

**Department of Legislative Services**  
 Maryland General Assembly  
 2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 863 (Senator Edwards)  
 Finance

**Maryland Medical Assistance Program - Long-Term Care Services and Supports  
 - Personal Needs Allowance**

This bill requires the Maryland Department of Health (MDH), when determining the available income of a Medicaid recipient who is aged, blind, or disabled (ABD), to establish a personal needs allowance of no less than \$450 per month or \$5,400 per year.

**Fiscal Summary**

**State Effect:** Medicaid expenditures increase by as much as \$45.7 million in FY 2021 (50% general funds, 50% federal funds) due to the increase in the personal needs allowance for ABD Medicaid enrollees. Federal fund revenues increase accordingly. Future years reflect annualization. **This bill increases the cost of an entitlement program beginning in FY 2021.**

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
FF Revenue	\$22.85	\$30.47	\$30.47	\$30.47	\$30.47
GF Expenditure	\$22.85	\$30.47	\$30.47	\$30.47	\$30.47
FF Expenditure	\$22.85	\$30.47	\$30.47	\$30.47	\$30.47
Net Effect	(\$22.85)	(\$30.47)	(\$30.47)	(\$30.47)	(\$30.47)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** None.

**Analysis**

**Current Law:** “Available income” means the portion of income of a Medicaid recipient that the recipient must contribute to the recipient’s cost of care under Medicaid.

Under federal law, a personal needs allowance that is reasonable in amount for clothing and other personal needs of the individual while in an institution must be at least \$30 a month for an ABD individual, including a child applying for Medicaid on the basis of blindness or disability.

When determining Medicaid eligibility for individuals in long-term care, Medicaid must deduct certain expenses to determine the available income for covering the cost of care. These deductions include (1) a personal needs allowance (about \$82 per month); (2) a spousal or family allowance; (3) a residential maintenance allowance for a single person; and (4) incurred medical expenses that are not subject to payment by a third party (*i.e.*, Medicare and health insurance premiums and necessary medical care or remedial services recognized under State law but not subject to Medicaid reimbursement). Medically needy individuals are required to contribute all of their available income to the long-term care facility, with Medicaid making up the difference in cost.

Chapters 390 and 391 of 2016 require that, when determining the available income of a Medicaid recipient who is a disabled person and has a guardian, MDH must include as part of the personal needs allowance guardianship fees payable for guardianship services. The personal needs allowance for guardianship fees are (1) \$50 per month if one person serves as both the guardian of the person and the guardian of the property and (2) \$50 per month for *each* guardian if one person serves as the guardian of the person and a different person serves as the guardian of the property.

**Background:** The personal needs allowance is a post-eligibility deduction and is not taken into account when determining a person's financial eligibility for Medicaid. Increasing the personal needs allowance reduces the income an individual has available to make payments toward the cost of care for Medicaid long-term care and home and community-based programs (HCBS) with residential services.

Personal needs allowance amounts not spent during the current month accrue toward the individual's available resources in the following month. The resources limit for an individual eligible for Medicaid on the basis of being ABD is \$2,500. To the extent unspent personal needs allowance amounts accrue to an individual's resources and result in their available resources exceeding the Medicaid resources limit, the individual loses eligibility for Medicaid coverage.

**State Fiscal Effect:** The bill requires MDH to increase the personal needs allowance for ABD Medicaid enrollees from \$82 per month to \$450 per month, or from \$984 per year to \$5,400 per year. For each individual ABD Medicaid enrollee, the bill reduces the amount of income the individual has available to make payments toward their cost of care by as much as \$368 per month or \$4,416 per year. Medicaid expenditures, therefore, increase to cover this amount.

MDH advises that, as of June 2019, an average of 13,800 ABD Medicaid enrollees received long-term care and HCBS with residential services. Assuming that the number of enrollees affected remains constant – without a loss in eligibility – and the enrollees have sufficient resources to benefit from the higher personal needs allowance, the Department of Legislative Services advises that Medicaid expenditures increase by as much as \$60.9 million (50% general funds, 50% federal funds) for a full year. In fiscal 2021, Medicaid expenditures increase by as much as \$45.7 million, which accounts for the bill's October 1, 2020 effective date. Federal fund revenues increase accordingly.

Additional general fund expenditures may be required as MDH further advises that the Developmental Disabilities Administration (DDA) is required to reduce payments for waiver services provided to individuals to account for their contribution to the cost of care. Many individuals receiving DDA services from Medicaid or the developmental disabilities waiver receive federal Supplemental Security Income (SSI), at an amount of \$783 per month in calendar 2020. The personal needs allowance is subtracted from the monthly SSI payment, with the balance applied to the cost of care. If the cost of care exceeds the balance and participants are not able to pay the remainder, DDA general fund expenditures must increase to reimburse providers by that additional amount. Any such impact has not been factored into the estimate above.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 1091 (Delegate McKay, *et al.*) - Health and Government Operations.

**Information Source(s):** Maryland Department of Health; Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2020  
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