Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2015 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **15-2576/1**	Introduction Number **AB-0414**

Description
Eligibility for and premiums under the Medical Assistance purchase plan and disregarding assets in an independence account and retirement benefits for purposes of determining eligibility and cost-sharing requirements under a number of Medical Assistance and long-term care programs

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
  - ☐ Decrease Costs

Local:
- ☒ No Local Government Costs
- ☐ Indeterminate
  1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
  2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☐ Towns ☐ Village ☐ Cities
     ☐ Counties ☐ Others
     ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☒ GPR ☒ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations
435(4)(b) and 435(4)(o)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DHS 11/9/2015

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Description Eligibility for and premiums under the Medical Assistance purchase plan and disregarding assets in an independence account and retirement benefits for purposes of determining eligibility and cost-sharing requirements under a number of Medical Assistance and long-term care programs		

Assumptions Used in Arriving at Fiscal Estimate

The Medicaid Purchase Plan (MAPP) program is Wisconsin's Medical Assistance (MA) buy-in program, which offers eligible individuals with disabilities who are working or taking steps toward work an opportunity to purchase health care coverage through Wisconsin's MA program. Under current law, an individual may be eligible to participate in the MAPP program if his or her adjusted family income is below 250% of the federal poverty level (FPL) and individual countable assets are no more than $15,000. The current MAPP program also requires premium payments for participants with individual incomes above 150% of the FPL. MAPP eligibility criteria are more generous than those for other MA programs that have a family income threshold of less than 100% of FPL for people with disabilities who are ineligible for nursing home level care, Family Care, or other long-term care (LTC) programs. Other MA programs also limit individual countable assets to $2,000 for standard SSI or SSI-related eligibility. Under the MA childless adult eligibility category, a single person with a disability is not subject to an asset limit, but is then ineligible for certain LTC programs such as Family Care.

This Bill proposes a number of changes to MAPP eligibility and premium requirements, including:
• Disregard spousal income for purposes of determining program eligibility;
• New income deductions for out-of-pocket medical and remedial expenses and LTC costs;
• Expand eligibility to otherwise eligible individuals with incomes over 250% FPL if individual earnings are less than the amount of public benefits they would receive in absence of those earnings;
• Exclude from assets any earned or accumulated retirement benefits related to employment income or employer contributions that accrued while the individual was employed and participating in MAPP;
• Participants with income at or above 150% of FPL will be required to pay a premium equal to 3 percent of total individual earned and unearned income, after deductions, with a minimum payment of $25;
• Participants with income less than 150% FPL must pay a monthly premium of $25; and

This Bill also requires other MA and LTC programs (e.g. Family Care, IRIS, COP, CIP, expanded Medicare buy-in MA program) to exclude from income and assets any amounts in an independence account, along with any earned or accumulated retirement benefits related to employment income or employer contributions that accrued while the individual was employed and participating in MAPP, when determining eligibility and cost-sharing requirements for these programs.

The largest potential fiscal impact of this Bill relates to the provision excluding spousal income from the MAPP financial eligibility determination. There are approximately 158,000 SSDI recipients (persons receiving disability payments under Social Security) ages 18 to 64 in Wisconsin. Only approximately 67,000 of these individuals currently receive MA, even though they likely all meet the disability criteria to qualify for MA. If the MAPP spousal income disregard is implemented, program enrollment could increase significantly, depending on the number of additional married SSDI recipients who gain eligibility for MAPP. During the first 24 months of SSDI eligibility, SSDI recipients are ineligible for Medicare, so the full cost of care would fall to MA. The average cost to cover a non-LTC person with disabilities who lacks Medicare is approximately $900 per month, while those with Medicare have average costs of $210 per month. If even 5%, or 5,000, of those individuals enrolled in MAPP at an average per person per month cost of $600, the annual impact would be $34 million AF ($14.1 million GPR).

This Bill would also modify the MAPP premium structure, requiring that all participants pay a premium of at least $25, which is expected to reduce GPR costs. Currently, only MAPP recipients above 150% of the FPL pay a premium, and the premium is structured partly to mirror cost sharing requirements of community LTC recipients who must contribute income in excess of a personal needs allowance that is intended to cover the costs of room and board. As a result, the current MAPP program imposes a premium of 100% of unearned income over a deduction of $836 (personal needs allowance) plus 3% of all earned income.

