

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 1008 (Delegate Frush, *et al.*)
 Economic Matters

Medical Assistance Program - Employed Persons with Disabilities Program

This bill creates the Employed Persons with Disabilities Program (EPDP) within the Medicaid program. The EPDP allows individuals with disabilities, ages 16 to 64, to maintain Medicaid coverage while earning up to \$75,000 annually and owning assets worth up to \$10,000.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Medicaid expenditures could increase by \$4.67 million (50% federal funds, 50% general funds) in FY 2002. Medicaid general fund revenues from premiums could increase by \$109,000 in FY 2002. Future year estimates reflect annualization, inflation, and increased enrollment.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	\$109,000	\$272,000	\$411,100	\$564,400	\$730,700
GF Expenditure	2,333,500	3,243,000	4,895,000	6,703,700	8,644,600
FF Expenditure	2,333,500	3,243,000	4,895,000	6,703,700	8,644,600
Net Effect	(\$4,558,000)	(\$6,214,000)	(\$9,378,900)	(\$12,843,000)	(\$16,558,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The creation of the EPDP is contingent upon the federal Health Care Financing Administration's (HCFA) approving a 1931(b) amendment to Maryland's Medicaid program. By October 1, 2001, the Department of Health and Mental Hygiene (DHMH) must submit a 1931(b) amendment to HCFA seeking 50% matching federal funds for the EPDP. DHMH must implement the EPDP within three months after HCFA issues its approval. DHMH and the Department of Labor, Licensing, and Regulation (DLLR) must adopt regulations implementing the EPDP within seven months after HCFA issues its approval.

An enrollee whose annual gross earned income is greater than 100% of the federal poverty level (FPL) guidelines must pay a premium, based on income and coverage under other private health insurance programs, to DHMH in order to participate in the EPDP. Failure to pay a premium when due will result in termination from the EPDP.

DHMH and DLLR must report by January 1 of each year to the Legislative Policy Committee regarding the development, implementation, and efficacy of the EPDP.

Current Law: An adult may qualify for Medicaid if the adult is: (1) aged, blind, or disabled; (2) in a family where one parent is absent, disabled, unemployed, or underemployed; or (3) a pregnant woman. Adults must also have very low incomes to qualify for Medicaid (32% to 51% of FPL), with the exception of pregnant women who are covered up to 200% of FPL.

Background: The federal Ticket to Work and Work Incentives Improvement Act of 1999 gives states the option of expanding Medicaid eligibility for individuals with disabilities who are working and enabling current Medicaid recipients to work without losing their Medicaid coverage.

State Expenditures: Medicaid expenditures could increase by an estimated \$4.67 million (50% federal funds, 50% general funds) in fiscal 2002, which accounts for a 90-day start-up delay. This estimate reflects the following facts and assumptions:

- 293 Medicaid recipients will choose to work and retain Medicaid coverage under the EPDP;
- 345 individuals with disabilities will become eligible for Medicaid coverage under the EPDP (average annual Medicaid cost is \$12,800 per enrollee);
- one-time \$1,100,000 mainframe computer programming expenditure; and
- Medicaid will hire one specialist, one case manager, and one service clerk to process enrollees and provide information to potential enrollees.

Future year expenditures reflect: (1) 500 new enrollees annually; (2) full salaries with 6.5% annual increases in fiscal 2003, 4.5% annual increases thereafter, with 3% employee turnover; (3) 1% annual increases in ongoing operating expenses; (4) three new positions annually to process new enrollees; and (5) 6% medical inflation in the Medicaid program.

Medicaid Costs for New Enrollees	\$3,357,069
Salaries and Fringe Benefits	87,826
One-Time Computer Programming Expenses	1,100,000
Recipient Outreach (Mailings, etc.)	100,000
Ongoing Operating Expenses	<u>22,201</u>
Total FY 2002 Administrative Expenditures	\$4,667,096

The bill's reporting requirements could be handled with existing DHMH and DLLR budgeted resources.

State Revenues: Medicaid general fund revenues could increase by \$109,037 in fiscal 2002, which accounts for a 90-day start-up delay. This estimate assumes 638 individuals will enroll in the EPDP and pay an average \$228 premium in fiscal 2002. Future year revenues reflect 500 new enrollees annually and 6% medical inflation in the Medicaid program.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), Department of Human Resources, Department of Legislative Services

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