

Department of Legislative Services  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

Senate Bill 183  
 Finance

(Senator Teitelbaum, *et al.*)

**Medical Assistance Program - Employed Persons with Disabilities Program**

This bill creates the Employed Persons with Disabilities Program (EPDP) within the Medicaid program. EPDP allows individuals with disabilities, ages 16 to 64, to maintain Medicaid coverage while earning up to 250% of the federal poverty level (FPL) guidelines annually and owning assets worth up to \$10,000.

The bill takes effect July 1, 2002.

**Fiscal Summary**

**State Effect:** Net Medicaid expenditures could increase by \$17.35 million (50% federal funds, 50% general funds) in FY 2003. This estimate reflects total EPDP costs of \$18.05 million less a Medicaid expenditure reduction of \$702,000 from savings associated with Medicaid enrollees returning to work. Medicaid general fund revenues from premiums could increase by \$415,700 in FY 2003. Future year estimates reflect annualization, inflation, and increased enrollment.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$0.42	\$1.00	\$1.12	\$1.23	\$1.36
GF Expenditure	8.67	18.17	21.16	24.50	28.19
FF Expenditure	8.67	18.17	21.16	24.50	28.19
Net Effect	(\$16.93)	(\$35.33)	(\$41.21)	(\$47.76)	(\$55.03)

*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 EPDP is contingent upon the federal Centers for Medicare and Medicaid (CMS) approving a 1931(b) amendment to Maryland's Medicaid program. By October 1, 2002, the Department of Health and Mental Hygiene (DHMH) must submit a 1931(b) amendment to CMS seeking 50% matching federal funds for EPDP. The program is effective three months after CMS issues its approval. DHMH, with the approval of the Department of Labor, Licensing, and Regulation (DLLR), must adopt regulations implementing EPDP within seven months after CMS issues its approval.

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

DHMH and DLLR must report by January 1 of each year to the Legislative Policy Committee regarding the development, implementation, and efficacy of 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 250% of FPL. There is no Medicaid buy-in provision for individuals with disabilities who are employed.

**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 \$18,050,010 (50% federal funds, 50% general funds) in fiscal 2003 which accounts for a January 1, 2003 start-up date. This start-up date is based upon receiving CMS approval on the Medicaid State plan amendment by October 1, 2002. This estimate reflects the following facts and assumptions:

- 2,900 individuals receiving Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) will become eligible for Medicaid coverage under EPDP;
- EPDP program costs for enrollees range from \$7,000 - \$13,370, depending on whether an enrollee also has Medicare coverage;

- one-time \$2,000,000 mainframe computer programming expenditure to add the new coverage group;
- \$400,000 for outreach materials; and
- Medicaid will need 27 new positions, including a division chief, 3 supervisors, 16 clerks, and other support staff to determine eligibility, bill and collect premiums, provide information to potential enrollees, manage the program, and meet reporting requirements.

Future year expenditures reflect: (1) 500 new enrollees annually; (2) full salaries with 3.5% annual increases and 3% employee turnover; (3) 1% annual increases in ongoing operating expenses; and (4) 7% medical inflation in the Medicaid program.

Medicaid Costs for New Enrollees	\$14,449,750
Salaries and Fringe Benefits	829,239
One-Time Computer Programming Expenses	2,000,000
Recipient Outreach (Mailings, etc.)	400,000
Ongoing Operating Expenses	<u>371,021</u>
<b>Total FY 2003 Expenditures for EPDP</b>	<b>\$18,050,010</b>

Medicaid expenditures could also decrease by \$702,000 beginning fiscal 2003. This decrease reflects savings to the Medicaid program for SSI individuals currently enrolled in Medicaid who choose to return to work and enroll in the EPDP instead. This estimate reflects a January 1, 2003 start-up date and assumes:

- 200 SSI individuals enrolled in Medicaid will return to work and enroll in EPDP and pay premiums; and
- the average annual Medicaid savings for each enrollee is \$7,020.

Future year savings reflect: (1) increased enrollment; (2) 2% increase in premiums paid in EPDP; and (3) 7% medical inflation in the Medicaid program.

DLLR did not respond to the Department of Legislative Services' request for a fiscal estimate on this bill. It is assumed that the bill's reporting requirements could be handled with existing DLLR resources.

**State Revenues:** Medicaid general fund revenues could increase by \$415,667 in fiscal 2003, which accounts for a January 1, 2003 start-up date. This estimate assumes:

- two-thirds of enrollees earn incomes over 100% of FPL and are required to pay premiums in the EPDP;

- 967 EPDP enrollees make between 100-200% of FPL and each pay an annual premium of \$645;
- 967 EPDP enrollees make between 200%-250% of FPL and each pay an annual premium of \$215; and
- future year revenues reflect 500 new enrollees annually and 7% medical inflation in the Medicaid program.

**Additional Comments:**

<b>2001 Federal Poverty Level Guidelines* for One Person</b>	
100% FPL	\$8,590
200% FPL	\$17,180
250% FPL	\$21,475

\*Federal Register, Vol. 66, No. 33, February 16, 2001, pp. 10695-10697. 2002 federal poverty level guidelines are expected to be issued as early as mid-February 2002.

**Additional Information**

**Prior Introductions:** A similar bill, HB 1008, was introduced in the 2001 session but was reported unfavorably by the House Economic Matters Committee.

**Cross File:** None.

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

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ncs/jr

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