Under this Bill, the MAPP premium structure would be changed to: (1) require a minimum monthly premium of no less than $25 for all MAPP recipients, regardless of income level; and (2) for MAPP recipients above 150% of the FPL, apply a 3% premium on both unearned and earned income in excess of the personal needs allowance and other disregards. These changes would reduce premiums for MAPP enrollees over 150% of the FPL (4% of program enrollees) and add a premium for all recipients below 150% of the FPL (96% of program enrollees). The net impact is an estimated annual increase in premium revenue of $4.8 million AF, which would reduce GPR costs by $2.0 million. It is, however, estimated that this savings would be offset by certain costs, also associated with the Bill's new premium provisions. Specifically, the Bill's premium provision for persons above 150% FPL that eliminates the mirroring of LTC cost-sharing may create an incentive for some current LTC recipients to switch to MAPP, since premiums could cost less than cost-sharing under their MA LTC program. It is estimated that the Bill may incentivize approximately 380 elderly, blind, or disabled individuals to switch to MAPP, with an average monthly premium that is $750 less than current cost-shares. This would result an estimated annual loss of LTC cost-sharing revenue of $3.4 million AF ($1.4 million GPR).

The Bill would expand MAPP eligibility by allowing deductions for out-of-pocket medical and remedial expenses and long-term costs. With a greater number of income exclusions, a larger number of disabled persons would qualify for MAPP. More of these individuals may also choose MAPP over SSI-related MA because of MAPP's higher asset limit and the favorable premium changes in the Bill. Although it is difficult to quantify, if an estimated 1,000 individuals became eligible for MAPP due to the more flexible income exclusions at a cost of $210 per month, the annual cost could reach $2.5 million AF ($1.05 million GPR) or more annually. MAPP recipients also benefit from the higher asset limit ($15,000 vs. $2,000). Since the MAPP program currently allows the work requirement to be met by "in-kind" work or participation in a work preparation course, there is significant flexibility in what types of activities count towards meeting the work requirement. Although the true impact is difficult to predict, this estimate assumes that an additional 297 individuals will enter the MAPP program sooner, rather than spending down assets to qualify for standard MA. This could save each individual up to $13,000 in protected assets, with an annual impact of $3.9 million AF ($1.6 million GPR) or more. The combined annual fiscal impact of these eligibility policy changes could reach $6.4 million AF ($2.7 million GPR).

The Bill requires that amounts in an independence account, along with assets and income from retirement benefits that accumulated or were earned through employment while on the MAPP program, would be excluded when determining an individual's eligibility or cost-sharing requirements under MA LTC programs. These exclusions would also apply to determining eligibility for Medicaid's Buy-In program, which covers the cost of Medicare Part B premiums. This change would have a cost, but the impact is expected to be small since few MAPP recipients have independence accounts or receive sufficient earnings during the MAPP eligibility period. The impact of this provision is likely to be less than $0.5 million AF ($0.2 million GPR) in the initial years.

The Bill contains a provision that would expand MAPP eligibility to individuals with incomes greater than 250% of the FPL, but who are otherwise eligible for MAPP, if those individuals' earnings are less than the amount of publicly-funded benefits they would receive in absence of those earnings. This Bill would also further expand MAPP eligibility by excluding from assets any earned or accumulated retirement benefits related to employment income or employer contributions that accrued while the individual was employed and participating in MAPP. For the purposes of this estimate, the costs associated with both of these provisions are considered indeterminate, but the fiscal impacts are expected to be minor due to the small number of individuals who would meet the criteria under which one would benefit from these provisions.

The total estimated impact of the Bill is $39.4 million AF ($16 million GPR). There is, however, a great degree of uncertainty in this fiscal estimate, since data is lacking on the income and resources of the SSDI recipients who are not currently enrolled in the Medicaid program. It is also important to note that it is uncertain whether the Centers for Medicare and Medicaid Services (CMS) would approve a number of the provisions set forth in this Bill. The Bill includes provisions that federal approval be granted as a condition of some, but not all, of the proposed changes. As a result, if this Bill is enacted into law there is risk that state law and federal regulations would conflict for one or more provisions. For example, the requirement for a minimum premium of $25 is not conditional on federal approval, but it is uncertain that CMS would approve such a requirement. This increases risk for federal denial of matching funds for the MAPP program. If federal approval is required for these provisions and CMS did not grant approval, which is a possibility, federal matching funds for the program could be in jeopardy.

Long-Range Fiscal Implications