

## TESTIMONY BEFORE THE SENATE APPROPRIATIONS COMMITTEE

### REGARDING HOUSE BILL 1181

March 11, 2005

Chairman Holmberg, members of the committee, I am David Zentner, Director of Medical Services for the Department of Human Services. I appear to provide information and support this bill.

At the present time the asset limit for Medicaid eligibility is set at \$3,000 for a single household and \$6,000 for a two member household. In addition, each individual may have a pre-need funeral account of up to \$3,000. In addition, a recipient could designate any part of the \$3,000 asset allowance to also be used for funeral expenses. In addition, all earnings from the pre need funeral accounts are not counted toward the asset limit. The current limit has been in effect since 1981.

This original bill would have increased the funeral allowance to \$5,500 for each household member and would also exempt any earnings from the funeral account from counting toward the \$3,000 asset limit. The bill was amended in the House to reduce the pre need funeral account limit to \$5,000

Lines 12 through 14 clarify that the applicant or recipient must designate and provide the funds that will be used for the funeral expenses of the recipient or applicant. This addition is designed to clarify that the limit of the \$5,000 applies no matter who actually sets up the account.

Section 2 of the bill originally provided for an appropriation of about \$1.3 million of which about \$446,000 are general funds to implement this change. The House amended the bill and reduced the appropriation by \$252,500 of which \$91,405 are general funds to reflect the reduction of the limit to \$5,000. The fiscal note is based on the Department's estimate of the additional costs that will be incurred because individuals will be able to set aside additional assets and therefore will become eligible for Medicaid earlier than under the current limits on pre need funeral funds.

Section 3 directs the Department to seek federal approval to disregard for eligibility purposes any amount that had previously been established prior to April 1, 2004. The Department had noted that applicants and recipients were purchasing insurance policies that exceeded the established limit, and then transferred ownership so that the burial plan does not count as an asset; then if the policy exceeded the amount of the funeral, the extra funds went to the beneficiary of the policy. This bill is designed to clarify that this practice is not acceptable. It is the position of the federal government that equal treatment be afforded all applicants and recipients of the Medicaid Program. Therefore it is not permitted to have some recipients with a higher limit than others. The

approval request would ask the federal government to make an exception in those instances where individuals had exceeded the established limit prior to April 2004.

I would be happy to respond to any questions you may have.