Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

May 25, 2017 Joint Committee on Finance Paper #327

Medical Assistance Purchase Plan and EBD MA Eligibility (Health Services -- Medicaid Services)

[LFB 2017-19 Budget Summary: Page 213, #9]

CURRENT LAW

Wisconsin's Medical Assistance Purchase Plan (MAPP) program was created in 1999 Wisconsin Act 9 to remove financial disincentives for disabled individuals to work. The program permits certain qualifying individuals with disabilities who are working or want to work, who would not otherwise meet the state's medical assistance (MA) income and asset requirements for elderly, blind, and disabled (EBD) individuals, to qualify for (MA) benefits. The program allows an individual to accumulate savings from earned income in independence accounts.

Individuals are eligible to participate in MAPP if: (a) their family income, excluding income that is excluded under federal supplemental security income (SSI) rules, is less than 250% of the federal poverty level (FPL); (b) their countable assets under Medicaid financial eligibility rules do not exceed $15,000; (c) they have a disability, as determined under SSI standards (disregarding one's ability to work); (d) they are engaged in gainful employment, including both paid and in-kind employment, or are participating in a DHS approved vocational program and (e) they are at least 18 years old.

Individuals enrolled in MAPP are required to pay a monthly premium if their individual gross monthly income, before deductions or exclusions, exceeds 150% of the FPL for their family size.

EBD Medicaid provides MA coverage to individuals who are either age 65 and over, are blind, or have a disability. EBD Medicaid has stricter income and asset thresholds than the MAPP program. The asset limit for EBD Medicaid is $2,000 for an individual and $3,000 for a married couple. The current EBD medically needy income limit in Wisconsin is $591.67 per month for both one- and two-person households, an amount that is not based on annual changes in the FPL.

Individuals who would otherwise be eligible with incomes above this limit can receive coverage, but only after spending down their income above the threshold on medical expenses, effectively creating a deductible requirement.

GOVERNOR

Provide $901,200 ($450,600 GPR and $450,600 FED) in 2017-18 and $3,203,900 (-$618,900 GPR, -$948,800 FED, and $4,771,600 PR) in 2018-19 and 3.0 positions (1.50 GPR positions and 1.50 FED positions), beginning in 2018-19, to reflect the net effect of: (a) changes to MA benefits costs due to provisions in the bill that would modify the financial eligibility, premium, and work requirements for the medical assistance purchase plan (MAPP) program and financial eligibility requirements for elderly, blind, or disabled (EBD) MA recipients and MA-supported long-term care programs (-$756,500 GPR, -$1,086,400 FED and $4,771,600 PR in 2018-19); and (b) increases in MA administrative costs to implement these changes ($450,600 GPR and $450,600 FED in 2017-18 and $137,600 GPR and $137,600 FED in 2018-19).

Income Calculation for MAPP and Other Long-Term Care Programs. Subject to federal approval, exclude medical and remedial expenditures and long-term care costs that exceed $500 per month that would be incurred by the individual in absence of coverage under MAPP or an MA long-term care program from countable income. Under current law, an individual may qualify for MAPP if the individual's net household income is less than 250% of the federal poverty level (FPL) for the size of the individual's household (currently $30,150 for a single-person household). The bill would maintain the current income limit, but enable individuals to "spend down" to meet this standard.

Asset Exclusion for Certain Retirement Benefits. Subject to federal approval, exclude assets from retirement benefits accumulated from income or employer contributions while the individual is employed and receiving MA benefits. Currently, an individual may qualify for MAPP if the individual's assets do not exceed $15,000. The bill would maintain the asset limit, but exclude these retirement benefits from the calculation.

In addition, exclude any assets accumulated in an individual's independence account when determining financial eligibility for the community options program, the community integration programs, Family Care, IRIS, the Family Care Partnership program, and certain SSI Medicaid categories. Assets accrued in an independence account are excluded when determining MAPP eligibility under current law.

