

**Department of Legislative Services**  
**Maryland General Assembly**  
**2002 Session**

**FISCAL NOTE**  
**Revised**

Senate Bill 5

(Senator Hafer)

Finance

Appropriations

**Nursing Home Residents - Increase in Personal Needs Allowance**

This bill provides a \$50 monthly personal needs allowance for each nursing home resident who receives Medicaid beginning April 1, 2003, and a \$60 allowance beginning July 1, 2004, if the federal Centers for Medicare and Medicaid Services (CMS) approve the Department of Health and Mental Hygiene's application for an amendment to the State's existing Medicaid waiver by June 30, 2002. The personal needs allowance will be adjusted annually, beginning July 1, 2005, to reflect the percentage by which Social Security benefits are increased annually. The adjustment cannot exceed 5% in any given year.

If CMS does not approve DHMH's waiver application, the \$50 monthly personal needs allowance begins July 1, 2003 and the \$60 allowance begins July 1, 2004, increasing annually thereafter as discussed above.

The bill takes effect July 1, 2002.

**Fiscal Summary**

**State Effect:** Assuming CMS approves the Medicaid waiver amendment, Medicaid expenditures would increase by \$510,000 (50% general funds, 50% federal funds) in FY 2003, \$2.04 million (50% general funds, 50% federal funds), beginning in FY 2004, and by \$4.08 million in FY 2005. Future year expenditure increases reflect 2.4% increases annually. No effect on revenues.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	255,000	1,020,000	2,040,000	2,186,880	2,336,820
FF Expenditure	255,000	1,020,000	2,040,000	2,186,880	2,336,820
Net Effect	(\$510,000)	(\$2,040,000)	(\$4,080,000)	(\$4,373,760)	(\$4,673,640)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** A nursing home resident may qualify for Medicaid coverage for most nursing home costs if the resident meets certain income tests. Currently, a qualifying resident cannot earn more than \$2,500 monthly. Medicaid provides a nursing home resident with a \$40 personal needs allowance. A resident's monthly income, excluding the personal needs allowance, is used to help defray the cost of the resident's care.

**State Fiscal Effect:** Medicaid expenditures would increase by \$510,000 in fiscal 2003, \$2.04 million in fiscal 2004, and \$4.08 million in fiscal 2005. Nursing home residents would be allowed to keep an additional \$10 per month, beginning April 1, 2003 that they otherwise would have been required to pay to their nursing home to help defray the cost of their care. These estimates: (1) reflect the bill's \$10 increase over the current personal needs allowance in fiscal 2003 and 2004, and the \$20 increase in fiscal 2005; (2) assume there are 17,000 nursing home residents who receive Medicaid and this number will remain relatively constant in future years; and (3) assume the personal needs allowance will be increased 2.4% each year (the average annual increase in Social Security benefits for the past five years), beginning July 1, 2005. Revenues would not be affected.

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## **Additional Information**

**Prior Introductions:** An identical bill, SB 156, was introduced in the 2001 session. The bill was passed with amendments by the Senate Finance Committee, but was reported unfavorably by the House Appropriations Committee.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Medicaid), Department of Legislative Services

**Fiscal Note History:** First Reader - January 28, 2002  
ncs/jr Revised - Senate Third Reader - March 26, 2002  
Revised - Enrolled Bill - May 2, 2002

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Analysis by: Susan D. John

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510