

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 1470 (First Edition)

SHORT TITLE: Medicaid Eligibility/COLA.

SPONSOR(S): Representatives Insko and Farmer-Butterfield

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
TOTAL EXPENDITURES					\$35,933,873
Federal					\$21,337,842
County					\$2,190,247
State					\$12,405,785
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Services, Division of Health and Human Services					
EFFECTIVE DATE: July 1, 2007					

BILL SUMMARY: The proposed legislation requires the Department of Health and Human Services, Division of Medical Assistance, to implement a policy preventing a Medicaid recipient from immediately losing eligibility due only to an increase in income because of cost-of-living adjustments to Social Security or supplemental security payments. The proposed legislation also requires the policy to provide that if the recipient's income meets the adjusted federal poverty guidelines, then the cost-of-living adjustment to Social Security or supplemental security payments is to be disregarded when determining income for Medicaid eligibility.

ASSUMPTIONS AND METHODOLOGY: The primary determination of eligibility for the Medicaid Program is income, and income eligibility is usually based on the federal poverty guidelines commonly known as the federal poverty level or FPL. The federal poverty level increases annually in February and the Medicaid Program updates income eligibility in April each year using the federal poverty level.

Many Medicaid recipients receive monthly payments from Social Security, Social Security Disability Income or Supplemental Security Income (SSI). These federal payment programs receive cost of living adjustments (COLA) in January each year. If the COLA is higher than the increase in the federal poverty level, Medicaid recipients lose their Medicaid coverage in April because their income exceeds the limits established by state and federal law.

Increases in the federal poverty level usually exceed the increases in cost-of-living adjustments for governmental payments programs. Based on the chart below, COLAs exceeded the increase in the federal poverty levels in 2001, 2003, and 2006. The difference between the COLA and the federal poverty level in 2003 was insignificant, but the differences in 2001 and 2006 were significant and caused some Medicaid recipients to lose their Medicaid coverage.

Year	FPL Increase	COLA
2001	2.87%	3.5%
2002	3.21%	2.6%
2003	1.35%	1.4%
2004	3.6%	2.1%
2005	2.84%	2.7%
2006	2.38%	4.1%
2007	4.16%	3.3%

Based on historical trends, COLAs are likely to significantly exceed the increases in the federal poverty level about every five years. Since 2006 was the last year that COLAs exceeded the federal poverty level, trends indicate that COLAs will exceed the increases in the federal poverty level in 2011.

The Division of Medical Assistance has reviewed data from 2006 and estimates that 2,600 Medicaid recipients may have lost Medicaid coverage as a result of the COLA exceeding the increase in the federal poverty levels. The average annual cost per Medicaid recipient who lost coverage in 2006 was \$8,607. The estimated total savings in FY 2006-07 resulting from these recipients losing Medicaid coverage was \$24,827,071 (Federal \$14,507,121, County \$1,547,767, State \$8,772,183).

The proposed legislation directs the Division of Medical Assistance, to implement a policy to prevent Medicaid recipients from losing their Medicaid based solely on an increase in the recipient's Social Security income or supplemental security income due to a COLA.

Since the proposed legislation requires future COLAs to be disregarded if they exceed increase in the federal poverty level, Medicaid recipients will no longer lose Medicaid coverage under these circumstances. Historical trends indicate that COLAs will most likely exceed increases in the federal poverty levels in 2011 causing a fiscal impact in FY 2011-12. Assuming about 2,600

Medicaid recipients will not lose Medicaid coverage in 2011 because of the proposed legislation, the estimated total cost of continuing to provide Medicaid coverage to these recipients would be \$35,933,873 in FY 2011-12 (Federal \$21,337,842, County \$2,190,247, State \$12,405,785). This estimate assumes that Medicaid costs will increase 9.5% a year using FY 2005-06 as the base year for this analysis.

SOURCES OF DATA: Department of Health and Human Services, Division of Medical Assistance

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Carol Shaw

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division



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