MAPP Premium Payments. Establish a new premium structure for MAPP participants so that each MAPP participant would pay a premium of at least $25 per month. For a participant whose individual income exceeds 100% of the FPL for a single-person household ($12,060 annually), require the individual to pay, in addition to the $25 monthly premium, a premium equal to 3% of his or her adjusted earned and unearned income that exceeds 100% of the FPL. Require DHS to temporarily waive an individual's monthly premiums when DHS determines that paying the premium would be an undue hardship on the individual.

MAPP Proof of Gainful Employment and Earned Income. Subject to federal approval, require that MAPP participants prove gainful employment and earned income to the Department by providing wage income or prove in-kind work income by federal tax filing documentation. To qualify as gainful income, specify that the amount of in-kind income must be equal to, or exceed, the minimum amount for which federal income tax reporting is required.

Financial Eligibility Changes for EBD Medicaid. Subject to federal approval, increase the income eligibility limit for medically indigent elderly, blind, or disabled individuals in the MA program by establishing the income threshold at 100% of the FPL. In 2017, this equals monthly income of $1,005 for a one-person household and $1,353 for a two-person household.

Federal Approval and Contingency. Provide that if DHS determines that a state plan amendment or waiver of federal Medicaid law is necessary to implement the premium methodology and changes to the income and asset standards in the bill, require DHS to submit a state plan amendment or waiver request to the U.S. Department of Health and Human Services (DHHS) requesting these changes. Provide that if DHHS disapproves the state plan amendment or waiver in whole or in part, DHS may maintain the current income and asset eligibility requirements, and premium methodologies for MAPP, rather than the income and asset eligibility requirements and premium methodologies in the bill.

Effective Date and Initial Applicability. Provide that the statutory changes to MAPP would take effect on July 1, 2018. Specify that the changes relating to program eligibility and premium determinations would first apply to initial eligibility determinations and cost-sharing reviews and reviews for continued eligibility and cost-sharing on July 1, 2018, or on the first day of the fourth month beginning after the date of federal approval of the state plan amendment or waiver request, whichever is later.

DISCUSSION POINTS

1. The federal Balanced Budget Act of 1997 provided states the option of extending Medicaid coverage to disabled adults who had previously been ineligible for Medicaid coverage because their earnings from working exceeded the income limit under traditional EBD Medicaid. Under this legislation, states could opt to extend coverage to adults in families whose income is less than 250 percent of the FPL applicable to a family of the size involved, and who but for excess earnings would be considered to be receiving supplemental security income. The act also gave states the discretion to require the payment of premiums or other cost-sharing charges set on a sliding scale based on income, making these programs distinct from most other Medicaid eligibility categories. As a result of this legislation, several states opted to extend coverage through Medicaid buy-in programs.

2. At the time of its inception, the stated goals of the MAPP program were to: (a) encourage people with disabilities to earn more income; (b) offer an effective, efficient and equitable program to allow people with significant disabilities the opportunity to work without jeopardizing their health care coverage; and (c) allow people with disabilities to save and make purchases toward their independence, similar to opportunities currently available to the majority of

the workforce.

3. However, enrollment and earnings trends in the program may suggest that it is working differently than originally envisioned, with fewer participants engaged in work and with lower average earnings than most other states' Medicaid buy-in programs. According to a 2011 national study of buy-in programs commissioned by the federal Centers for Medicare and Medicaid Services (CMS), among all state's Medicaid buy-in programs, Wisconsin's program had the lowest proportion of participants reporting positive earnings. Only 34.8% of MAPP members had earnings above IRS reporting thresholds, compared to the national average of 65.3%. Since the publication of that report, the average earnings of MAPP members has further declined, from a monthly average of about $137 in 2010 to about $132 in 2016.

