

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Sub. S.B. 4** DATE: **March 13, 2007**

STATUS: **As Reported by Senate Finance and Financial Institutions** SPONSOR: **Sen. Stivers**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **To establish a Medicaid Buy-In for Workers with Disabilities Program and a Medicaid program for individuals who exhaust benefits under a qualified long-term care policy**

State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Net increase of about \$700,000 to \$1.6 million; net increase of about \$367,500 to \$2.85 million in start-up and administrative costs	Net increase of about \$14.6 million when enrollment plateaus; net increase of less than \$2.85 million in administrative costs
Non-GRF Funds			
Revenues	- 0 -	Gain from premiums collected	Gain from premiums collected
Expenditures	- 0 -	Increase equal to amount in premiums collected	Increase equal to amount in premiums collected

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- The net state costs of a Medicaid Buy-In for Workers with Disabilities Program are estimated to be about \$700,000 to \$1.6 million in the first year of the program and about \$14.6 million when enrollment plateaus after at least five years. These net state cost estimates take into account federal Medicaid reimbursement, spend-down loss, and premium revenue.
- The state share of start-up and administrative costs are estimated to be \$367,500 to \$2.85 million depending on the number of additional staff and contractors that will be required.
- The Department of Job and Family Services will incur minimal costs for providing meeting space and support to the Medicaid Buy-In Advisory Council and to meet reporting requirements.
- The bill requires the Director of Job and Family Services to establish a program that enables an individual who exhausts the benefits payable under a qualified long-term care insurance policy to qualify for Medicaid-funded nursing facility or other Medicaid-funded long-term care services without regard, with one exception, to the value of



the individual's resources if the individual meets all other eligibility requirements for the Medicaid services sought. There are no cost or savings projections available for this proposed program at this time.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties (departments of job and family services)			
Revenues	- 0 -	Offsetting gain in state and federal Medicaid funds for increased administrative costs	Offsetting gain in state and federal Medicaid funds for increased administrative costs
Expenditures	- 0 -	Increase in administrative costs for eligibility and disability determination	Increase in administrative costs for eligibility and disability determination

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- County departments of job and family services currently do eligibility and disability determination for the Medicaid program in Ohio. Assuming determinations would be done at the local level, county departments would incur additional costs under the new program. However, state and federal funds are used to pay such costs.

Detailed Fiscal Analysis

Medicaid Buy-In for Workers with Disabilities Program

The bill requires the Director of Job and Family Services to submit an amendment to the state Medicaid plan and any federal waiver necessary to establish a new component of the Medicaid program to be known as the Medicaid Buy-In for Workers with Disabilities Program. The amendment and, if necessary, waiver are to be submitted to the United States Secretary of Health and Human Services not later than 90 days after the bill's effective date. The program is to be established in accordance with the bill and the provision of the Ticket to Work and Work Incentives Improvement Act of 1999 that authorizes the Medicaid buy-in eligibility expansions. The Director is required to implement the program if the amendment and, if necessary, waiver are approved.

Eligibility

To qualify for the Medicaid Buy-In for Workers with Disabilities Program, an individual must apply to participate and provide satisfactory evidence that the individual:

- (1) Is at least age 16 and under age 65;
- (2) Is either considered disabled for the purpose of the Supplemental Security Income (SSI) program (regardless of whether the individual receives SSI benefits) and has earnings from employment or meets the federal definition of "employed individual with a medically improved disability";
- (3) Meets the program's asset and income requirements;

- (4) Meets the additional eligibility requirements the Director of Job and Family Services is to establish in rules.

An individual may also have to pay a premium for participating in the program.

Under the program's asset limitation, the value of the assets of an individual's family, less assets and asset value disregarded pursuant to rules the Director is to adopt, cannot exceed \$10,000. However, the Director is required to annually adjust the asset eligibility requirement by the change in the consumer price index for all items for all urban consumers for the previous calendar year, as published by the United States Bureau of Labor Statistics.

