

February 15, 2012

The Honorable Bob Bethell, Chairperson  
House Committee on Aging and Long Term Care  
Statehouse, Room 055-S  
Topeka, Kansas 66612

Dear Representative Bethell:

**SUBJECT:** Fiscal Note for HB 2697 by House Committee on Aging and Long Term Care

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2697 is respectfully submitted to your committee.

HB 2967 would direct the Department of Health and Environment (KDHE) and Social and Rehabilitation Services to examine the feasibility of allowing applicants with life insurance policies to make collateral assignment to the Kansas Medicaid program in order to meet Medicaid resource limits, instead of liquidating the policy and using the proceeds to meet the medical spend-down requirement.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	\$62,887	\$146,250
Expenditure	--	--	\$199,982	\$465,075
FTE Pos.	--	--	--	--

KDHE states that HB 2967 would allow a policy holder to collaterally assign proceeds but still access the cash value of the life insurance policy, which would be a change to current policy. Under current policy, access to excess cash value results in ineligibility. If implemented just as collateral assignment, the bill could expand caseload by creating an additional exemption for eligibility and would create an estate planning incentive by enabling individuals to artificially impoverish themselves and qualify for Medicaid through a purchase and subsequent collateral assignment of a life insurance policy. However, if interpreted as an irrevocable assignment, or if the bill text was changed from "collateral assignment" to "irrevocable beneficiary," the potential estate planning incentive would be removed, and collections would increase, as illustrated below:

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Collateral assignment:

FY 2013 expenditure increase: \$465,075 all funds (\$199,982 State General Fund, \$265,092 Medicaid)

FY 2013 revenue increase: \$146,250 all funds (\$62,887 State General Fund, \$83,363 Medicaid)

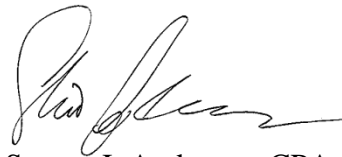
Interpreted as irrevocable assignment:

FY 2013 expenditure increase: \$250,000 all funds (\$107,000 State General Fund, \$142,500 Medicaid)

FY 2013 revenue increase: \$250,000 all funds (\$107,000 State General Fund, \$142,500 Medicaid)

Any fiscal effect associated with HB 2967 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Aaron Dunkel, KDHE  
Jackie Aubert, SRS  
Dave Halferty, Aging