

STORAGE NAME: h0483.hhsa.doc
DATE: March 27, 2001

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
HEALTH AND HUMAN SERVICES APPROPRIATIONS
ANALYSIS**

BILL #: HB 483
RELATING TO: Medicaid Eligibility/Work Incentives
SPONSOR(S): Representative(s) Wiles & others
TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) HEALTH PROMOTION YEAS 12 NAYS 0
 - (2) HEALTH AND HUMAN SERVICES APPROPRIATIONS
 - (3) COUNCIL FOR HEALTHY COMMUNITIES
 - (4)
 - (5)
-

I. SUMMARY:

HB 483 provides the short title, the "Florida Ticket to Work and Work Incentives Act of 2001."

The bill authorizes the extension of Medicaid eligibility to disabled persons who participate in the federal "Ticket to Work and Work Incentives Improvement Act of 1999," Public Law No. 106-170. Disabled persons who return to work can earn up to 250 percent of the federal poverty level and "buy-in" to Medicaid coverage.

Subject to a specific appropriation, the Agency for Health Care Administration (AHCA) is directed to seek a federal grant, demonstration project, or waiver as may be authorized by the Secretary of the federal Department of Health & Human Services (HHS) to establish a Medicaid buy-in program or other programs to assist individuals with disabilities in gaining employment. The services to be provided are those required to enable such individuals to gain and keep employment.

This act shall take effect October 1, 2001.

The annual fiscal impact, as determined by the Social Services Estimating Conference, is \$7.7 million, including \$3.2 million in General Revenue. These funds are included in the House General Appropriations Bill for FY 2001-02 to provide Medicaid coverage for the working disabled.

SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|--|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |

For any principle that received a "no" above, please explain:

In providing for an optional eligibility group under Medicaid, the bill creates an expanded Medicaid program.

B. PRESENT SITUATION:

The Florida Medicaid Program

Medicaid is a medical assistance program that pays for health care for the poor and disabled. The federal government, the state, and the counties jointly fund the program. The federal government, through law and regulations, has established extensive requirements for the Medicaid Program. The Agency for Health Care Administration is the single state agency responsible for administering the Florida Medicaid Program. The statutory provisions for the Medicaid Program appear in ss. 409.901 through 409.9205, F.S. The state budget for the program for the current fiscal year is \$8.3 billion, and the program anticipates serving 1.8 million clients this year.

Individuals who are elderly or disabled and whose incomes are under 100 percent of the federal poverty level (FPL) are an optional coverage group eligible for Medicaid under s. 409.904(1), F.S. Payments for services to individuals in the optional categories are subject to the availability of moneys and any limitations established by the General Appropriations Act or chapter 216, F.S. In the 1992 special session of the Legislature, proviso language in the amended General Appropriations Act reduced Medicaid eligibility for elderly and disabled persons from 100 percent FPL to 90 percent FPL.

Section 409.914, F.S., authorizes AHCA to use its resources to assist in various insurance assistance programs for the uninsured. It also provides authority to AHCA to establish a Medicaid "buy-in" program for those persons ineligible for Medicaid because of current income and categorical restrictions.

Medicaid Coverage for the Disabled

When a disabled person who is receiving Medicaid because of disability is working and earns \$740 or more per month, the person no longer is considered disabled and becomes ineligible for Medicaid. To be considered disabled, an individual cannot be able to participate in substantial gainful activity (SGA) for a period of at least 12 months; one definition of SGA is earnings of \$740 or more per month. The loss of health care coverage from Medicaid, coupled with difficulty in

obtaining other affordable, comprehensive coverage, can create a barrier and strong disincentive for disabled persons to work.

In addition, persons who are earning less than \$740 a month may become ineligible due to earnings if their unearned income, coupled with their earned income, exceeds the income limit for full Medicaid coverage. (The income limit for disabled persons for Medicaid under s. 409.904, F.S., whose income is set at 90 percent of the federal poverty level - \$627 a month for calendar year 2000; \$644 a month for 2001, effective February 16, 2001.) In determining eligibility on the factor of income, certain income disregards apply. The most common is a \$20 general income disregard, and for earned income, a disregard of \$65 plus one half of the remainder. Disabled persons who become ineligible for full Medicaid due to income, can be enrolled as Medically Needy. However, to receive any Medicaid benefits in a month, they are responsible for medical expenses equal to the difference in their income and the Medically Needy income level (\$180 for an individual and \$240 for a couple). In many instances, this results in the loss of medical coverage from Medicaid and the inability to obtain coverage elsewhere. Even if Medicare covers them, disabled persons have no coverage available to assist with the cost of prescription drugs.

