

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1974

SPONSOR: Senator King

SUBJECT: Medicaid Eligibility

DATE: March 27, 2000

REVISED: 3/28/2000

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Liem</u>	<u>Wilson</u>	<u>HC</u>	<u>Fav/1 amendment</u>
2.	<u> </u>	<u> </u>	<u>FP</u>	<u> </u>
3.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
4.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
5.	<u> </u>	<u> </u>	<u> </u>	<u> </u>

I. Summary:

Senate Bill 1974 authorizes the state to extend Medicaid eligibility to disabled persons who participate in the newly enacted 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% 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, waiver, or demonstration project, if such is authorized by the Secretary of the Department of Health & Human Services, to establish a Medicaid buy-in program for disabled persons whose medical improvements allow them to return to work but who require medical assistance services to remain employed.

This bill amends s. 409.904, F.S., and creates an undesignated section of law.

II. Present Situation:

Societal attitudes have shifted toward goals of economic self-sufficiency, enabling people with disabilities to fully participate in society. Moreover, medical advances and new technologies provide more opportunities than ever for people with disabilities to work. Although, at one time, the common business practice was to encourage someone with a disability to leave the workforce, today a growing number of private companies have been focusing on enabling people with disabilities to return to work.

Almost one in five Americans and more than ten percent of all Floridians has a disability. Individuals with disabilities have lower employment rates and lower incomes than persons who do not have a disability according to Florida’s ABLE Trust, December 1999 report: Cost-Benefit Analysis of Employment of Floridians with Disabilities. The ABLE Trust report estimates that the cost of unemployment for Floridians with disabilities is \$8.1 - \$10.5 billion dollars annually.

Many individuals with disabilities have both the motivation and the ability for employment. However, individuals presently receiving financial assistance from Federal and State programs are hindered in their attempt to be employed by regulations and restrictions which make employment unattractive due to the fear of losing necessary assistance before an income sufficient to cover basic needs is earned.

The General Accounting Office noted in a 1997 report (HEHS-97-146):

“The Social Security Administration's disability insurance and supplemental security income programs have not kept pace with the trend toward returning disabled people to the work place. Fewer than one percent of disability insurance beneficiaries leave the rolls to return to work each year. Yet, even relatively small improvements in return-to-work outcomes offer the potential for significant savings in program outlays. For example, *if an additional one percent of the 6.6 million working-age beneficiaries under the two programs were to leave the disability rolls and return to work, lifetime cash benefits would be reduced by an estimated \$3 billion.*”

The General Accounting Office estimates (HEHS-97-46) that no more than one in 500 people with disabilities leave the Social Security Disability Insurance and Supplemental Security Income (SSDI/SSI) rolls because of employment. One of the main reasons cited for people not going to work is the fear of losing necessary benefits, cash and/or medical insurance, particularly if the job causing this loss is a low-paying entry-level position. Loss of necessary assistance before one's income is sufficient to cover medical and/or attendant care costs, as well as basic living needs, can be disastrous.

Unemployment in Florida

Unemployment in Florida has declined steadily since 1992. The state's overall unemployment rate is 4.0 percent. Over half of Florida's counties have unemployment rates below the national average. Alachua county had the state's lowest unemployment rate (2.1 percent), and unemployment rates in the Orlando area, the areas around Sarasota, Bradenton, and Pinellas, Ft. Myers and Tallahassee, are under 3 percent.

People with disabilities represent a willing workforce to which businesses are beginning to turn to meet the growing demand for labor. According to a recent 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”

Medicaid

Medicaid is a medical assistance program that pays for health care for the poor and disabled. The program is jointly funded by the federal government, the state, and the counties. 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 the Florida Medicaid Program. The statutory provisions for the Medicaid program appear in ss. 409.901 through 409.9205, F.S. Individuals who are elderly or disabled, 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 monies 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.

Supplemental Security Income and Social Security Disability Insurance

SSI pays a cash benefit to individuals who are age 65 or older, or who are blind, or who have a disability and who have limited income and assets. Persons who qualify for SSI automatically qualify for Medicaid. Social Security Disability Insurance (SSDI) pays disabled former workers a monthly benefit based on their prior work and contributions under Social Security. After approximately two years of a qualifying disability, SSDI beneficiaries qualify for Medicare.

Social Security does not pay for short-term or partial disability. Applicants are considered disabled if they cannot do the work they did before sustaining the disability and Social Security confirms that each applicant cannot adjust to other work because of a medical condition. The disability also must last, or be expected to last, a year or to result in death. Over the years, the Social Security disability programs have developed a number of work incentives to encourage disabled persons to return to work. The loss of health care benefits (Medicaid) has frequently been cited as a barrier, or disincentive, for persons with disabilities to return to the workforce.

