

# FISCAL NOTE

May 25, 2017

|                 |        |                      |         |                 |        |
|-----------------|--------|----------------------|---------|-----------------|--------|
| <b>Bill No:</b> | HB 425 | <b>Printer's No:</b> | PN 0441 | <b>Sponsor:</b> | Nelson |
|-----------------|--------|----------------------|---------|-----------------|--------|

### COST / (SAVINGS)

| Fund (s)     | 2016-17             | 2017-18       |
|--------------|---------------------|---------------|
| General Fund | "See Fiscal Impact" | \$3.6 million |

**SUMMARY:** This legislation amends the State Lottery Law (Act 91 of 1971) extending the current Social Security cost of living adjustment moratorium.

**ANALYSIS:** HB 425 amends the State Lottery Law (Act 91 of 1971) extending the current Social Security cost of living adjustment (COLA) moratorium for PACE and PACENET enrollees through December 31, 2019. The Social Security COLA moratorium is scheduled to expire on December 31, 2017.

This legislation provides for individuals who enrolled in the PACE or PACENET program on or before December 31, 2016 shall remain eligible in the program if their maximum income limit exceeds program income limits solely because of a Social Security COLA.

This act shall take effect immediately.

**FISCAL IMPACT:** Estimated costs to maintain PACE and PACENET enrollees each year total \$3.6 million.

| PACE/PACENET Eligibility Years and Corresponding COLA Increases For Moratorium Eligibles |                         |   |                               |      |   |
|--|-------------------------|---|-------------------------------|------|---|
| Eligibility Year   | Enrollment Renewal Date | Income Year used to determine eligibility | December Date announcing COLA | COLA | Number of Recipients Eligible with Moratorium |
| 2016   | November 2015           | 2014                                      | 2013                          | 1.5% | PACE-8,863<br>PACENET-2,994<br>TOTAL-11,857   |
| 2017   | November 2016           | 2015                                      | 2014                          | 1.7% | PACE-8,832<br>PACENET-3,403<br>TOTAL-12,235   |
| 2018   | November 2017           | 2016                                      | 2015                          | 0.0% | Comparable to above                           |
| 2019   | November 2018           | 2017                                      | 2016                          | 0.3% | Comparable to above                           |
| 2020   | November 2019           | 2018                                      | 2017                          | ?    | ?   |

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| <b>HB 425 Costs</b>   |                       |                    |                       |  |
|---|-----------------------|--------------------|-----------------------|--|
|   | <b>PACE</b>           | <b>PACENET</b>     | <b>TOTAL</b>          |  |
| <b>Enrollees</b>  |                       |                    |                       |  |
| Estimated Moratorium Enrollees, November 2016                                       | 8,800                 | 3,400              | 12,200                |  |
| <b>State Share and Premium Cost</b>   |                       |                    |                       |  |
| State Share, Part D   | \$808.00              | \$712.00           | Difference of \$96.00 |  |
| Part D Premium Paid, CY 2016/Per Month  | \$29.82               |                    |                       |  |
| Annual Premium Cost   | \$358.00              | \$0                |                       |  |
| <b>Cost To Carry Moratorium Enrollees<br/>(For PACE, Enrollees move to PACENET)</b> |                       |                    |                       |  |
| Cost = Number of enrollees x State share difference                                 | \$844,800             |                    |                       |  |
| Cost = Number of enrollees x PACENET State share                                    |                       | \$2,420,800        |                       |  |
|   | \$844,800             | \$2,420,800        | \$3,265,600           |  |
| 29% premium cost x Number of Pace Enrollees x annual premium                        | \$927,989             | 0                  | \$927,989             |  |
| <b>Total for State Share Premiums</b>   | <b>\$1,772,789</b>    | <b>\$2,420,800</b> | <b>\$4,193,589</b>    |  |
| <b>Rebates</b>  |                       |                    |                       |  |
| 53% of State Share; -33% Rate of Return   | \$(147,756.00)        | \$(423,398.00)     | \$ (571,153.00)       |  |
| <b>Total Cost to Carry</b>  | <b>\$1,625,033.00</b> | <b>\$1,997,402</b> | <b>\$3,622,436</b>    |  |