4. Total enrollment in the MAPP program has grown at an annual rate of approximately 9.4% over the last several years, compared to an approximately 2.5% growth rate in EBD Medicaid enrollment, suggesting that MAPP may be enrolling people who would otherwise meet EBD financial eligibility standards if not for the low earnings limit in that eligibility category. Currently, most individuals who qualify for EBD Medicaid, and do not receive long-term care services, meet SSI income and eligibility standards -- income of up to $735 per month and countable assets of up $2,000 for an individual, and for a married couple, income up to $1,103 per month and countable assets of up to $3,000.

5. The bill includes several provisions with the intent to address these issues. These provisions in the bill reflect the result of ongoing discussions between the Department and advocacy groups, including Disability Rights Wisconsin and Mental Health America of Wisconsin over the past several years.

6. Under the proposal, the Department would change the way it verifies employment status and earnings for the purposes of program eligibility. Under current law, MAPP participants must meet a work requirement. Under current policy, participants must engage in a work activity at least once per month or be enrolled in a health and employment counseling (HEC) program. An individual is also considered to be working if he or she engages in in-kind work in lieu of employment, meaning he or she receives something of value as compensation for a work activity. However, DHS does not currently require MAPP members to demonstrate that they are paying income and payroll taxes to prove that they are meeting MAPP's work requirement. The bill would increase the threshold for proving employment, by requiring that MAPP participants provide wage income by federal tax filing documentation.

7. The bill would still allow participants to engage in in-kind work in order to fulfill their employment requirement, a provision supported by advocacy organizations. However, under the bill, the amount of in-kind income must be equal to, or exceed, the minimum amount for which federal income tax reporting is required, which is $33.33 per month.

8. The Department indicates that these changes to the employment and earnings verification requirements for MAPP eligibility are necessary to ensure that MAPP is fulfilling its objectives as an employment program. According to a report from Mathematica Policy Research, Wisconsin's employment verification requirements are less stringent than those of the majority of

states operating buy-in programs. More than half of all states operating buy-in programs require individuals to verify employment or self-employment earnings with federal tax filing documentation. Wisconsin does not currently require MAPP members to demonstrate that income and FICA taxes are being paid as verification that they are meeting the work requirement. In supporting stronger employment verification requirements, the Department points to a report from the National Council on Disability, which showed that individuals participating in buy-in programs with stricter work verification requirements were 27% more likely to be employed and earned an average of $503 more per year than participants in buy-in programs with less stringent work verification requirements.

9. The Department acknowledges that many current MAPP participants may lose eligibility for the program once the higher employment and earnings verification thresholds are implemented. In order to minimize the number of current MAPP members who might lose access to MA benefits, the bill includes a provision to increase the income eligibility limit for EBD Medicaid to 100% of the FPL. In 2017, this equals monthly income of $1,005 for a one-person household and $1,353 for a two-person household. The current EBD medically needy income limit in Wisconsin is $591.67 per month for both one- and two-person households, an amount that is not based on annual changes in the FPL and that has not been changed in two decades. Under the bill, the same maximum income limit would be established for the EBD medically needy MA recipients as currently applies to nondisabled, nonpregnant adults enrolled in BadgerCare Plus, and would change each year to reflect changes in the FPL.

10. The Department estimates that the majority of MAPP participants who would be unable to meet the more stringent income verification thresholds under the bill, approximately 5,700 individuals, would be able to spend down and qualify for EBD Medicaid. Conversely, approximately 1,360 members with less than $400 per year in earned income, but whose health care expenditures do not exceed the amount required to spend down to qualify for EBD, would not meet the work requirement and would lose eligibility for MAPP. In addition, the Department estimates that raising the EBD income limit would allow approximately 700 individuals to gain access to MA who were not previously in EBD or MAPP.

