

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 875 (Delegate Hurson, *et al.*)
Environmental Matters

Medical Assistance Programs - Eligibility

This bill requires the State to provide medical assistance to all legal immigrants who meet Medicaid eligibility standards and who arrived in the United States on or before August 22, 1996, subject to the limitations of the State budget. In addition, the State must provide State-only medical assistance to: (1) minors who would have qualified as disabled under the federal Supplementary Security Income (SSI) program if their eligibility had been determined before August 22, 1996; (2) adults who would have qualified for the federal SSI program if their eligibility had been determined before March 26, 1996 and are no longer eligible for SSI because an alcohol or drug addiction materially contributed to their disability; and (3) legal immigrants who would have qualified if they had arrived in the United States before August 22, 1996.

Fiscal Summary

State Effect: General fund expenditures for medical assistance to minors and adults with disabilities would increase by \$6.75 million in FY 1998, which accounts for the October 1, 1997 effective date. Future year expenditures reflect annualization and inflation. The proposed FY 1998 budget includes funds to provide medical assistance to legal immigrants who arrived in the country on or before August 22, 1996. Out-year expenditures could potentially be higher as increasing numbers of legal immigrants arriving after August 22, 1996 seek medical assistance.

| (in million) | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|-----------------|----------|----------|----------|-----------|-----------|
| GF Revenues | --- | --- | --- | --- | --- |
| GF Expenditures | \$6.75 | \$9.42 | \$9.87 | \$10.33 | \$10.82 |
| FF Expenditures | --- | --- | --- | --- | --- |
| Net Effect | (\$6.75) | (\$9.42) | (\$9.87) | (\$10.33) | (\$10.82) |

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: Potential meaningful effect on small businesses as discussed below.

Fiscal Analysis

State Expenditures: The Department of Fiscal Services (DFS) advises that general fund expenditures would increase by \$6.75 million in fiscal 1998, which accounts for the bill's October 1, 1997 effective date. This estimate reflects the cost of providing medical assistance to minors and adults with disabilities. Future year expenditures reflect annualization and 4.7% medical cost inflation.

The estimate assumes that providing medical assistance to all legal immigrants would have no impact on Medicaid expenditures in fiscal 1998, as discussed below. In the out-years, however, Medicaid expenditures for legal immigrants could increase.

Minors ineligible for SSI under the new disability criteria

It is estimated that approximately 3,200 Maryland children will have their SSI status reviewed because of federal changes regarding welfare eligibility. Approximately 66% (2,100) are expected to lose their SSI eligibility at redetermination. It is further estimated that 85% of the children who lose SSI will retain Medicaid due to their family income. The cost of providing Medicaid benefits to the remaining 15% (315) would be roughly \$1.5 million in general funds in fiscal 1998. This estimate reflects the October 1, 1997 effective date.

Adults disabled due to their addiction

Individuals qualifying for SSI and Medicaid due to a disability resulting in part from an addiction lost their eligibility on January 1, 1997. Roughly 1,900 SSI recipients had their eligibility redetermined, and approximately 1,000 individuals lost their SSI eligibility. The cost of providing Medicaid benefits to the 1,000 disabled adults would be approximately \$5.25 million in general funds, which reflects the October 1, 1997 effective date.

Legal immigrants

The proposed fiscal 1998 budget includes funds to continue benefits for all legal immigrants arriving in the country prior to August 22, 1996 and to children and pregnant women arriving in the country after August 22, 1996. In 1995, approximately 12,447 legal immigrants received Medicaid benefits at a cost of \$37.3 million (of which 50% is federal funds). Based on these figures legal immigrants are expected to receive approximately \$42 million in fiscal

1998.

Providing benefits to most legal immigrants should have no discernible impact on the Medicaid budget in fiscal 1998 because it is assumed that most of these recipients would have arrived in the country before August 22, 1996 and, as such, would qualify for federal Medicaid reimbursement. Moreover, certain categories of immigrants, such as asylees, refugees, and permanent resident aliens who have worked forty quarters, would retain automatic eligibility for federally funded Medicaid benefits regardless of when they arrived in the country. If all legal immigrants, regardless of when they arrived in the country, who apply for Medicaid for the first time are deemed (sponsors of immigrants are required to be financially responsible for them), then the number of new immigrants eligible for Medicaid would be significantly reduced. As a result, the number of legal immigrants who would receive Medicaid benefits but who would not qualify for matching federal reimbursements would be minimal in fiscal 1998 and the cost of covering these individuals could be absorbed within the budget.

In the out-years, depending on the number of immigrants who arrived after August 22, 1996 and who apply for Medicaid, general fund expenditures could increase by an indeterminate amount. The cost to the State in the out-years to provide Medicaid benefits to all legal immigrants is uncertain at this time because reliable data are not available on: (1) the number of legal immigrants who are automatically eligible due to their classification as asylees, refugees, etc.; (2) the average time between entering the country and applying for medical assistance; (3) the effect of the federal deeming requirements on limiting the number of new immigrants applying for medical assistance; (4) the rate of new immigration into Maryland; and (5) the population of new immigrants in Maryland in future years applying for Medicaid assistance. Currently, approximately 6% (12,000) of legal immigrants receive Medicaid coverage. New immigration into Maryland in 1995 was about 15,000.

The Department of Health and Mental Hygiene (DHMH) advises that Medicaid expenditures would increase by \$8.5 million in fiscal 1998 and \$11.8 million in fiscal 1999. Future year expenditures increase by 22% to 30%. Their estimate assumes that about 15% of covered immigrants (1,856) in fiscal 1998 would be legal immigrants who arrived after August 22, 1996 and as such, would not qualify for the federal matching reimbursement. Out-year expenditures reflect a replacement rate of new immigrants with current immigrants of 15%. In addition, DHMH assumes 550 disabled adults lost their SSI eligibility and hence their Medicaid eligibility at redetermination.

Small Business Effect: Managed care organizations (MCOs) participating in the Medicaid program are not small businesses. However, health care providers and other contractors who provide services to Medicaid enrollees either directly or through MCOs may be self-employed or small businesses. To the extent that the bill retains eligibility for medical assistance for certain populations that would otherwise lose eligibility, small business health

care providers who serve those populations will benefit.

Additional Comments: The President's proposed budget for fiscal 1998 includes funds to provide medical assistance to the population of disabled minors identified in the bill. The proposed budget also includes funds to provide medical assistance to legal immigrants who entered the country after August 22, 1996, and who later become disabled. The proposed budget is pending approval from Congress.

Information Source(s): Disability Determination Services, Congressional Budget Office, Department of Human Resources, Department of Health and Mental Hygiene (Medical Care Policy Administration), Department of Fiscal Services

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