

(Return in triplicate)

REVISED
FISCAL NOTE

Bill/Resolution No.: SB 2264 Amendment to: _____

Requested by: Legislative Council Date of Receipt: 1/5/89

Please estimate the fiscal impact of the above measure for:

State general or special funds Counties Cities

In the following space note the fiscal effect in dollars of this measure:

Narrative:

See Attached. Projected total is \$2,860,050.

State Fiscal Effect:

<u>1989-90</u>		<u>1990-91</u>		<u>Biennium Total</u>	
<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>
402,965	956,880	398,284	981,022	801,249	1,937,902

County and City Fiscal Effect:

<u>1989-90</u>		<u>1990-91</u>		<u>Biennium Total</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>
60,805		60,094		120,899	

If additional space is needed, attach a supplemental sheet.

Signed *Mike Schwindt*

Typed Name Mike Schwindt

Date Prepared: 2/1/89

Department Human Services



NORTH DAKOTA DEPARTMENT OF HUMAN SERVICES

STATE CAPITOL
BISMARCK, NORTH DAKOTA 58505



John A. Graham, Executive Director

January 31, 1989

George A. Sinner, Governor

The Honorable Jerome G. Kelsh, Chairman
Human Services and Veterans Affairs Committee
The Senate
State Capitol
Bismarck, ND 58505

Re: Senate Bill 2264

Dear Chairman Kelsh:

Enclosed is a corrected fiscal impact statement concerning Senate Bill 2264. The information available to the Department indicates that the overall cost of excluding a contract of insurance with a cash value of \$3,000 or less to be \$859,050. The estimated cost of excluding spouses' prepayments or deposits on preneed funeral contracts or contracts of insurance with a cash value of \$3,000 or less is estimated to be \$2,001,000. The manner of calculation of these amounts is set forth in the narrative concerning the fiscal impact of Senate Bill 2264.

These numbers are dramatically different than those furnished in the initial fiscal note to this bill. Since advising your committee during the January 20 hearing that the initial fiscal note was incorrect, I have come to learn just how incorrect it was.

The preparation of the initial fiscal note was based on a mistaken understanding that preneed funeral service arrangements made by spouses ineligible for Medical Assistance benefits were excluded under current law. This accounts for \$2,001,000 of the difference in the two fiscal notes.

In addition, the initial fiscal note was based on a review of recent Medical Assistance applications which were denied for the reason that the applicant owned resources, in excess of program limits, in the form of cash value of insurance policies where the cash value exceeded \$3,000. This fiscal note reflected an evaluation of ordinary life insurance policies, and not the sort of life insurance product which the proponents of Senate Bill 2264 are selling. The

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Child Support 224-3582
Food Stamps 224-2328
Fuel Assistance 224-2065
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OFFICE OF VOCATIONAL REHABILITATION (701) 224-2907 Voice
224-2699 (TDD)

GOVERNOR'S COUNCIL ON HUMAN RESOURCES (701) 224-2970

OFFICE OF MANAGERIAL SUPPORT (701) 224-2538

Legal Services 224-2311
Management Services 224-2330
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The Honorable Jerome Kelsh
January 31, 1989
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fiscal note also assumed that no one would purchase a "burial policy" in response to the passage of this bill. That assumption is contrary to experience concerning preneed funeral service contracts. The current fiscal note is based on the assumption that 11.5% of eligibles would use resources to purchase burial insurance prior to becoming eligible for Medicaid. This accounts for \$562,746 of the increase in the fiscal note.

If there are any questions about these materials, please call. I apologize for the delay in response.

Sincerely,



Blaine L. Nordwall
Assistant Attorney General
Chief Legal Counsel

kab

1989-1991 BIENNIUM
FISCAL IMPACT OF SENATE BILL 2264

Recipients

	<u>Number of Eligibles</u>	<u>Number Who Have Prepaid Burial Accounts</u>
October 1988	34,648	4,097
November 1988	35,316	4,048
December 1988	<u>36,010</u>	<u>4,010</u>
Total For October 1988 - December 1988	105,974	12,155

$\frac{12,155}{105,974} = 11.5\%$ of medicaid eligibles who
have prepaid burial accounts

We would assume that if Senate Bill 2264 is passed, 11.5% of the persons applying and approved for medicaid would use their resources to purchase insurance prior to coming on medicaid.

Persons applying for medicaid and approved in fiscal year 1988 -

8,299
x 2 years
16,598 Estimated number of persons applying for
medicaid and approved in 1989-1991 biennium

16,598 x .115 (percent who would use resources to purchase insurance prior to coming on medicaid) = 1,909 - estimated number of persons who would purchase insurance prior to coming on medicaid in 1989-1991 biennium.

1,909 x \$450 (estimated additional cost over \$3,000 needed to purchase \$3,000 cash value of insurance) = \$859,050 - estimated fiscal impact of Senate Bill 2264 for recipients of medicaid.