The table below represents the number of disabled persons in Florida receiving Medicaid or enrolled in the Medically Needy program who have earned income:

PROGRAM	NUMBER ELIGIBLE	NUMBER WITH EARNINGS
SSI*	281,000	11,529 (4.1%)
MEDS (90% FPL)**	36,100	3,068 (8.5%)
MEDICALLY NEEDY**	28,535	1,940 (6.5%)

*Data from SSA, Office of Policy, Office of Research, Evaluation, and Statistics publication, June 2000

**Data provided by Department of Children and Families (AHCA TWWIIA Study, page 25)

Federal Enactment: Ticket to Work and Work Incentives Improvement Act of 1999

The federal "Ticket to Work and Work Incentives Improvement Act of 1999" was signed into law on December 17, 1999. It provided states with new options and flexibility regarding the ability of persons with disabilities to join the workforce without fear of losing their Medicare or Medicaid coverage. The first group is called the "basic coverage group." Under this group, states can choose to cover individuals at least age 16 but less than 65 years of age who, except for earned income, would be eligible to receive SSI benefits regardless of whether they had ever received SSI cash benefits. Moreover, the state establishes the income and asset limits that may be more liberal than SSI, but not more restrictive.

The second new eligibility group is called the "medical improvement group." Under this group, states can choose to cover employed individuals with a medically improved disability who lose Medicaid eligibility under the basic coverage group described above because their medical conditions have improved to the point where they are no longer disabled under the SSI definition of disability. It is extremely difficult for these individuals to obtain health care insurance on the open market—even when their disabling condition has improved to the point they may become employed.

States are not required to cover both groups. However, if a state elects to provide coverage for the medical improvement group, it must also cover the basic coverage group. States may also impose premiums or other cost-sharing charges on a sliding scale based on income for individuals eligible for either of the coverage groups.

Legislatively Required Study

Following the federal enactment, legislation was introduced during the 2000 Florida Legislative session (HB 1447 and SB 1974) addressing the establishment of a Medicaid "buy-in" program in Florida using the newly enacted federal guidelines. Neither of these bills was adopted. However, section 167 of chapter 2000-319, Laws of Florida, specified that:

The Agency for Health Care Administration is directed to conduct a cost and feasibility study regarding the implementation of the federal "Ticket to Work and Work Incentives Act of 1999" in Florida and to report its findings to the Speaker of the House of Representatives and the President of the Senate no later than December 1, 2000.

To accomplish this task, the Agency for Health Care Administration retained the services of a consultant, the Capstone Consulting Group, Inc., and appointed a steering committee to provide input in this task. In addition to a series of meetings of the steering committee, the study considered five major sources of information: two public forums, a survey of selected states that have "buy-in" programs; a random survey of two groups already known to the Medicaid program, Medicaid Disabled and Medically Needy; selected data from the Florida Medicaid program; and advocacy representation on the steering committee.

Although there were varied opinions regarding the different features of program design, there was consensus regarding the need for Florida to implement a Medicaid "buy-in" program. However, of the two optional Medicaid eligibility groups afforded states under the federal authorization, the steering committee felt that Florida should limit its "buy-in" program to the basics coverage group. Therefore, the report and recommendations apply only to that group and not the medical improvement group. In addition to recommending a Medicaid "buy-in" program for the basic coverage group, the steering committee offered the following recommendations relating to the income and asset criteria to be used for this program:

- Exclude countable earned income up to 250 percent, net of the federal poverty level.
- Exclude cash assets in the amount of \$8,000 for a single individual and \$9,000 for a couple. In addition, any retirement account recognized by the Internal Revenue Service would also be excluded.
- Exclude a second vehicle for a couple.
- Participants in the buy-in program should not be charged a premium. (The study reviewed the administrative costs associated with premiums and concluded that such collections were not cost effective.)

Attempting to identify the number of persons who may be potentially eligible to participate in the buy-in program was difficult and required multiple assumptions. A figure of 1,500 eligible participants was used in the study's projections in an attempt to account for as many variables as possible. Regardless of the parameters of eligibility, not everyone eligible to participate in the program will do so. The total projected cost for implementation is \$8,120,477. The report concluded:

(T)he results of this study would suggest that there are persons with disabilities in Florida who would be encouraged to enter or re-enter the workforce if they were able to maintain their Medicaid health care coverage through a Medicaid "buy-in" program and that benefits would accrue to both the individual participant and the state.

Federal Poverty Level

The federal Department of Health and Human Services annually updates the federal poverty guidelines used as the basis for eligibility for a variety of federal and state programs. These data, generally referred to as the "federal poverty level," are published in the Federal Register. As published on February 16, 2001, the federal poverty level for the indicated family sizes and percentage levels of poverty for the year 2001 are as follows:

Size of Family Unit	100% of FPL	250% of FPL
1	\$8,590	\$21,475
2	\$11,610	\$29,025
3	\$14,630	\$36,575
4	\$17,650	\$44,125

Employment of the Disabled

People with disabilities represent a willing workforce to which businesses are beginning to turn to meet the growing demand for labor. According to March 20, 2000, article in *Business Week*:

Facing the worst labor shortage in modern history, recruiters are tapping into the kinds of workers they would have easily blown off just 10 years ago...next up are the disabled, who may prove to be the last great hope - if only because they're the only labor pool that hasn't been completely drained. At the same time, ground-breaking technology is creating ways for people with disabilities to better perform jobs, helping them to erase the deep divisions that once existed between them and everybody else.