Under the program's income limitation, the income of an individual's family, less the first \$20,000 of the individual's earned income and other disregarded amounts to be specified in rules, cannot exceed 250% of the federal poverty guidelines. No amount that an employer of a member of the individual's family pays to obtain health insurance for one or more members of the family is to be treated as the income of the individual's family. This exclusion includes any amount of the program's premium that the employer pays.

The bill defines "family" as an applicant for or participant of the Medicaid Buy-In for Workers with Disabilities Program and the spouse and dependent children of the applicant or participant. "Family" also includes the parents of an applicant or participant who is under age 18.

Premium requirements

An individual whose family's income exceeds 150% of the federal poverty guidelines is required to pay an annual premium as a condition of qualifying for the Medicaid Buy-In for Workers with Disabilities Program. The amount of the premium is to be determined as follows:

- (1) Subtract an amount equal to 150% of the federal poverty guidelines, as applicable for a family size equal to the size of the individual's family, from the amount of the income of the individual's family;
- (2) Subtract any amount a member of the individual's family pays, whether by payroll deduction or otherwise, for other health insurance for one or more members of the family from the difference determined under (1) above;
- (3) Multiply the difference determined under (2) above by one-tenth.

The bill stipulates that no amount that an employer of a member of an individual's family pays to obtain health insurance for one or more members of the individual's family, including any amount of a premium for the Medicaid Buy-In for Workers with Disabilities Program that the employer pays, is to be treated as income of the individual's family for purposes of determining whether an individual must pay a premium or the amount of a premium an individual must pay under the program.

Six-Months Extended Eligibility

The bill permits an individual participating in the Medicaid Buy-In for Workers with Disabilities Program to continue to participate in the program for up to six months after the individual no longer has earnings from employment or no longer meets the federal definition of "employed individual with a medically improved disability." The individual would have to continue to meet all of the program's other eligibility requirements to qualify for the extended six-months eligibility.

Dual Eligibility for Buy-In and Home or Community-Based Services

Ohio's Medicaid program includes a number of components under which home or community-based services are provided as an alternative to services provided by a hospital, nursing facility, or intermediate care facility for the mentally retarded. The components are authorized by federal waivers granted by the United States Department of Health and Human Services.

The bill stipulates that no individual is to be denied eligibility for the Medicaid Buy-In for Workers with Disabilities Program on the basis that the individual receives home or community-based services under a Medicaid waiver. The bill correspondingly stipulates that no individual is to lose eligibility for home or community-based services under a Medicaid waiver or have such services reduced or disrupted on the basis that the individual also receives services under the Medicaid Buy-In for Workers with Disabilities Program, even if the individual's income or assets increase to an amount above the eligibility limit for the Medicaid waiver (but not above the eligibility limit for the Medicaid Buy-In for Workers with Disabilities Program). Individuals receiving services under a Medicaid waiver are exempted by the bill from any patient liability otherwise applicable under the Medicaid waiver for any period during which they also participate in the Medicaid Buy-In for Workers with Disabilities Program. "Patient liability" is defined as the cost-sharing expenses for which an individual receiving services under a Medicaid waiver is responsible.

Medicaid Buy-In Advisory Council

The bill creates the Medicaid Buy-In Advisory Council consisting of 13 members. Members of the Council are to serve without compensation or reimbursement, except as serving on the Council is considered part of their usual job duties.

The Department of Job and Family Services is required to provide the Council with accommodations for the Council to hold its meetings. The Department must also provide the Council with other administrative assistance the Council needs to perform its duties.

The Director of Job and Family Services must or the Director's designee is required to meet quarterly with Council to discuss the Medicaid Buy-in for Workers with Disabilities Program. The Council is permitted to provide the Director or Director's designee with suggestions for improving the program. The Director or designee must provide the Council with the following information:

- The number of individuals who participated in the program the previous quarter.
- The cost of the program the previous calendar quarter.
- The amount of revenue generated the previous calendar quarter by the premiums paid under the program.

- The average amount of earned income of participants' families.
- The average amount of time participants have participated in the program.
- The types of other health insurance participants have been able to obtain.