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ESTIMATED FISCAL IMPACT OF SENATE BILL 2264
 FOR RECIPIENTS OF MEDICAID FOR
 FOR 1989-1991 BIENNIUM

	Persons -----	Cost Per Person -----	Total Cost -----	Federal -----	State -----	County -----
08-89	79	450	35,550	23,651	10,339	1,560
09-89	79	450	35,550	23,651	10,339	1,560
10-89	79	450	35,550	24,003	10,033	1,514
11-89	79	450	35,550	24,003	10,033	1,514
12-89	79	450	35,550	24,003	10,033	1,514
01-90	79	450	35,550	24,003	10,033	1,514
02-90	79	450	35,550	24,003	10,033	1,514
03-90	79	450	35,550	24,003	10,033	1,514
04-90	79	450	35,550	24,003	10,033	1,514
05-90	79	450	35,550	24,003	10,033	1,514
06-90	79	450	35,550	24,003	10,033	1,514
07-90	80	450	36,000	24,307	10,160	1,533
First Year			427,050	287,636	121,135	18,279
08-90	80	450	36,000	24,307	10,160	1,533
09-90	80	450	36,000	24,307	10,160	1,533
10-90	80	450	36,000	24,581	9,922	1,497
11-90	80	450	36,000	24,581	9,922	1,497
12-90	80	450	36,000	24,581	9,922	1,497
01-91	80	450	36,000	24,581	9,922	1,497
02-91	80	450	36,000	24,581	9,922	1,497
03-91	80	450	36,000	24,581	9,922	1,497
04-91	80	450	36,000	24,581	9,922	1,497
05-91	80	450	36,000	24,581	9,922	1,497
06-91	80	450	36,000	24,581	9,922	1,497
07-91	80	450	36,000	24,581	9,922	1,497
Second Year			432,000	294,424	119,540	18,036
Biennial Total			859,050	582,060	240,675	36,315

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INELIGIBLE SPOUSES

	<u>Number of Ineligible Spouses</u>	<u>Approvals</u>
October 1988	43	862
November 1988	69	835
December 1988	<u>42</u>	<u>720</u>
Total For October 1988 - December 1988	154	2,417

$\frac{154}{2,417} = 6.4\%$ of medicaid approvals have ineligible spouse

We would assume that if Senate Bill 2264 is passed, 6.4% of the persons applying for medicaid and approved would have ineligible spouses.

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	Estimated Number of Aged Eligibles (<u>21% of Total Eligibles</u>)	Number Who Have Prepaid Burial <u>Accounts</u>
October 1988	7,276	4,097
November 1988	7,416	4,048
December 1988	<u>7,562</u>	<u>4,010</u>
Total For October 1988 - December 1988	22,254	12,155

12,155
22,254 = 54.6% of aged eligibles who have prepaid burial accounts

Persons applying for medicaid and approved in fiscal year 1988 -

8,299
x 2 years
16,598 Estimated number of persons applying for
medicaid and approved in 1989-1991 biennium

16,598 x .064 (percent who have ineligible spouses) = 1,062

1,062 x .546 (percent who would use resources to purchase insurance prior to coming on medicaid) = 580 estimated number of persons who would have ineligible spouse who would use resources to purchase insurance prior to coming on medicaid in 1989-1991 biennium.

580 x \$3,450 (cost needed to purchase \$3,000 cash value of insurance = \$2,001,000 - estimated fiscal impact of Senate Bill 2264 for ineligible spouse of recipients of medicaid.

ESTIMATED FISCAL IMPACT OF SENATE BILL 2264
FOR INELIGIBLE SPOUSES OF RECIPIENTS OF MEDICAID
FOR 1989-1991 BIENNIUM

	Ineligible Spouses -----	Cost Per Person -----	Total Cost -----	Federal -----	State -----	County -----
08-89	24	3,450	82,800	55,087	24,080	3,633
09-89	24	3,450	82,800	55,087	24,080	3,633
10-89	24	3,450	82,800	55,907	23,367	3,526
11-89	24	3,450	82,800	55,907	23,367	3,526
12-89	24	3,450	82,800	55,907	23,367	3,526
01-90	24	3,450	82,800	55,907	23,367	3,526
02-90	24	3,450	82,800	55,907	23,367	3,526
03-90	24	3,450	82,800	55,907	23,367	3,526
04-90	24	3,450	82,800	55,907	23,367	3,526
05-90	24	3,450	82,800	55,907	23,367	3,526
06-90	24	3,450	82,800	55,907	23,367	3,526
07-90	24	3,450	82,800	55,907	23,367	3,526
First Year			993,600	669,244	281,830	42,526
08-90	24	3,450	82,800	55,907	23,367	3,526
09-90	24	3,450	82,800	55,907	23,367	3,526
10-90	24	3,450	82,800	56,536	22,821	3,443
11-90	24	3,450	82,800	56,536	22,821	3,443
12-90	24	3,450	82,800	56,536	22,821	3,443
01-91	24	3,450	82,800	56,536	22,821	3,443
02-91	24	3,450	82,800	56,536	22,821	3,443
03-91	24	3,450	82,800	56,536	22,821	3,443
04-91	25	3,450	86,250	58,892	23,771	3,587
05-91	25	3,450	86,250	58,892	23,771	3,587
06-91	25	3,450	86,250	58,892	23,771	3,587
07-91	25	3,450	86,250	58,892	23,771	3,587
Second Year			1,007,400	686,598	278,744	42,058
Biennial Total			2,001,000	1,355,842	560,574	84,584

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