



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #397

Personal Needs Allowance (DHFS -- Health Care Financing -- Payments, Services and Eligibility)

[LFB 2003-05 Budget Summary: Page 228, #27]

CURRENT LAW

Once an individual is determined to have met eligibility requirements for coverage under the medical assistance (MA) program, certain post-eligibility rules determine how much certain individuals must contribute to their cost of care before MA makes its payment. These "post-eligibility" rules require that an individual's payment for care equal income from all sources in a month, minus certain amounts that are set aside for the personal needs of the individual, the living expenses of a spouse and minor children if those family members have little or no income of their own, and medical care and medical insurance expenses.

Under federal law, institutionalized individuals whose care is supported by MA must be allowed to retain a minimum of \$30 per month to support personal needs expenses. In Wisconsin, many MA enrollees in nursing facilities, intermediate care facilities, hospitals, or other public institutions may retain \$45 of unearned income to support their personal needs. These individuals typically "spend down" to qualify for MA support or qualify for MA because their income does not exceed 300% of the federal supplemental security income (SSI) payment level. Other MA enrollees in institutions who receive SSI and have no other sources of income may retain \$30 per month for their personal needs.

GOVERNOR

Reduce MA benefits funding by \$4,117,800 (-\$1,712,400 GPR and -\$2,405,400 FED) in 2003-04 and by \$4,117,300 (-\$1,712,400 GPR and -\$2,404,900 FED) in 2004-05 to reflect projected savings that would result by reducing the personal needs allowance from \$45 to \$30 per month. Specify that this change would take effect on July 1, 2003, or on the first day of the first month beginning after the bill's publication, whichever is later.

DISCUSSION POINTS

1. The Governor's proposal would reduce MA benefits costs by requiring certain MA enrollees to pay a greater portion of the costs of their institutional care. It is argued that, as the costs to the MA program of institutional care continue to increase, institutionalized MA enrollees who have income that is available to support the costs of their own care should be required to contribute more to offset these increasing costs.

2. According to DHFS' Wisconsin Nursing Homes and Residents (1995) and (2001), the average MA per diem payment increased from \$89 in 1995 to \$106 in 2001 (18%). In addition, from 1997-1998 to 2001-02, MA costs for nursing home care, excluding the state centers for the developmentally disabled, increased from approximately \$872.2 million to \$980.6 million (12%).

However, as MA spending for institutional services has increased, the amount of income some MA enrollees have been allowed to retain for their personal use has increased. The personal needs allowance was last increased from \$40 to \$45, effective July 1, 2001.

3. This proposal is similar to other proposals in SB 44 that would require MA, BadgerCare and SeniorCare enrollees to pay a greater share of MA program costs. The Governor's bill would: (a) increase premiums paid by BadgerCare enrollees; (b) increase copayments paid by MA and some BadgerCare enrollees for brand-name prescription drugs; (c) increase enrollment fees for all SeniorCare enrollees and deductibles for SeniorCare enrollees with income that exceeds 200% of the federal poverty level; (d) reduce the maximum amount of an irrevocable burial trust that is excluded from an individual's assets for the purposes of determining eligibility for MA; and (e) reduce the spousal impoverishment asset limit for couples with countable assets that exceed \$100,000. These proposals are intended to reduce MA costs by increasing cost-sharing requirements, rather than through other means, such as reducing reimbursement rates to providers, reducing eligibility or reducing covered services.

4. Even though the state costs of caring for these individuals continues to increase, the costs of other services that nursing home residents require are increasing as well. Others would argue that the current personal needs allowance amount of \$45 already restricts nursing home residents' ability to support non-covered expenses. The Governor's proposed change in the personal needs allowance from \$45 to \$30 per month would reduce the amounts available to support these non-covered costs by 33%.

Examples of costs covered by the personal needs allowance include clothes, transportation, gifts and entertainment. Some nursing home residents may have family or friends who are willing to contribute more to the individual's personal needs if the personal needs allowance were reduced; however, some residents would not have this support.

5. Wisconsin's personal needs allowance was last modified under 1999, Act 9, when the rate was established at \$45 per month, beginning July, 2001. Before this increase, the personal needs allowance was last amended in the 1983-85 budget act, when it was reduced from \$45 in the

1982-83 fiscal year, to \$42.50, effective for the 1983-84 fiscal year and \$40, beginning in the 1984-85 fiscal year. Although many other states maintain a personal needs allowance at \$30 per month, Wisconsin's personal needs allowance has been at least \$35 since 1975.

6. The Governor's proposal would decrease the personal needs allowance to the federal minimum of \$30 per month. A decrease to the proposed level would set Wisconsin's personal needs equal to that of 19 other states, but below that of 31 other states and the District of Columbia, as of January 1, 2000 (the most recent information available). Attachment 2 identifies the amount of monthly income that institutionalized persons are allowed to retain to meet their personal needs in each state, as of January 1, 2000. The attachment shows that: (a) 19 states (38%) had personal allowances equal to \$30; (b) 12 states (24%) had personal allowances between \$31 and \$40; (c) 12 states (24%), including Wisconsin and the District of Columbia, had personal allowances between \$41 and \$50; and seven states (14%) had personal needs allowances that exceeded \$50.

7. Based on a reestimate of MA patient days in the 2003-05 biennium, it is estimated that MA benefits costs could be reduced by \$1,684,300 GPR and \$2,365,900 FED in 2003-04 and by \$1,627,300 GPR and \$2,281,900 FED in 2004-05 to reflect the projected savings of this proposal. These amounts are \$28,100 GPR and \$39,500 FED in 2003-04 and \$85,100 GPR and \$123,000 FED in 2004-05 less than the amount of funding the Governor deleted from the MA benefits appropriation. Consequently, if the Committee adopts the Governor's proposal, funding in the bill should be increased by these amounts to reflect the current savings estimates.

ALTERNATIVES

1. Approve the Governor's recommendations.
2. Modify the Governor's recommendations by choosing any of the options in Attachment 1.
3. Maintain current law.

<u>Alternative 3</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	\$3,424,800	\$4,810,300	\$8,235,100

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 Attachments

ATTACHMENT 1

Alternative MA Personal Needs Allowance Amounts -- Alternative 2

<u>Amount</u>	<u>2003-04</u>			<u>2004-05</u>			<u>2003-05 Change to SB 44</u>		
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
(a) \$50	\$561,400	\$788,700	\$1,350,100	\$542,400	\$760,700	\$1,303,100	\$4,528,600	\$6,359,700	\$10,888,300
(b) \$40	-561,400	-788,700	-1,350,100	-542,400	-760,700	-1,303,100	2,321,000	3,260,900	5,581,900
(c) \$35	-1,122,800	-1,577,300	-2,700,100	-1,084,900	-1,521,200	-2,606,100	1,217,100	1,711,800	2,928,900
(d) \$30	-1,684,300	-2,365,900	-4,050,200	-1,627,300	-2,281,900	-3,909,200	113,200	162,500	275,700
SB 44 (\$30)	-\$1,712,400	-\$2,405,400	-\$4,117,800	-\$1,712,400	-\$2,404,900	-\$4,117,300	\$0	\$0	\$0

ATTACHMENT 2

State Personal Needs Allowances for Institutionalized Persons as of January, 2000

<u>State</u>	<u>Amount</u>	<u>State</u>	<u>Amount</u>
Alabama	30.00	Missouri	30.00
Alaska	75.00	Montana	40.00
Arizona	75.00	Nebraska	50.00
Arkansas	40.00	Nevada	35.00
California	35.00	New Hampshire	50.00
Colorado	50.00	New Jersey	35.00
Connecticut	51.00	New Mexico	30.00
District of Columbia	70.00	New York	50.00
Delaware	42.00	North Carolina	30.00
Florida	35.00	North Dakota	40.00
Georgia	30.00	Ohio	40.00
Hawaii	30.00	Oklahoma	30.00
Idaho	30.00	Oregon	30.00
Illinois	30.00	Pennsylvania	30.00
Indiana	50.00	Rhode Island	50.00
Iowa	30.00	South Carolina	30.00
Kansas	30.00	South Dakota	30.00
Kentucky	40.00	Texas	45.00
Louisiana	30.00	Utah	45.00
Maine	40.00	Vermont	47.50
Maryland	40.00	Virginia	30.00
Massachusetts	60.00	Washington	42.00
Michigan	60.00	West Virginia	30.00
Minnesota	65.00	Wisconsin*	40.00
Mississippi	44.00	Wyoming	30.00

*Currently \$45, proposed \$30

Source: National Long-Term Care Ombudsman Center