DEPARTMENT OF ADMINISTRATION

# OFFICE OF MANAGEMENT & BUDGET

## State Budget Office

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*State Fiscal Note for Bill Number:* *2024-H 7333*

*Date of State Budget Office Approval:* Friday, April 12, 2024
*Date Requested:* Friday, January 26, 2024
*Date Due:* Saturday, April 6, 2024

| *Impact on Expenditures* | | *Impact on Revenues* | |
|---|---|---|---|
| FY 2024 | N/A | FY 2024 | N/A |
| FY 2025 | $9,250,000 - $40,750,000 | FY 2025 | N/A |
| FY 2026 | $9,250,000 - $40,750,000 | FY 2026 | N/A |
| * | | ** | |

*Explanation by State Budget Office:*
This bill adds a new chapter, 8.16, to Title 40 of RIGL entitled "Medicare Savings Programs." The bill would expand eligibility for the qualified Medicare beneficiary program by increasing the income limit from 100% to 138% of the federal poverty line and expand eligibility for the qualified individual program by establishing an income limit of 138% to 186% of the federal poverty line. There would be no asset limit applied to eligibility for these programs.

*Summary of Facts and Assumptions:*
The act would take effect upon passage. The Budget Office assumes that the impact of this bill would take effect in FY 2025 on July 1, 2024.

The Medicare savings programs, established in the Social Security Act, pay the monthly Medicare Part B premium for enrollees and provide certain enrollees with help paying for out-of-pocket costs. For individuals who are disabled and working, the program pays the Part A premium only. The programs are designed to improve access to necessary medical services and to address financial insecurity of low-income Medicare enrollees: people age sixty-five (65) and older and people with severe disabilities. States are allowed to set income and asset limits for the Medicare savings programs that exceed the federally mandated minimum levels. The federal government pays all or some of the costs for those enrolled in the Medicare savings programs. The bill would increase eligibility for the Medicare savings programs consistent with federal law and so long as federal cost-sharing is provided. The Budget Office consulted the Executive Office of Health and Human Services (EOHHS) to determine the impact of expanded eligibility.

1. The Qualified Medicare Beneficiary (QMB) program covers Medicare Part A and Part B premiums as well as Medicare cost sharing. The bill would raise eligibility for this program from 100% of the federal poverty line (FPL) to 138% FPL and eliminate the current resource limit. For the purposes of this fiscal note, impact addresses the QMB program and not eligibility for people eligible for both QMB and full Medicaid benefits.

Increasing the QMB income limit to 138% FPL results in all current Medicare Secondary Payer (MSP) beneficiaries shifting to QMB. This includes Specified Low-Income Medicare Beneficiary (SLMB) and Qualified Individual (QI) population who are below 135% FPL. Benefits for former SLMB and QI

members expand to cover Medicare Part A premiums and Medicare cost sharing, and the cost of Medicare Part B premiums for the QI population, previously fully covered by federal funds, shifts to being matched at the FMAP. Under current law, EOHHS estimates the total all funds costs of the QMB program at $3.8 million and SLMB program at $7.4 million. The QI program (up to 135% FPL) costs $4.4 million which are 100 percent federally reimbursed so FMAP is not applied currently to this population.

EOHHS estimates that the elimination of the asset test will result in approximately 1,054 individuals with income up to 135% FPL enrolling in the program. Additionally, around 685 individuals with income between 135% to 138% FPL will become newly eligible for QMB. Assuming eligibility expansion noted above and 6% growth rate in Part A Premiums, EOHHS estimates the total FY 2025 expenditures are projected to be $23.0 million for QMB program. This results in an increase of $11.8 million of eligible FMAP expenditures compared to current law. Using the FY 2025 FMAP rate of 55.99%, $5.2 million of the increase is general revenue and $6.6 million in federal funds. When adjusting federal funds impact with the QI program in current law, federal funds will ultimately increase by a total of $2.2 million in FY 2025 compared to current law ($6.6 million FMAP match less $4.4 million federally funded QI program).

In FY 2026, the utilized FMAP rate is 56.93 percent, applying this rate to the projected increased expenditures results in a $5.1 million of the increase is general revenue and $6.7 million in federal funds. When adjusting federal funds impact for the QI program in current law, federal funds will ultimately increase by $2.3 million in FY 2026 compared to current law ($6.7 million FMAP match less $4.4 million federally funded QI program).

