

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3485
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: OCTOBER 6, 2023

SUMMARY

- Synopsis:** Increases personal needs allowance to \$50 for recipients of Medicaid and Supplemental Security Income who are veterans or spouses of veterans and provides for annual cost-of-living increase in allowance.
- Type of Impact:** Annual State expenditure and revenue increases.
- Agencies Affected:** Department of Human Services.

Office of Legislative Services Estimate

Fiscal Impact	<u>Calendar Year 1</u>	<u>Calendar Year 2 and Thereafter</u>
State Cost Increase	None	Indeterminate
State Revenue Increase	None	Indeterminate

- The Office of Legislative Services (OLS) estimates that State expenditures will increase under the bill by an indeterminate amount due to an increase in the personal needs allowance standard for veterans and spouses of veterans, provided that the State receives the necessary federal approvals to implement the increases described under the bill. In part, some of these increased expenses will represent eligible State Medicaid expenditures, which will result in an increase in State revenue in the form of federal Medicaid reimbursements. Information on the number of veterans or spouses of veterans who would be affected by the bill is not available, so total costs and revenues cannot be estimated.
- The Department of Human Services will also incur an indeterminate increase in administrative costs in determining and verifying the veteran status of individuals or their spouses who are residing in nursing facilities, State or county psychiatric hospitals, and State developmental centers.
- The OLS notes that this bill will have no fiscal impact in the first calendar year after enactment as budget language in the FY 2024 Appropriations Act, which supersedes the statutory personal needs allowance amount, provides for a personal needs allowance of \$50 per month for all persons who are eligible for Medicaid or Supplemental Security Income benefits, which is the same initial allowance provided under the bill. In the out years, however, expenditures



will grow due to an annual personal needs allowance increase, based on the cost-of-living adjustment for Social Security benefits that year, to the personal needs allowance for veterans and spouses of veterans.

BILL DESCRIPTION

This bill increases the personal needs allowance for veterans and their spouses who are recipients of Medicaid or Supplemental Security Income and reside in a nursing home or developmental center, or are patients in a psychiatric hospital. Specifically, the bill provides that the monthly personal needs allowance for Medicaid recipients who are veterans or the spouses of veterans is to increase from \$35 to \$50, and that the monthly personal needs allowance for recipients of Supplemental Security Income who are veterans or the spouses of veterans is to increase from \$40 to \$50. The bill also provides that these amounts will be increased annually, on January 1 of each year, by the same percentage as the cost-of-living adjustment for Social Security benefits that year.

The respective increases provided for in the bill will not be operative until such time as the Department of Human Services receives federal approval for the Medicaid State plan amendment and the department's Supplemental Security Income administrative plan.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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Under Medicaid, an individual's personal needs allowance is income that is disregarded when determining the amount that the individual must contribute to the cost of care in a State institution, with the remainder of the cost of care paid by under the Medicaid program. This means that an increase in the personal needs allowance would result in increased Medicaid expenditures on the institutional care due to the decline of cost sharing contributions. Any State Medicaid expenditures incurred under the bill would be matched by federal Medicaid reimbursements, thereby increasing State revenue under the bill.

Under Supplemental Security Income, a qualifying beneficiary receives a federal benefit payment, which is \$914 per month for an individual in 2023. When a beneficiary enters a medical treatment center in which Medicaid pays more than half of the bill, that monthly federal benefit payment is reduced to \$30, reflecting a personal needs allowance for the beneficiary. New Jersey supplements this amount with State funds, thereby equalizing the Supplemental Security Income and Medicaid personal needs allowances. There is no federal match for the State portion of the Supplemental Security Income personal needs allowance.

The OLS notes that this bill will have no fiscal impact in the first calendar year after enactment as budget language in the FY 2024 Appropriations Act, which supersedes the statutory personal needs allowance amount, provides for a personal needs allowance of \$50 per month for all persons who are eligible for Medicaid or Supplemental Security Income benefits, which is the same initial allowance provided under the bill. In the out years, however, expenditures will grow due to an annual personal needs allowance increase, based on the cost-of-living adjustment for Social Security benefits that year, to the personal needs allowance for veterans and spouses of veterans. Information on the number of veterans or spouses of veterans who would be affected by the bill is not available; therefore, total costs and revenues cannot be estimated.

For reference, however, Social Security benefit payments increased by 8.7 percent in 2023. Applying the same cost-of-living adjustment to the existing personal needs allowance for veterans and their spouses results in a monthly personal needs allowance of \$54.35, a difference of \$4.35 per month. Therefore, for every 1,000 veterans or spouses of veterans affected by this bill, the cost would be \$52,200 annually. For costs incurred due to Medicaid recipients, the State will receive federal Medicaid reimbursements, equal to half of the total cost for Medicaid beneficiaries, therefore offsetting State expenses. Conversely, costs incurred due to Supplemental Security Income recipients would be the full responsibility of the State.

The OLS notes that it is uncertain whether federal approval for a personal needs allowance increase described under this bill would be obtained because the personal needs allowance increase targets a specific group of Medicaid and Supplemental Security Income recipients and disregards other Medicaid and Supplemental Security Income recipients, who may be in similar financial circumstances but who are not veterans or spouses of veterans.

Section: Human Services

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Legislative Budget and Finance Officer*

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.).