needs allowance for the approximate 400 ARCH recipients and 2,400 institutionalized SSI recipients is about \$864,000 and would be funded solely from state funds.)

This bill also requires the personal needs allowance to be increased annually by the change in the Consumer Price Index (CPI). The average change in the CPI over the previous ten-year period is 2.6%. Over this time period, the lowest annual change in the CPI was 1.73%, and the largest change was 3.43% on a fiscal year basis. Allowing for a 3% growth in recipient numbers, the additional state cost in FY 2005 is estimated to range from \$6.8 M to \$7.1 M. Total additional expenditures for FY 2005, both federal and state shares, are estimated to range from \$16.4 M to \$17.2 M. This represents the total additional income able to be retained by institutionalized individuals.

This estimate would be overstated to the extent that some individuals in the Medicaid program would have zero income. Increasing the personal needs allowance for an individual with no income would not affect state costs.

Explanation of State Revenues: See *Explanation of State Expenditures*, above, regarding federal reimbursement in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Evelyn Murphy, Office of Medicaid Policy and Planning, (317) 233-6467.

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