

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 1017 (Senator Middleton)  
 Finance

Continuing Care Retirement Communities - Entrance Deposits - Medicaid Eligibility

This bill requires the Department of Health and Mental Hygiene (DHMH) to adopt regulations or guidelines that develop and implement a policy requiring a continuing care retirement community (CCRC) entrance deposit that is available for the resident's maintenance and support to be considered an available resource for the determination of Medicaid eligibility. The regulations or guidelines apply prospectively from the bill's effective date.

The bill takes effect July 1, 2005.

Fiscal Summary

**State Effect:** Medicaid expenditures could decrease by \$369,600 (total funds) in FY 2006. Future year estimates reflect inflation. No effect on revenues.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(184,800)	(199,400)	(215,200)	(232,300)	(250,600)
FF Expenditure	(184,800)	(199,400)	(215,200)	(232,300)	(250,600)
Net Effect	\$369,600	\$398,800	\$430,400	\$464,600	\$501,200

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Current Law:** Under the *Nursing Home Residents Bill of Rights*, a resident may not be transferred or discharged involuntarily from a nursing facility, unless a transfer is in the resident's best interests due to health or welfare concerns, or if the resident has failed, after reasonable and appropriate notice, to pay for a stay at the nursing facility. A Medicaid-certified nursing facility may not include in the resident's admission contract any requirement that the resident must pay as a private pay resident if the resident is in fact eligible for Medicaid. Further, a nursing facility may not transfer or discharge a resident involuntarily because the resident is a Medicaid recipient.

In *Oak Crest Village, Inc. v. Murphy*, 379 Md. 229, 841 A.2d 816 (2004), the Court of Appeals stated that there is nothing either explicit or implicit in the fact that an entity holds a CCRC certificate of registration that suggests the abovementioned involuntary discharge provision is not applicable to the nursing home portion of the CCRC.

There is an asset test used to qualify for Medicaid. In general, an individual in a nursing home is not eligible for Medicaid if the individual has assets exceeding more than \$2,500. An individual's primary residence, funds for burial, small life insurance policies, and other specified resources are excluded from the asset determination.

**Background:** A CCRC offers a full range of housing, residential services, and health care in order to serve its older residents as their medical needs change over time. A CCRC is intended to supply a continuum of care throughout the life-time of its senior residents. It does so by maintaining various on-site medical and social services and facilities. These facilities and services allow residents to enter into the community while still relatively healthy and then move on to more intensive care as it becomes necessary. Most CCRCs have nursing facilities on site or contract with nursing homes that are nearby.

Generally, a CCRC requires prospective residents to transfer a significant part of their assets or pay a substantial entrance fee, as well as a commitment to pay further periodic charges. It has been DHMH's practice for several years to not consider an individual's CCRC deposit as assets when determining Medicaid eligibility.

Of the 32 CCRCs in the State, 12 are Medicaid-certified to receive Medicaid reimbursement.

**State Fiscal Effect:** Medicaid expenditures could decrease by \$369,600 (50% general funds, 50% federal funds) in fiscal 2006. The bill requires DHMH to consider a Medicaid applicant's CCRC deposit as assets when determining Medicaid eligibility.

Since the Medicaid asset test is low (about \$2,500 for one individual), some CCRC residents would be deemed ineligible for Medicaid in fiscal 2006. The information and assumptions used in calculating the estimate are stated below:

- 14 people in CCRCs apply for Medicaid and are deemed ineligible because they do not meet Medicaid asset tests;
- the average length of stay in a nursing home is six months for Medicaid recipients; and
- Medicaid saves \$4,400 per month per person.

Future year estimates reflect a 5% increase in denied applications and 5.8% annual Medicaid inflation.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1612 (Delegates Hurson and Hammen) – Health and Government Operations.

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

**Fiscal Note History:** First Reader - April 8, 2005  
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