

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 21, 2013

TO: Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1321 by Duncan (Relating to the consideration of a life insurance policy in determining eligibility for medical assistance.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time. The number of individuals who might become eligible for Medicaid pursuant to choosing a life-insurance disregard is unknown.

The bill would create a new resource disregard for purposes of determining Medicaid eligibility for persons meeting the functional eligibility requirements for a nursing home level of care. In certain circumstances, the value of a life insurance policy could not be considered if the person entered into a life settlement contract in exchange for guaranteed periodic payments to the state to be used only for the provision of Medicaid long-term-care services to the owner of the policy. The Health and Human Services Commission (HHSC) would be required to provide written notice of the option to enter into a life settlement contract as part of the Medicaid application process. HHSC would be required to adopt rules necessary to implement the provisions of the bill by January 1, 2014 and the change would only apply to eligibility determinations made on or after January 1, 2014. The bill would be effective immediately if it receives a vote of two-thirds of the members of each house; otherwise, the bill would be effective September 1, 2013.

The number of persons for whom Medicaid ineligibility was based solely on the value of a life insurance policy is not known. Further, it is not known how many persons with policies would be willing to enter into a life settlement contract under the conditions set forth in the bill in order to become eligible for Medicaid nor what the value of any offsetting payments to the state might be. The average annual cost is approximately \$40,000 for nursing facility care, \$15,000 for Community Based Alternatives (CBA) waiver services, and approximately \$27,000 for waiver-like services through the STAR+PLUS program with additional costs associated with acute care services, prescription drugs, and Medicare premiums. Without significant offsets from payments under life settlement contracts, the cost to provide services to 25 clients could exceed \$1 million in All Funds in each fiscal year. There would be additional costs related to receiving payments from the life settlement contracts and for systems modifications related to eligibility changes and providing written notice of the option to enter into a life settlement contract.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 529 Health and Human Services Commission, 539 Aging and Disability Services, Department of

LBB Staff: UP, LR, CL, MB, NB