LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

ASSEMBLY, No. 4049

STATE OF NEW JERSEY

220th LEGISLATURE

DATED: JULY 6, 2023

SUMMARY

Synopsis: Provides for presumptive eligibility for home and community-based services, nursing home services, and services provided through program of all-inclusive care for the elderly under Medicaid.

Type of Impact: Annual net State cost savings and annual net State revenue losses.

Agencies Affected: Department of Human Services.

Office of Legislative Services Estimate

Fiscal Impact	Annual
Net State Cost Savings	$24 million to $99.5 million
Net State Revenue Loss	$12 million to $49.8 million

- The Office of Legislative Services (OLS) determines that requiring presumptive eligibility under Medicaid for home and community-based services (HCBS), nursing home services, and programs of all-inclusive care for the elderly (PACE) will reduce annual State Medicaid expenditures and result in annual net State cost savings of $24 million to $99.5 million.

- Providing for presumptive eligibility under Medicaid for these services would result in State cost savings by allowing for an applicant's care needs to be met outside of a nursing home setting and, instead, via less expensive community-based care. The magnitude of cost savings, however, will be reduced somewhat due to increased costs for services provided to applicants during the presumptive eligibility period.

- Because State Medicaid expenditures are expected to be lower under the bill, State revenues are also expected to be lower from reduced federal reimbursements. The net State revenue loss is estimated at $12 million to $49.8 million annually.

BILL DESCRIPTION

This bill requires the Department of Human Services to provide for the presumptive eligibility for HCBS, nursing home services, and PACE under Medicaid. An individual seeking presumptive eligibility under this bill will be required to submit a request in a manner determined by the department. The department will provide each individual granted presumptive eligibility a written notice explaining the terms and conditions of presumptive eligibility and the services that the individual will be eligible to receive. Coverage will begin upon the receipt of an individual's request for services and will end if the individual is determined clinically or financially ineligible for such services during the eligibility determination process.

A provider will be reimbursed for all Medicaid-eligible services rendered to an individual who has been granted presumptive eligibility under the bill, regardless of whether the individual granted presumptive eligibility is determined to be clinically or financially ineligible during the eligibility determination process.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received; however, the following data was provided in the FY 2024 Governor's Budget. These data were utilized to establish the estimate discussed below.

SERVICE	FY 2024 AVERAGE MONTHLY CLIENTS	FY 2024 AVERAGE COST PER CLIENT PER MONTH
Nursing Home Services	25,231	$6,827.73
Program of All-inclusive Care for the Elderly (PACE)	1,304	$5,075.43
Community-Based Long Term Care Services (HCBS)	45,584	$3,093.48

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that requiring presumptive eligibility under Medicaid for HCBS, nursing home services, and PACE will reduce annual State Medicaid expenditures and result in annual net State cost savings of $24 million to $99.5 million. Because State Medicaid expenditures are expected to be lower under the bill, State revenues are also expected to be lower by $12 million to $49.8 million annually from reduced federal reimbursements. Generally, presumptive eligibility provides individuals access to Medicaid services without having to wait for their application to be fully processed.

Cost savings occur under presumptive eligibility when an applicant's care needs can be met outside of a nursing home setting, which is typically more expensive than community-based care. Using retroactive eligibility, Medicaid applicants currently have more immediate access to nursing home services when the need for long-term care arises. Retroactive eligibility allows Medicaid providers to submit claims for eligible services provided three months prior to the beneficiary's eligibility determination. Generally, under retroactivity eligibility, a nursing home facility can decide to assume the financial responsibility of providing three months of services with a delay in

payment, and admit a resident with a pending Medicaid eligibility determination. Many HCBS and PACE providers, however, lack this financial flexibility.

Under this bill, Medicaid applicants will be able to use presumptive eligibility to equally access nursing home services, HCBS, and PACE from the time of initial need. Assuming that five to 15 percent of enrollees, who absent the bill would receive nursing home services, instead would receive home and community-based services under the bill, results in a $56.5 million to $169.6 million annual cost savings to the State. These savings would be reduced somewhat, however, from the increase in costs for services provided to applicants during the presumptive eligibility period. Based on studies and certain OLS assumptions regarding increased utilization of nursing home services, HCBS, and PACE by providing presumptive eligibility for applicants, the OLS estimates the total annual net cost savings to the State under the bill to be $24 million to $99.5 million. If a more dramatic shift occurs and more applicants pursue home and community-based services, instead of more costly nursing homes, State cost savings would be higher. The OLS notes that lower State Medicaid spending would also reduce revenues from federal reimbursements. The OLS estimates the annual net State revenue loss under this bill to be in the range of $12 million to $49.8 million.

The assumption of cost savings under presumptive eligibility is supported by multiple studies that determined that offering immediate access to home and community-based services, without waiting for the lengthy Medicaid eligibility determination process to be complete, is cost effective for states. For example, Colorado offered a "Fast Track" Medicaid financial eligibility program for HCBS to pilot program participants who were discharged from the hospital. The pilot program enrolled a total of 115 participants, at a total cost of $106,879; by contrast, cost savings under the pilot program were estimated at $407,012. Another study determined that a similar Washington state program saved Medicaid an average of $1,964 per beneficiary each month by helping individuals access community services instead of institutional care.

The OLS notes several variables that may affect the cost of services under this bill, such as: the administrative costs associated with implementing the program; the unpredictability of how many applicants will submit requests for presumptive eligibility under the applicable programs, as well as the length of the presumptive eligibility period; provider capacity to deliver services to these applicants; and unknown components of the presumptive eligibility program that will be determined following enactment, such as the type of providers or staff who will be authorized to determine presumptive eligibility and the funding sources for service costs incurred for an individual who is determined ineligible for Medicaid.

Section: *Human Services*

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).