

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 397 (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. EPDP allows individuals with disabilities, ages 16 to 64, to maintain Medicaid coverage while earning up to 300% 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 \$19.45 million (50% federal funds, 50% general funds) in FY 2003. This estimate reflects total EPDP costs of \$20.33 million less a Medicaid expenditure reduction of \$877,500 from savings associated with Medicaid enrollees returning to work. Medicaid general fund revenues from premiums could increase by \$374,200 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	\$.37	\$.90	\$1.00	\$1.11	\$1.22
GF Expenditure	9.73	20.81	24.27	28.12	32.39
FF Expenditure	9.73	20.81	24.27	28.12	32.39
Net Effect	(\$19.08)	(\$40.72)	(\$47.54)	(\$55.13)	(\$63.55)

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, to DHMH in order to participate in EPDP. Failure to pay a premium when due will result in termination from EPDP.

DHMH 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 \$20,330,678 (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:

- 3,350 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 29 new positions, including a division chief, 3 supervisors, 17 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) 580 new enrollees in the second year and 350 additional enrollees annually thereafter; (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	\$16,661,750
Salaries and Fringe Benefits	882,961
One-Time Computer Programming Expenses	2,000,000
Recipient Outreach (Mailings, etc.)	400,000
Ongoing Operating Expenses	<u>385,967</u>
Total FY 2003 Expenditures for EPDP	\$20,330,678

Medicaid expenditures could also decrease by \$877,500 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:

- 250 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.

State Revenues: Medicaid general fund revenues could increase by \$374,195 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;
- 1,117 EPDP enrollees make between 100-200% of FPL and each pay an annual premium of \$240;

- 1,117 EPDP enrollees make between 200%-300% of FPL and each pay an annual premium of \$430; and
- future year revenues reflect 580 new enrollees in the second year, 350 new enrollees annually thereafter, and 7% medical inflation in the Medicaid program.

Additional Comments:

2001 Federal Poverty Level Guidelines* for One Person	
100% FPL	\$8,590
200% FPL	\$17,180
250% FPL	\$21,475
300% FPL	\$25,770

*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: None.

Cross File: SB 228 (Senators Dorman and Currie) – Finance.

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

Fiscal Note History: First Reader - February 6, 2002
mld/jr

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