11. The bill would also change the program's premium payment requirements. Under current law, individuals enrolled in MAPP pay a monthly premium if their individual gross monthly income, before deductions or exclusions, exceeds 150% of the FPL for their household size ($18,090 for an individual). The premium consists of two parts, reflecting different rates for unearned and earned income. The part of the premium based on unearned income equals 100% of unearned income that is in excess of the following deductions: (a) standard living allowance ($838 per month in calendar year 2017); (b) impairment-related work expenses; (c) out-of-pocket medical and remedial expenses; and (d) a cost of living adjustment disregard. The part of the premium based on earned income is equal to 3% of earned income. If the deductions for unearned income are greater than unearned income, any remaining deductions can be applied to earned income before the 3% premium rate is applied. Based on the current methodology, approximately 1,200 participants, representing 4% of the total number of MAPP participants, pay premiums.

12. Under the bill, all program participants would be required to pay premium of at least

$25 per month. Participants whose individual income exceed 100% of the FPL for a single-person household ($12,060 annually), would be required to pay, in addition to the $25 monthly premium, a premium equal to 3% of his or her adjusted earned and unearned income that exceeds 100% of the FPL.

13. The Department and advocates argue that the current premium structure creates a disincentive for program participants to work and increase their earnings. Approximately 30% of program participants have earnings between 120% and 150% of the FPL. For this group, a small increase in earnings would result in their having to pay premiums, which would likely be higher than their increase in earnings. The Department argues that a universal minimum premium combined with a sliding scale premium for higher earners will eliminate this disincentive. The bill would also include a hardship exemption, which would allow an individual's premium requirement to be temporarily waived if the Department determines that it would cause an undue hardship. The Department indicates that this exemption should apply to between approximately 1% and 3% of program participants, similar to a policy recently enacted in Minnesota's buy-in program.

14. The bill would exclude medical and remedial expenditures and long-term care costs that exceed $500 per month that would be incurred by the individual in absence of coverage under MAPP or an MA long-term care program from countable income. This deduction is intended to provide a greater work incentive to higher earning individuals who, due to exceptionally high medical and long-term care costs, rely on MA, but are unable to continue working or earning at a higher level out of fear of losing coverage due to income restrictions. Advocacy groups argue that this deduction would provide a positive work incentive, in line with the program's goals. The Department estimates that this provision would incentivize about 300 new members to enroll in MAPP.

15. Under the proposal, assets from retirement benefits accumulated from income or employer contributions while the individual is employed and receiving MA benefits would be excluded for eligibility determinations. Currently, an individual may qualify for MAPP if the individual's assets do not exceed $15,000. The bill would maintain the asset limit, but exclude these retirement benefits from the calculation.

16. The Department estimates that the changes to the income verification methodology will also lead to increases in enrollment in the Health and Employment Counseling (HEC) program. The HEC program is a pre-employment counseling and assistance program. Participation in the HEC program enables an individual applying for MAPP who meets the disability criteria but who is not yet working to gain eligibility, as long as they develop a Department-certified plan for obtaining employment. An individual's enrollment in the HEC program is limited to nine months, after which time they need to be working to retain MAPP eligibility. The HEC program had an average annual enrollment of just 51 individuals in fiscal year 2016. The Department estimates that under the proposal, enrollment in the program will increase by approximately 150 individuals per year.

17. The following table summarizes 2018-19 MA benefits funding changes of each component of this item.

Summary of Estimated Medicaid Benefits Cost Changes

	GPR	FED	PR	Total
MA Benefits Costs				
New Eligibility Standard for EBD Medicaid	$1,764,400	$2,533,800	$0	$4,298,200
MAPP Income Exclusions	634,000	910,400	0	1,544,400
Income Eligibility -- Deduct Expenses > $500 per month	567,000	814,300	0	1,381,300
Asset Exclusion for MAPP Retirement Benefits	205,200	294,800	0	500,000
Asset Exclusion for other MA and MA-Supported Long-Term Care Programs	205,200	294,800	0	500,000
HEC Enrollment Increases	283,500	407,100	0	690,600
Individuals Transferring from EBD MA to MAPP due to New Premium Structure	280,800	403,200	0	684,000
Premium Hardship Exemption	60,300	86,600	0	146,900
MA Benefit Savings				
Establish New Premium Structure	-1,958,700	-2,812,900	4,771,600	0
MAPP Enrollees Transferring to EBD MA, with Spend-Down	-1,845,600	-2,650,400	0	-4,496,000
Requirement that MAPP Participants Document Work	-952,600	-1,368,100	0	-2,320,700
Net Effect on MA Benefits Costs	-$756,500	-$1,086,400	$4,771,600	$2,928,700

