

TESTIMONY BEFORE THE SENATE HUMAN SERVICES COMMITTEE

REGARDING HOUSE BILL 1181

MARCH 1, 2005

Chairman Lee, members of the committee, I am David Zentner, Director of Medical Services for the Department of Human Services. I appear before you 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 set aside up to \$3,000. Additionally, a recipient could designate any part of the \$3,000 asset allowance to also be used for funeral expenses. All earnings from the funeral accounts are not counted toward the asset limit. The current limit has been in effect since 1981. When a recipient passes away and has no funds, or limited funds, the funds set aside for burial, up to \$3000, may be claimed from the individual's estate.

The original bill would have increased the funeral allowance to \$5,500 for each household member, and would continue to 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 to \$5,000.

Lines 12 through 14 clarify that if the applicant or recipient provides the funds that will be used for the funeral expenses of the recipient or applicant, that those funds are counted as the burial set-aside. This addition is designed to clarify that the limit of \$5,000 applies no matter who actually sets up, or is listed as the owner of 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 is general funds to reflect the reduction of the limit to \$5,000. This appropriation 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 approval from the federal government 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 burial 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.