C. EFFECT OF PROPOSED CHANGES:

The bill authorizes Medicaid coverage for individuals with disabilities who choose to participate in the new federal "Ticket to Work and Work Incentives Act of 1999" and return to work. Eligible participants are able to work and earn compensation up to 250 percent of the most current federal poverty level, without losing Medicaid eligibility. (Staff from the Department of Children and Family Services determine eligibility as they do for other benefit programs.)

The bill authorizes AHCA to apply for a federal waiver, grant, or demonstration project to implement a Medicaid buy-in for certain disabled persons who return to work and would not qualify for Medicaid. Under this demonstration project, the state could extend Medicaid eligibility to disabled persons through a buy-in provision, if their medical condition was such that they needed Medicaid coverage to obtain or maintain a job. Implementation of the bill is contingent upon a specific appropriation.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Provides the short title, the "Florida Ticket to Work and Work Incentives Act of 2001."

Section 2. Amends s. 409.904, F.S., relating to Medicaid optional payments for eligible persons, to provide that persons age 16 through 64 who have a disability and return to work may qualify for a Medicaid buy-in program established under the federal "Ticket to Work and Work Incentives

Improvement Act of 1999," Title II of Pub. L. No. 06-170. Requires income-related premiums and cost sharing.

Section 3. Subject to a specific appropriation, AHCA is directed to apply for a federal waiver, grant, or demonstration project to establish a Medicaid buy-in program for certain disabled adults. The buy-in would be available to disabled persons whose medical condition improved sufficiently to allow them to work, but whose continuing disability requires Medicaid services to remain employed.

Section 4. Provides an effective date of October 1, 2001.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS below.

2. Expenditures:

See FISCAL COMMENTS below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Individuals impacted by the bill would see expanded coverage allowing some disabled individuals to return to work and keep their Medicaid coverage. The increased income standard for the Medically Needy program could potentially increase the number of months that an individual could become eligible for the program.

D. FISCAL COMMENTS:

The following feasibility and cost analysis study was prepared for the Agency for Health Care Administration regarding implementation of the "Ticket to Work and Work Incentives Improvement Act of 1999".

Although the bill requires premiums and cost sharing, the study concluded that the potential expense associated with administering cost sharing requirements and premium collections may actually exceed the premiums collected. Therefore, the fiscal analysis does not include offsets for premiums or cost sharing.

	<u>Year 1</u>	<u>Year 2</u>
Estimated Potential Enrollees (1)	1,500	1,500
Estimated Cost Per Person	\$5,062	\$5,062
Estimated Total Annual Cost (2)	\$5,694,750	\$7,593,000
Less Estimated Drug Rebates(2)	\$(364,500)	\$(486,000)
Estimated Net Annual Cost	\$5,330,250	\$7,107,000
State Cost	\$2,322,390	\$3,096,520
Federal Match (56.43%)	\$3,007,860	\$4,010,480

(1) Per December 1, 2000 Cost and Feasibility Study prepared by Capstone Consulting Group, Inc.

(2) Year 1 effective 10/1/2001

	<u>Year 1</u>
Changes to Florida Medicaid Management Information System	\$100,000
General Revenue 50.00%	\$50,000
Administrative Trust Fund 50.00%	\$50,000

	<u>Year 1</u>	<u>Year 2</u>
Estimated Additional Claims Processing Costs		
Additional Enrollees	1,500	1,500
Average Number of Claims per Enrollee (A)	90	120
Estimated Total Additional Claims	135,000	180,000
Cost per Claim	\$0.2044	\$0.2044
Total Cost	\$27,594	\$36,792
General Revenue 30.95%	\$8,540	\$11,387
Administrative Trust Fund 69.05%	\$19,054	\$25,405

A) Year 1 effective 10/1/2001

The study also estimated the fiscal impact on the Department of Children and Family Services to be \$876,685 for eligibility determination.

The House General Appropriations Bill for FY 2001-02 includes funding of \$7.7 million (\$3,156,485 from the General Revenue Fund and \$4,573,307 from trust funds) for Medicaid coverage for the working disabled.

III. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

STORAGE NAME: h0483.hhsa.doc

DATE: March 27, 2001

PAGE: 8

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

When the Committee on Health Promotion heard the bill on March 15, 2001, the committee adopted one amendment [page 2, line 8], authorizing, not requiring, that the Medicaid buy-in include income-related premiums and cost sharing.

VI. SIGNATURES:

COMMITTEE ON HEALTH PROMOTION:

Prepared by:

Phil E. Williams

Staff Director:

Phil E. Williams

AS REVISED BY THE COMMITTEE ON HEALTH AND HUMAN SERVICES APPROPRIATIONS:

Prepared by:

Cynthia Kelly

Staff Director:

Cynthia Kelly