Report

The bill requires that the Director of Job and Family Services issue a report on the Medicaid Buy-In for Workers with Disabilities Program not less than once each year. The report is to be submitted to the Governor, Speaker and Minority Leader of the House of Representatives, President and Minority Leader of the Senate, and chairpersons of the House and Senate committees to which the biennial operating budget bill is referred. The report is to include the same information that the bill requires the Director or Director's designee to provide the Medicaid Buy-In Advisory Council. The Department of Job and Family Services will incur minimal costs for providing meeting space and support to the Medicaid Buy-In Advisory Council and to meet reporting requirements.

Fiscal Impact

Medicaid Buy-In for Workers with Disabilities Program

In researching the fiscal impact of implementing a Medicaid Buy-In for Workers with Disabilities Program, LSC staff analyzed two separate estimates. The first estimate was provided by the Department of Job and Family Services. The Department's estimate of fiscal impact is summarized in the following table:

Department of Job and Family Services' Estimate				
	2008	2009	2010	2011
Total new expenditures	\$2,101,692	\$16,105,988	\$24,227,848	\$26,241,806
Total premium payments	\$348,236	\$1,749,308	\$2,169,192	\$2,428,091
Net expenditures	\$1,753,456	\$14,356,680	\$22,058,656	\$23,813,714
Net expenditures - state share	\$706,994	\$5,788,614	\$8,894,050	\$9,601,690

The second estimate was produced by Steven R. Howe of Steven R. Howe and Associates, LLC in August 2004 in a report to the Ohio Developmental Disabilities Council.¹ He estimates first year net costs to the state to be about \$1.6 million (excluding overhead costs). Enrollment is projected to grow from about 770 persons in the first year of the program to 7,073 when enrollment plateaus (at least five years into the program). At that time, 5,234 persons currently on Medicaid and 1,839 new persons would be projected to enroll in the buy-in program at a net cost of \$14,616,332 to the state. These net cost estimates take into account federal Medicaid reimbursement, spend-down loss, and premium revenue.

¹ Steven R. Howe and Associates, LLC, *Thinking About Medicaid Buy-In Enrollment Projections: Lessons from Other States* (August 2004) (last visited March 5, 2007), available at <http://www.srhassociates.com/reports/MBI%20Lessons%20Learned.pdf>.

Administrative Costs

State. The Ticket to Work Program Evaluation Committee report includes an estimate of administrative costs associated with the buy-in program. This estimate was provided in 2001, thus it is outdated, but an updated estimate has yet to be produced by the Department of Job and Family Services. In 2001, representatives for the Department of Job and Family Services estimated that administrative start-up for the program will cost between \$2.5 million and \$3.0 million. The representatives stated that the Department will need to modify Medicaid eligibility systems, contract with a fiscal agent for development and preparation for implementation of monthly premium collection, develop information materials, and hire additional staff to work with contractors and manage project design and implementation. The funds required for program administration are eligible for a 50% federal match.

In 2003, the Lewin Group estimated administrative costs for a buy-in program of about \$735,000 to \$5.7 million. The Lewin Group interviewed 15 states with similar Medicaid systems to Ohio. They looked at each state's eligibility and disability determination processes; information system changes; premium collection systems; education, marketing, and outreach; and cost of implementation and administration. Specific potential costs that were identified include: additional policy development/program administration staff; eligibility determination staff; in-house staff or contractor for premium collection and administration; outreach and marketing, training, premium collection systems development; eligibility determination systems development; and disability determination. As stated above, the funds required for program administration are eligible for a 50% federal match. Therefore, the state share of start-up and administrative costs are estimated to be \$367,500 to \$2.85 million depending on the number of additional staff and contractors that will be required.

County Departments of Job and Family Services. County departments of job and family services currently do eligibility and disability determination for the Medicaid program in Ohio. Assuming determinations would be done at the local level, county departments would incur additional costs under the new program. However, state and federal funds are used to pay such costs.

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