



June 17, 2021

Hon. Steve Barnett  
Secretary of State  
500 E Capitol Avenue  
Pierre, SD 57501

RECEIVED  
JUN 17 2021  
S.D. SEC. OF STATE

Dear Secretary Barnett,

The Legislative Research Council (LRC) received an initiated amendment to the South Dakota Constitution to expand Medicaid eligibility to any person over age 18 and under age 65 based on eligibility requirements and income methodology set in federal law. The initiated amendment requires a fiscal note because it was determined it may have an impact on revenues, expenditures, or fiscal liability of the state or its agencies and subdivisions. SDCL 2-9-30 requires the fiscal note be no longer than fifty words. The fiscal note examines the fiscal impacts associated with the state providing Medicaid benefits to eligible individuals.

Due to a temporary change to federal law affecting the first two years of Medicaid expansion, a five-year estimate was determined to be optimal. The estimate includes the costs for additional individuals who would be eligible for Medicaid, additional staffing and upgraded IT systems, and individuals who were always eligible but have never enrolled (commonly referred to as the woodwork effect).

The estimate includes general fund savings due to expansion, including an offset in funds for correctional healthcare, behavioral healthcare, and Indian Health Services, as well as the movement of certain populations from the regular Medicaid group to the expansion group. The general fund savings also reflect a temporary two-year incentive for Medicaid expansion provided under the American Rescue Plan Act. These savings do not necessarily need to be applied to the Medicaid program and could be used for other appropriations.

A breakout by year for the proposed Medicaid expansion is below, based on the current Medicaid budget.

Expansion Years	Total New Individuals	Total Cost	State Share	Total General Fund Savings
Year 1	42,500	\$297,042,000	\$32,566,000	\$63,572,000
Year 2	43,000	\$300,013,000	\$32,904,000	\$64,899,000
Year 3	43,400	\$303,013,000	\$33,245,000	\$11,334,000
Year 4	43,800	\$306,043,000	\$33,590,000	\$11,334,000
Year 5	44,300	\$309,103,000	\$33,939,000	\$11,334,000
<b>Total</b>	-	<b>\$1,515,214,000</b>	<b>\$166,244,000</b>	<b>\$162,473,000</b>

Enclosed is a copy of the initiated measure, in final form, that was submitted to this office. In accordance with SDCL 2-9-31, I hereby submit the LRC's fiscal note with respect to this initiated amendment.

Sincerely,



Reed Holwegner  
Director

Enclosures

Cc: Laurie Jensen Wunder

**BE IT ENACTED BY THE PEOPLE OF SOUTH DAKOTA:**

That Article XXI of the Constitution of South Dakota be amended by adding a **NEW SECTION** to read:

**§ 10** Beginning July 1, 2023, the State of South Dakota shall provide Medicaid benefits to any person over eighteen and under sixty-five whose income is at or below one hundred thirty-three percent of the federal poverty level plus five percent of the federal poverty level for the applicable family size, as authorized by federal law as of January 1, 2021. Such person shall receive coverage that meets or exceeds the benchmark or benchmark-equivalent coverage requirements, as such terms are defined by federal law as of January 1, 2021.

The State of South Dakota may not impose greater or additional burdens or restrictions on eligibility or enrollment standards, methodologies, or practices on any person eligible under this section than on any person otherwise eligible for Medicaid under South Dakota law.

No later than March 1, 2023, the Department of Social Services shall submit all state plan amendments necessary to implement this section to the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services.

The State of South Dakota shall take all actions necessary to maximize the federal financial medical assistance percentage in funding medical assistance pursuant to this section.

This section shall be broadly construed to accomplish its purposes and intents. If any provision in this section or the application thereof to any person or circumstance is held invalid or unconstitutional, such invalidity or unconstitutionality shall not affect other provisions or applications of the section that can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this section are severable.

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

FISCAL NOTE

INITIATED CONSTITUTIONAL AMENDMENT

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AN INITIATED AMENDMENT TO THE SOUTH DAKOTA CONSTITUTION EXPANDING  
MEDICAID ELIGIBILITY.

The proposed expansion of Medicaid could cover an additional 42,500 eligible individuals, with a total estimated cost over the first five years of \$1,515,214,000. For the first five years under current federal law, the state's share of expenses could be \$166,244,000 with the state recognizing additional general fund savings of \$162,473,000.

Approved: Reed Holvegner Date: June 17, 2021  
Director, Legislative Research Council