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**SFA****BILL ANALYSIS**

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House Bill 4603 (as reported with amendment)  
Sponsor: Representative Stephen Ehardt  
House Committee: Economic Development  
Senate Committee: Appropriations

### **CONTENT**

The bill would amend the Prepaid Funeral Contract Funding Act to allow the value of a prepaid funeral contract to be combined with the value of a life insurance funded funeral plan, as defined in the Insurance Code. As a result, the combined maximum value of these instruments (\$9,837 through May 31, 2002) would be considered an excludable asset for the purpose of determining eligibility for the Family Independence Program (FIP) and/or the State Medicaid program.

Currently, a potentially eligible individual may exclude from countable assets, the value of certain funeral plans such as prepaid funeral contracts and life insurance funded funeral plans. In addition, the value of one burial plot per family member also is excludable. The value of the prepaid funeral contract is limited to \$2,000 plus accumulated interest and dividends. The value of the life insurance funded funeral plan was initially set at \$5,000, but has an inflation adjustment clause that makes its current maximum value \$7,837.

In short, the bill would allow sellers of these plans to offer them as a package to prospective customers, so they would not have to shop around for the separate parts of funeral plans.

MCL 328.229

### **FISCAL IMPACT**

The bill would have an indeterminate impact on the State's financial status. The Department of Community Health estimates that 30,000 individuals on Medicaid enter nursing homes each year and that half of them have some form of prepaid funeral benefit. As these contracts are excludable assets for the purpose of determining Medicaid eligibility, any increase in the popularity of these contracts could increase Medicaid costs. For instance, if market penetration of these products went from 50% to 60%, Medicaid costs would increase by approximately \$8 million Gross and \$3.5 million GF/GP. However, it should be noted that currently a potential FIP- or Medicaid-eligible person already may buy the constituent parts of the combined package contemplated in this bill and exclude the value of the separate assets in the same amount noted in this bill. As mentioned, the real risk is whether potentially eligible individuals would buy "more" funeral benefits as a result of this bill, than has previously been the case.

Date Completed: 5-2-02

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