Federal Poverty Level

The federal poverty levels for the year 2000 are:

Family Size	Income
1	\$8,350
2	\$11,250
3	\$14,150
4	\$17,050
5	\$19,150
6	\$22,850

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 allows states to provide Medicaid coverage to certain disabled persons who are transitioning from Social Security disability (SSI or SSDI) to gainful employment. The provisions of the law become effective at various times, generally beginning one year after enactment. The program will be phased in nationally over a three-year period beginning January 1, 2001, with the first Tickets issued early in 2001. SSI and SSDI disability beneficiaries will receive

a "Ticket" they may use to obtain vocational rehabilitation, employment or other support services from an approved provider of their choice. The Ticket program is voluntary.

Under the Act, effective October 1, 2000, states will have the option to provide Medicaid coverage to more people ages 16-64 with disabilities who work. States will have the option to permit working individuals with incomes above 250 percent of the federal poverty level to "buy-in" to Medicaid. If a state provides Medicaid coverage to the individuals described above who return to work, the state may also opt to continue to provide coverage to certain individuals whose improved medical condition would otherwise make them ineligible.

Further, the law extends Medicare coverage for people with disabilities who return to work. It extends Part A premium-free coverage for 4 ½ years beyond the current limit for Social Security disability beneficiaries who return to work.

Individuals covered under these options could "buy into" Medicaid coverage by paying premiums or other cost-sharing charges on a sliding fee scale based on an individual's income. The state would be required to make premium or other cost-sharing charges the same for both these two new eligibility groups. In addition, a state may require individuals with income above 250 percent of the Federal poverty level to pay the full premium cost.

Federal funds paid to a state for Medicaid coverage of these new eligibility groups must be used to supplement state funds used for their existing programs that assist disabled individuals to work. In order to receive Federal funds, states are required to maintain their current level of effort for these groups. Effective October 1, 2000, the Secretary of HHS is authorized to award "infrastructure grants" to states to design, establish, and operate infrastructures that provide items and services to support working individuals with disabilities.

III. Effect of Proposed Changes:

The bill authorizes individuals with disabilities who have income up to 250% of the Federal Poverty Level to "buy in" to the Medicaid program by adding a new subsection (8) to s. 409.904, F. S., 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. Income-related premiums and cost-sharing are required.

The bill directs AHCA to apply for a 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 them through a buy-in provision, if their medical condition was such that they needed Medicaid coverage to continue working. Implementation of the bill is contingent upon a specific appropriation.

The bill will take effect October 1, 2000.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Subsections 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Implementation of the Medicaid buy-in will allow disabled individuals to seek employment and give employers access to a larger pool of potential employees.

C. Government Sector Impact:

Accurately estimating the cost of implementing the buy-in is difficult, since there is no data on the number of current Medicaid recipients who would become employed due to the presence of the program. The Congressional Budget Office estimated that 12 states will implement the buy-in program, increasing the Medicaid caseload by 1,200 individuals nationwide, for a fiscal impact of \$10 million. In developing its Florida fiscal impact statement, the Agency assumed that the program would increase Medicaid caseload by 1,200 individuals in Florida for a first-year fiscal impact of approximately \$3.3 million (\$1.49 million General Revenue). The agency assumed approximately 1,000 individuals who lose SSI or SSDI due to medical improvement would participate in expanded coverage under the program for an annual cost of approximately \$2.6 million (\$1.17 million General Revenue).

The state of Oregon has operated a similar Medicaid buy-in program since 1998. According to officials at the Oregon Division of Senior and Disabled Services, 90 percent of enrollees in the program over the past two years were current Medicaid recipients at the time of program enrollment. The division believes that virtually all of these individuals would have remained unemployed, on Medicaid, without the program. The division believes that the program is cost-neutral to the state because, under the program, participants begin to pay premiums for

Medicaid, whereas without the program they are provided Medicaid at no cost. In addition, some participants gain access to employer-sponsored health care coverage, which reduces Medicaid costs, and there is a gain to the state in tax revenues due to participant employment.

VI. Technical Deficiencies:

Section 2 of the bill requires the agency to seek a waiver to establish a buy-in program for individuals whose medical improvements permit them to return to work. Such a waiver may be unnecessary, since The Ticket to Work and Work Incentives Act allows states to elect coverage for individuals who lose Medicaid eligibility due to medical improvement as a Medicaid state plan option. The Act does, however, contain provisions for states to seek demonstration grants to design, establish, and operate infrastructures to support working individuals with disabilities and to conduct outreach to inform them about these benefits.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Health, Aging and Long-Term Care:

Clarifies that the waivers, grants or demonstration projects the agency is to seek are for the purpose of developing programs to assist individuals with disabilities to gain or keep employment.