18. A review of limited available program data and the assumptions and methodology, the Department used in producing the cost estimates indicates that these estimate, while uncertain, appear reasonable.

19. In addition to the eligibility and premium changes associated with the program, the bill would provide additional position authority to the Department to meet workload increases associated with the program changes, as well as one-time funding to make changes to the eligibility system used by the program.

20. Currently, DHS allocates 0.05 of a position to the MAPP program. The bill would authorize 3.0 additional positions and associated funding to support the program. The Department argues that this additional support for the program is necessary to meet the anticipated increase in program utilization following the implementation of stricter employment verification criteria.

21. Of the positions that would be funded in the bill, one program and policy analyst would monitor the MAPP program and produce data reports. A second position would serve as a quality assurance position, outreach specialist, and training coordinator with responsibility to oversee the quality and integrity of the program. A program and policy analyst project position, which is budgeted as a four-year project position, would be responsible for assisting members and advocates with managing any new reporting obligations associated with the increased MAPP work requirement.

22. The costs associated with these positions are shown in the table below.

	Fiscal Year 2017-18			Fiscal Year 2018-19		
	GPR	FED	Total	GPR	FED	Total
Salary	$50,600	$50,600	$101,200	$84,750	$84,750	$169,500
Fringe	22,900	22,900	45,800	38,300	38,300	76,600
Supplies	13,300	13,300	26,600	16,350	16,350	32,700
Total	$86,800	$86,800	$173,600	$139,400	$139,400	$278,800

23. These positions would be budgeted in one GPR and one FED appropriation for the general program operations of the Division of Medicaid Services. As of April, 2017, these two appropriations supported 761.9 authorized positions. Of these, 69.0 positions have been vacant since the end of calendar year 2016. If the Committee wished to reduce the number of additional state positions that would be created in the bill, it could delete the additional position authority that would be provided as part of this item. Under this option, DHS would be required to reallocate current positions to meet the workload associated with the proposed changes to the MAPP program. [Alternative 2].

ALTERNATIVES

1. Adopt the Governor's recommendation.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	- $168,300	1.50	$0	0.00
FED	- 498,200	1.50	0	0.00
PR	4,771,600	0.00	0	0.00
Total	$4,105,100	3.00	$0	0.00

2. Modify the bill to delete the additional DHS position authority and associated funding provided under the bill by: (a) reducing funding by $173,600 (-$86,800 GPR and -$86,800 FED) in 2017-18 and by $278,800 (-$139,400 GPR and -$139,400 FED) in 2018-19; and (b) deleting 3.0 positions (-1.50 GPR positions and -1.50 FED positions) that would be created in the bill, beginning in 2017-18.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	- $394,500	0.00	- $226,200	- 1.50
FED	- 724,400	0.00	- 226,200	- 1.50
PR	4,771,600	0.00	0	0.00
Total	$3,652,700	0.00	- $452,400	- 3.00

3. Delete provision.

ALT 3	Change to Base		Change to Bill	
	Funding	**Positions**	**Funding**	**Positions**
GPR	$0	0.00	$168,300	- 1.50
FED	0	0.00	498,200	- 1.50
PR	0	0.00	- 4,771,600	0.00
Total	$0	0.00	- $4,105,100	- 3.00

Prepared by: Aaron Whitaker