

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: \_\_\_\_\_  
 ( ) Publish Date: \_\_\_\_\_  
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction): \_\_\_\_\_  
 Title CONSTITUTIONAL AMENDMENT ON  
PERMANENT FUND

RDU Departmental Support Services  
 Component Commissioner's Office

Sponsor HOLM  
 Requester HOUSE (STA)

Component No. 317

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	( 80,691.5)	75,420.4	2,635.6	2,635.5		
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>( 80,691.5)</b>	<b>75,420.4</b>	<b>2,635.6</b>	<b>2,635.5</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (0)</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	( 49,463.9)	46,232.7	1,615.6	1,615.6		
1003 GF Match	( 31,227.6)	29,187.7	1,020.0	1,019.9		
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>( 80,691.5)</b>	<b>75,420.4</b>	<b>2,635.6</b>	<b>2,635.5</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

HJR 31 proposes an amendment to the Alaska Constitution that provides for a one-time supplemental permanent fund dividend (PFD) payment of \$20,000 and thereafter eliminates payment of dividends to Alaskans. The bill also eliminates the PFD Hold Harmless program that discounts receipt of the PFD as income when determining eligibility for public assistance programs, including Medicaid.

This fiscal note has a department-wide impact on all Medicaid eligibles and programs that cross multiple divisions within the department. This fiscal note is therefore being submitted through the Commissioner's office.

Prepared by: Janet Clarke, Assistant Commissioner  
 Division Administrative Services  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency Department of Health and Social Services

Phone 465-1630  
 Date/Time 03/18/2004  
 Date 03/18/2004

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**ANALYSIS CONTINUATION**

The following assumptions are based upon our understanding that, should HJR 31 become law, the Legislature intends for the 2004 PFD payment and the \$20,000 final payment to be countable income for all needs-based public assistance programs. Therefore, all PFD exemptions in Medicaid policy and the State Plan would be need to be removed and that it would be anticipated that recipients would receive both payments in October 2004. Medicaid savings under this proposal would be seen in FY 05, but close to normal expenditures and caseload trends would resume in FY 06. The following assumptions have been used:

**Family Medicaid - Adults:** It is likely that larger families will take longer to spend down. Therefore, larger families will be ineligible for a longer period. On average, we anticipate that 75% percent of the adults in Family Medicaid cases will be ineligible for 4 months.

**Family Medicaid - Children:** Children are protected by 6 months of continuous eligibility. On average, 1/6<sup>th</sup> of total FM child population will apply for or renewed eligibility in the month of October, but will be ineligible because of receipt of PFD payments. Those found ineligible will remain ineligible for 1 month. After the month of ineligibility, the child can move to DKC or will spend down their resources and remain on Family Medicaid.

**Denali KidCare:** All poverty-level children are protected by 6 months of continuous eligibility. On average, 1/6<sup>th</sup> of the DKC child population will apply for or renewed eligibility in the month of October, but will be ineligible because of receipt of PFD payments. Since DKC does not have a resource test, the child will only be ineligible for 1 month.

**Pregnant Women:** Once determined eligible, all pregnant women are guaranteed eligibility through their post-partum period. On average women receive benefits under this category for 6 months. Only 1/12<sup>th</sup> of the total annual population in this category will be found ineligible for this category for one month. Of that 1/12<sup>th</sup>, 50% will spend down and return to Medicaid the next month; the remaining 50% will not return.

**Newborn:** This category is not be affected by this bill. They will either receive automatic eligibility by virtue of their mother's Medicaid eligibility or they will not receive either PFD payment.

**Under-21 Medicaid:** These are primarily 19 and 20 year olds living on their own. We assume this group would spend down resources quickly. On average, 1/12<sup>th</sup> of this population will be ineligible for 2 months.

**SSI/APA-Related Medicaid:** On average, 65% of this population will lose eligibility for 4 months.

**Long-Term Care Medicaid:** Both on-going and potential medical costs are so high for this group that 80% will either spend down in the month of receipt or establish a Medicaid Qualifying Trust. On average, 20% of this population will lose eligibility for 2 months because they cannot spend down quickly or they determine that establishing a trust is not in their long-term best interest. Nevertheless, their cost of care obligation will consume these payments quickly.

**Medicare Premium Groups:** On average, 75% of this population will lose eligibility for 4 months.

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**ANALYSIS CONTINUATION**

Application of these assumptions to estimated costs within each eligible subtype affected under the proposed PFD payment scenario results in calculated savings as charted below. However, this fiscal note reflects the one-time cost savings in FY05 plus residual savings through FY07 offset by the cost of Medicaid re-enrollment and new enrollment.

The fiscal note financial summary on page 1 shows the projected one-time savings in FY2005. FY2006 reflects that this amount would have to be added back in FY2006, partially offset by continued savings. Add-back of funding to restore benefit payments is also shown in FY2007 and FY2008. This would bring the program back to the base funding level with no further changes to that base funding in FY2009-2010. This is detailed in the table shown below.

**SAVINGS BY FISCAL YEAR**

	<b>Total</b>	<b>Federal</b>	<b>Match</b>
<b>FY05</b>	-80,691.5	-49,463.9	-31,227.6
<b>FY06</b>	-5,271.1	-3,231.2	-2,039.9
<b>FY07</b>	-2,635.5	-1,615.6	-1,019.9

**RESTORE FUNDING FOR BENEFIT PAYMENTS**

<b>FY06</b>	80,691.5	49,463.9	31,227.6
<b>FY07</b>	5,271.1	3,231.2	2,039.9
<b>FY08</b>	2,635.5	1,615.6	1,019.9