2. The Qualified Individual (QI) program covers Medicare Part B premiums for people who are not otherwise eligible for Medicaid. The bill would raise eligibility for this program from 135% FPL to 186% FPL, include an income floor of 138% and eliminate the current resource limit. Based on American Community Survey data, EOHHS estimates that approximately 14,961 individuals with incomes up to 186% FPL will become newly eligible for the QI population. EOHHS estimates the cost of this expansion to total $32.6 million.

QI is 100 percent federally reimbursed, but subject to a fixed annual allotment beyond which a state must cover the costs. Total national QI funding is an annual fixed amount, which is initially allocated to states proportionally based on each state's federally-eligible population. While federal allotments vary over time, the CY 2024 allotment to Rhode Island is $5.5 million. Rhode Island anticipates spending approximately $4.4 million in CY 2024 with current eligibility thresholds. Based on this, EOHHS estimates that raising eligibility such that the state spends the full federal allotment would increase federal QI spending in Rhode Island by approximately $1.1 million.

Rhode Island's federal allotment is far below the $32.6 million cost of the bill, and it is not clear how much additional federal funding will be available to the state. Following the initial allotments, Centers for Medicare & Medicaid Services (CMS) uses a re-allocation process to move funding from states not expected to need their full initial allotment to states with a "need" in excess of their allotments.

Increasing eligibility could demonstrate a need for increased re-allocation to Rhode Island. Therefore, two scenarios are possible:

- Scenario 1: Rhode Island will not receive substantially more than what the state's initial allotment of $5.5 million today. In that case, as mentioned, QI spending in Rhode Island will increase by approximately $1.1 million due to the expanded eligibility up to the allotted cap compared to current spending. EOHHS notes in this scenario that they would have to cap enrollment at allotment and stop payments to total QI population once fully spent without additional state resources.

- Scenario 2: Increasing eligibility could demonstrate a need for increased re-allocation to Rhode Island which results in a re-allotment of $32.6 million in federal funds. As an example, Maine raised its eligibility level for QI to 185% FPL and increased the asset limit to $50,000 per individual or $75,000 per couple. Maine's initial 2024 allotment was $7,671,396 and the state's estimated need was $19,748,088. CMS re-allocated the difference of $12,076,692 such that the state was allocated its full estimated need of $19,748,088.

Therefore, the Budget Office assumes a range of $1.1 million - $32.6 million in increased federally funded costs related to the QI expansion.

3. The implementation of bill H 7333 would require changes to the eligibility system, as well as staff time for the implementation and public-facing communications. Based on other projects, EOHHS estimates that the cost would approximately $500,000 all funds for system expenses and approximately $250,000 all funds for staff. EOHHS estimates that implementation would take six to twelve months. Therefore, personnel and operational costs total approximately 750,000.

Assuming these costs are eligible for FMAP matching, using the FY 2025 FMAP rate of 55.99%, $330,075 of the increase is general revenue and $419,925 is federal funds.

In FY 2026, the utilized FMAP rate is 56.93 percent, applying this rate to the projected increased expenditures results in a $323,025 of the increase is general revenue and $426,975 is federal funds.

*Comments on Sources of Funds:*

Medicaid expenditures are jointly financed by general revenues and federal funds according to the prevailing Federal Medicaid Assistance Percentage (FMAP), which is 54.75 percent in SFY 2024 and 55.99 percent in FY 2025. The SFY 2024 rate is augmented by both the Families First Coronavirus Response Act (FFCRA) and the Fiscal Year 2023 Omnibus Appropriations Bill, resulting in an enhanced FMAP (eFMAP) of 55.75 in FY 2024, noting that all eFMAP opportunities have concluded as of December 2023 (FY 2024). For FY 2026, this fiscal note utilizes the preliminary FMAP of 56.93 percent.

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*Summary of Fiscal Impact:*
FY 2024: No impact due to timing.

FY 2025:

General Revenue: $5,523,255
Federal Funds: $3,726,745 - $35,226,745
All Funds: $9,250,000 - $40,750,000

FY 2026:

General Revenue: $5,405,285
Federal Funds: $3,844,715 - $35,344,715
All Funds: $9,250,000 - $40,750,000

Budget Office Signature: Digitally signed by Joseph Codega Jr. Date: 2024.04.16 12:55:31 -04'00'

Fiscal Advisor Signature: