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Medical Assistance Purchase Plan
(DHS -- Medical Assistance and Related Programs)

[LFB 2013-15 Budget Summary: Page 233, #11]

CURRENT LAW

The medical assistance purchase plan (MAPP) program allows disabled individuals over the age of 18 to remain eligible for medical assistance (MA) while they work. To be eligible for the MAPP program, an individual must have income, after deductions, that is less than 250% of the federal poverty level (FPL) for the individual's family size, and less than $15,000 in assets. In 2013, 250% of the FPL is annual income of $28,725 for an individual and $38,775 for a couple.

In addition to meeting the program's financial requirements, individuals must be determined disabled based on supplemental security income (SSI) standards, and participate in gainful employment or an employment program certified by the Department of Health Services (DHS). The work may be in exchange for monetary or in-kind compensation. Individuals enrolled in the MAPP program can save up to 50% of their gross earned income annually in an Independence Account.

MAPP enrollees whose income, after adding both earned and unearned income, is equal to at least 150% of the FPL for an individual ($17,235 in 2013) are required to pay a monthly premium. Current rules require DHS to compare the individual's income to the FPL for his or her household. The amount of the premium may not exceed the sum of 3.5% of the individual's earned income after disregards and 100% of the individual's unearned income after the maintenance allowance, medical and remedial expenses, and impairment-related work expenses deductions. DHS may reduce the premium by 25% for an individual who is covered by private health insurance and may waive monthly premiums that would be less than $10 per month. Currently, DHS calculates the premium amount using 3% of the individual's earned income and any unearned income, after deductions, greater than $801 per month. DHS also waives premiums that would be less than $25 per month.

GOVERNOR

Increase funding by $170,800 ($72,700 GPR, -$77,200 FED, and $175,300 PR) in 2013-14 and decrease funding by $2,020,400 (-$1,553,200 GPR, -$2,719,900 FED, and $2,252,700 PR) in 2014-15 to reflect the net fiscal effect of the Governor's proposal to modify eligibility and premium requirements for MAPP.

This item would: (a) increase funding for administration of the program by $565,900 ($300,900 GPR and $265,000 FED) in 2013-14 and by $1,165,500 ($622,200 GPR and $543,300 FED) in 2014-15; (b) reduce MA benefits funding by $395,100 (-$158,100 GPR and -$237,000 FED) in 2013-14 and by $3,185,800 (-$1,274,300 GPR and -$1,911,500 FED) in 2014-15 to reflect savings due to program disenrollment; and (c) reduce MA benefits funding by $175,300 (-$70,100 GPR and -$105,200 FED) in 2013-14 and by $2,252,800 (-$901,100 GPR and -$1,351,700 FED) in 2014-15 to reflect projected increases in premium collections ($175,300 PR in 2013-14 and $2,252,700 PR in 2014-15).

The bill would make changes to the MAPP program and other MA eligibility requirements to: (a) base financial eligibility and premium calculations on total earned and unearned income; (b) expand current federal exclusions on earned income to unearned income; (c) create an additional $500 per month disregard for an individual's out-of-pocket medical and remedial expenses and long-term care costs; (d) require enrollees qualifying through gainful employment to be working and paying or withholding applicable state and federal taxes to be eligible for MAPP; (e) require an individual to pay a premium if their total earned and unearned income is greater than the FPL for an individual, rather than for the individual's family size; (f) set the minimum premium at $50 per month; and (g) exclude independence accounts for purposes of determining eligibility for various MA programs. Individuals eligible through participation in a certified employment program would not be required to pay or withhold taxes to remain eligible for MAPP. These and other provisions are described in greater detail below.

Independence Accounts and MA Eligibility. Require DHS or the Department's designee, for the purposes of determining eligibility and any cost-sharing for certain MA programs, to exclude any assets accumulated in an independence account and any income or assets from retirement benefits earned or accumulated from employment income or employer contributions while the person was employed and eligible for and receiving MA through the MAPP program. These assets and income may only be excluded to the extent approved by federal law.

This provision would affect eligibility for various MA-related programs, including the MA standard plan, MA for medically indigent individuals, Family Care, home- and community-based long-term care waiver programs, MAPP, and individuals for whom MA pays Medicare Part A and/or Part B premiums and cost-sharing. Under current law, only the eligibility determination for medically indigent individuals excludes assets accumulated in an independence account.

Repeal a provision that requires DHS to exclude, for the purposes of determining medically indigent MA eligibility, any retirement assets that accrued while the applicant was eligible for the community options program (COP), or any other MA program, including deferred compensation or the value of retirement accounts in the Wisconsin Retirement System or under the federal Social Security Act, that does not exceed numerous property limits.

Earned and Unearned Income Exclusions for MAPP Eligibility. Require that an individual's and his or her spouse's total net income be less than 250% of the FPL for the individual's family size in order for the individual to be eligible for MAPP. Specify that, for the purposes of determining MAPP eligibility, federal exclusions that currently apply only to an individual's earned income would be applied to the individual's combined earned and unearned income. Require DHS to also exclude up to $500 per month of the individual's out-of-pocket medical and remedial expenses and long-term care costs, if any.

Federal law currently provides an exclusion of the first $780 of earned income per month for elderly, blind, and disabled individuals, plus half of any earned income that is not otherwise excluded. The costs of any services that are needed to help blind and disabled individuals work are excluded before half of their earned income is calculated. Blind and disabled individuals also have an exclusion for such additional amounts of other income that is necessary to fulfill the individual's plan for achieving self-support, if the plan has been approved by the Social Security Administration.

Work Verification. Require DHS to verify income from work activity through documentation provided by the individual in order to determine if the individual's and spouse's income, after exclusions, is less than 250% of the FPL and whether the individual is engaged in gainful employment. Require that an individual be working and paying, or having withheld, federal Social Security and Medicare taxes and other applicable state or federal income taxes to be considered engaged in gainful employment for MAPP eligibility purposes. Require the individual to provide documentation of the taxes paid or withheld.

Premiums. Delete a provision that permits DHS to waive monthly premiums that would be less than $10 per month. Set the minimum premium payable by an individual to be $50 per month. Prohibit DHS from assessing premiums for individuals with total earned and unearned income below 150% of the FPL for an individual. Require DHS to disregard medical and remedial expenses, impairment-related work expenses, and a maintenance allowance established by DHS when calculating an individual's total earned and unearned income for premium determinations. Except for the $50 per month minimum, set premiums equal to 3% of an individual's total earned and unearned income, after deductions, rounded down to the nearest $25. Permit DHS to reduce the premium by 25% for an individual covered by private health insurance, except the premiums may not be reduced to less than the $50 minimum.

Under current law, although DHS is prohibited from assessing premiums for individuals whose income, after adding earned and unearned income, is below 150% of the FPL, the prohibition may be superseded by a policy created by DHS through the JFC approval process created in 2011 Wisconsin Act 32. Effective January 1, 2015, Act 32 repeals this section and recreates it as it was before Act 32. The bill amends this section as described above, on January

1, 2014 or when DHS receives approval of these changes and the Legislative Reference Bureau (LRB) publishes them in the Wisconsin Administrative Register, whichever is later. On January 1, 2015, or after LRB publishes the approvals in the Wisconsin Administrative Register, whichever is later, the bill repeals and recreates this section again to reflect the changes described above.

DISCUSSION POINTS

1. The bill would increase the number of MAPP enrollees who are required to pay premiums. Under current law, when determining whether an individual must pay a premium, DHS compares an individual's income to 150% of the FPL based on the individual's family size. Since the FPL for a family increases with every additional family member, some MAPP participants are not required to pay a premium even though they have income over 150% of the FPL for an individual. The bill would require DHS to compare the individual's income to 150% of the FPL for an individual. In April, 2012, there were 2,245 individuals enrolled in in MAPP, or approximately 10.8% of the total number of enrollees, with incomes greater than 150% of the FPL for an individual, but 1,512, or 7.2%, had incomes high enough to exceed 150% of the FPL for their family size.

2. Of the 1,512 that would have been required to pay a premium under current law, only 969 individuals actually were required to pay the premium, because their premiums would have been less than $25 and were waived by DHS. The bill removes the Department's authority to waive premiums and increases the minimum premium to $50.

3. The bill would change how premium amounts are calculated to remove a requirement that may deter some individuals with unearned income from working. As described above, under current law, the amount that individuals pay in premiums is 3% of their earned income and any unearned income in excess of a "maintenance allowance." The maintenance allowance is the sum of: (a) $20; (b) the federal supplemental security income payment; and (c) the state SSI benefit payment. Consequently, individuals with large amounts of unearned income, but total income below 150% of the FPL, may choose not to work if they would earn income above 150% of the FPL, because they would pay more unearned income as a premium than they would gain from work earnings.

Under the bill, an individual's premium would equal 3% of total earned and unearned income, after deductions and maintenance allowance, rounded down to the nearest $25. Based on the MAPP upper income limit ($2,395 in 2013), it appears $50 is the most an individual would pay for a monthly premium.

Table 1 shows an example that illustrates the current disincentive using monthly incomes. As shown in Table 1, if two individuals have the same monthly unearned income, but one earns enough to be at 150% of the FPL and one earns $10 less, the one that earns less will not have any premium but the one that earns $10 more will pay a premium of $335 per month. In this case, the unearned income component of the individual's premium ($326) exceeds their work earnings ($300). The bill would reduce the amount this individual would pay to $50 (3% of the individual's earned and unearned income after maintenance allowance is $19, but the minimum premium would be $50).

TABLE 1

Example of Work Disincentive under Current Law

	Single Person with Monthly Earned Income and SSDI Benefits	
	Example 1	Example 2
Earned Income	$300	$290
Unearned Income (SSDI)	1,140	1,140
Total Income	$1,440	$1,430
150% FPL Level	$1,437	$1,437
Subject to Premium?	Yes	No
Premium Calculation - Approximately 3% of Earned Income	$9	$0
Unearned Income minus Maintenance Allowance ($814 in 2013) minus any Deductions	326	0
Total Premium	$335	$0

4. It is believed that some individuals who are currently enrolled in MAPP are only working one or two times a month for in-kind compensation. Under current law, work for in-kind compensation is an allowable form of work for MAPP eligibility. DHS requires individuals to work at least one hour per month. The bill would require MAPP participants to demonstrate that they pay or withhold taxes, which would make work for in-kind compensation an ineligible form of work.

5. The bill also makes a number of changes to remove some other disincentives to working in the MAPP program. First, for eligibility purposes, the bill creates an additional combined earned and unearned income deduction of $500. DHS indicates the purpose of the additional $500 disregard is to make the income disregards in MAPP more similar to those in another much smaller MA work incentive program. This program allows SSI-eligible individuals with assets less than $2,000 to work and retain their MA eligibility, without paying a premium, even when their earnings eliminate their SSI cash benefit.

6. Second, the bill would prohibit DHS, for the purposes of determining eligibility for other MA subprograms, from counting the assets in an independence account (IA) if the amounts in the IA were from the individual's work while on MAPP. The bill would also exempt any income or assets from retirement benefits earned or accumulated from employment income or employer contributions while the person was employed and in the MAPP program. These last two changes increase the value of the benefits MAPP participants may receive from working. Under current law, MAPP participants may be discouraged from working when they know that any savings or benefits

they accrue will keep them from being eligible for other MA programs.

7. Table 2 shows that most MAPP participants had relatively little earned income, as of April, 2012. Approximately 76% of participants had less than $100 in earned income and 57% had less than $25. It is not known whether these individuals are not earning more because they are unable to work, choose not to work, or are deterred from working as a result of the current work disincentives in the MAPP program.

TABLE 2

Monthly Income Earned by MAPP Enrollees
(April, 2012)

Earned Income	Number of Participants	% of Total Participants
$0	4,033	19.3%
$0 to $25	7,794	37.4
$25 to $65	3,181	15.2
$65 to $100	772	3.7
Greater than $100	5,086	24.4
Total	20,866	100.0%

8. Table 3 shows that few MAPP participants had an independence account in April, 2012. DHS indicates that the average amount in these independence accounts, among those who had them, was $4,321 and the median amount was $2,971.

TABLE 3

Value of Independence Accounts by MAPP Enrollees
(April, 2012)

IA Amount	Number of Enrollees
$1-$4,999	44
$5,000-$9,999	17
$10,000-$14,999	8

9. DHS estimates that approximately 8,900 current MAPP enrollees would leave the program in the first six months after the proposed changes regarding paid work are implemented. This estimate is based on the assumptions that 25% of MAPP participants would leave the program because they would not be working for pay and that 15% of MAPP participants would not provide the required documentation, even though they may be working for monetary compensation. It should be noted that the Department plans to give current MAPP participants an additional six month grace period to find work or begin developing a work plan. Due to the grace period, the

project annualized enrollment decrease would not likely be fully realized in the first year following these changes.

10. DHS also estimates that the number of MAPP participants paying premiums will increase from approximately 2,400 in December, 2013, to 7,800 in June, 2015. From this increase in the number of individuals paying premiums and the increase of the minimum premium from $25 to $50, DHS estimates it will generate an additional $175,300 PR in 2013-14 and $2,252,700 PR in 2014-15 to offset GPR and FED costs of program benefits.

11. The Department estimates MA benefits costs will be reduced by $466,700 (-$186,700 GPR and -$280,000 FED) in 2013-14 and $3,333,300 (-$1,333,300 GPR and -$2,000,000 FED) in 2014-15 as a result of approximately 2,000 current MAPP enrollees leaving the program and the state saving $200 per month as these individuals "spend down" to MA's medically needy income limits.

12. DHS indicates that approximately 17,200 MAPP enrollees, or approximately 77% of total enrollees, are also social security disability insurance (SSDI) recipients. Individuals may be eligible for SSDI if they are determined to have a disability and have met federally-defined "recent work" requirements (typically working five years out of the ten-year period before the individual had the disability). The amount of the benefit depends on the individual's lifetime average earnings covered by Social Security. Once an individual has received SSDI benefits for two years, they can become Medicare eligible. Due to the payments they receive, many SSDI recipients are not SSI eligible and therefore do not automatically qualify for MA. As of March, 2013, the average SSDI payment for SSDI beneficiaries in MAPP was $951 per month and the median payment was $956 per month.

13. The Wisconsin Counties Association (WCA) has raised concerns that requiring MAPP participants to pay or withhold taxes will reduce the number of high-cost individuals who are eligible for MA coverage, which will increase county costs. Counties are particularly concerned about individuals who are eligible for MAPP due to disability from mental illness. Individuals who are disabled solely due to mental illness are not eligible for Family Care and IRIS. Counties are concerned that these individuals will choose not to spend down their income and assets to become eligible for standard elderly, blind and disabled (EBD) MA, but will still need mental health crisis or inpatient services funded by the counties. However, if they are no longer eligible for MA, counties will no longer receive federal reimbursement for MA-eligible services counties provide to them. In response to a survey issued by WCA, 11 counties reported potential costs they would incur as a result of individuals losing MA eligibility. The counties reported additional costs ranging from $27,300 to $219,000 per year as a result of between three and 568 MAPP participants losing MA eligibility, depending on the county.

14. Advocates have expressed support for some aspects of the Governor's proposal and opposition to others. Disability Rights Wisconsin (DRW) supports the changes to how unearned income is treated in premium calculations. DRW believes that individuals with high unearned income will be able to keep more of their unearned income and will have less of a disincentive to work.

However, DRW opposes the requirement that individuals pay or withhold taxes to be eligible for MAPP. DRW is concerned that many current MAPP enrollees may not be able to find employers willing to hire individuals with disabilities. Individuals with disabilities often require more flexible work schedules and may only work for a couple of hours a month. In addition, DRW is concerned that the current tight job market provides few jobs for individuals with disabilities.

15. If the MAPP proposal is approved, DRW recommends that additional funding be provided for Disability Vocational Rehabilitation (DVR) services administered by the Department of Workforce Development (DWD) and a number of other work programs targeted to disabled individuals. DVR is a federal and state program that assists individuals with disabilities obtain and maintain employment. A federal vocational rehabilitation fund supports 79% of the program costs and the state funds 21%.

16. County staff have also expressed concern that many MAPP participants would not be able to find paid employment to remain eligible for the program. WCA suggests that many current employers of MAPP participants may not be willing to arrange the paperwork necessary to collect a MAPP participant's taxes when the individual might only work for an hour or two a month. One county representative indicated that work for in-kind contributions can be a useful intermediate step to paid work for individuals with disabilities. Employers may be willing to have a MAPP participant work for in-kind compensation for an initial trial period, and then if the trial period goes well the employer may be willing to hire the MAPP participant as a paid employee.

17. DHS indicates that MAPP participants would still be able to work small jobs intermittently as long as they are paid and they can provide documentation showing they paid or withheld taxes, even if these taxes are just FICA or self-employment tax. Further, DHS argues that disabled people who work for in-kind compensation should, instead, be paid for their work. In addition, DHS argues that requiring MAPP participants to pay or withhold taxes may give the MAPP participant greater leverage to convince their employer to start providing monetary compensation. DHS believes there are opportunities for individuals with disabilities to find paid employment and that, with sufficient supports, individuals that want to work can find paid employment.

18. As mentioned above, the administration's cost estimates assume that all current MAPP participants would qualify for MA coverage through other eligibility criteria. DRW suggests that many MAPP participants that lose eligibility due to the new paid work requirement will not actually be able to maintain their MA eligibility. DRW indicates that many of these individuals have unearned income that exceeds the current MA eligibility criteria. This is especially problematic for individuals who are eligible for MAPP but are not eligible for Family Care or IRIS. The home and community-based waiver programs, like Family Care and IRIS, have a higher income limit of $2,130 per month. Individuals that are above the standard EBD MA income limits, and do not qualify for Family Care or IRIS, must meet the medically needy eligibility requirements for standard EBD MA.

19. To meet the medically needy income limit, individuals must incur sufficient medical costs so that after those costs the individual's average monthly income over a six month period is no more than $592 per month. This is often referred to as "spending down" or "meeting the MA

deductible." Individuals who do qualify for Family Care or another home and community-based waiver would also have to contribute to their cost of care, but would be able to keep $878 for other expenses.

20. DRW indicates that it has worked with some MAPP participants who would have to incur thousands of dollars in medical expenses to meet the medically needy income limit. Under the current MAPP program, these individuals would be able to retain their income up to 250% of the FPL and $15,000 in assets. As shown in Table 4, as of March, 2012, most individuals in MAPP have total incomes between 100% and 150% of the FPL.

TABLE 4

Total Income of MAPP Enrollees

Earned Income	Number of Participants	%of Total Participants
Below 100% of the FPL	6,305	30.2%
100-150% of the FPL	12,735	61.0
Above 150% of the FPL	1,826	8.8
Total	20,866	100.0%

If a single individual had annual income of 125% of the FPL (currently, $1,198 per month), and $14,000 in assets, they would have to incur medical expenses of $240 per month, or $1,440 over a six-month period, as well as reduce their assets by $12,000 in order to qualify for MA's medically needy income limit. Individuals with income closer to 250% of the FPL (the MAPP income limit), would have to spend considerably more of their income before becoming MA-eligible. Under the bill, the individual could retain the portion of their assets that they accumulated while in the MAPP program when they transition to the EBD MA standard plan.

21. Due to the potential costs that may be borne by counties and the potential loss of coverage and increase in out-of-pocket costs for current MAPP participants, the Committee could delete the requirement that MAPP participants pay or withhold taxes (Alternative 2). The premium, asset, and retirement changes all reduce disincentives to work, and the number of MAPP participants working and paying premiums is projected to increase as a result. For this reason, the Committee could approve these aspects of the Governor's proposal.

Under this option, it is estimated that funding in the bill would need to be increased by $1,014,400 ($413,400 GPR, $620,100 FED, and -$19,100 PR) in 2013-14 and $6,697,600 ($2,890,700 GPR, $4,336,000 FED, and -$529,100 PR) in 2014-15. Currently, some individuals in Family Care and other waiver programs are required to share the cost of services they receive. DHS anticipates that eliminating the requirement for MAPP participants to pay or withhold taxes, while enacting the proposed premium changes, would attract approximately 384 Family Care and waiver participants to the MAPP program, where they would likely pay a premium that is smaller than their current cost sharing.

The administration indicates there are a number of other reasons why the proposal includes requiring MAPP participants to pay or withhold taxes in order to be eligible. First, MAPP is intended to allow individuals with disabilities to work and increase their earned income without losing MA benefits. A work requirement is necessary to fulfill that goal. Second, the Governor's proposal would allow participants to increase their earnings and keep more of their unearned income and in return for this more generous premium structure, the work requirement should be strengthened. Third, MAPP eligibility requirements should be fair when compared to eligibility requirements for other EBD MA enrollees. MAPP currently has higher income and asset limits than other EBD MA eligibility categories, but requires work and premiums. If the state is going to make the premiums more generous, then MAPP participants should have to demonstrate they are working and paying or withholding taxes.

22. Alternatively, given the relatively small amount of GPR savings that would be realized by this proposal, the potential increases in out-of pocket costs by MAPP enrollees and the potential loss of federal MA matching funds to support county services current enrollees receive, the Committee could delete all of these provisions from the bill (Alternative 3).

ALTERNATIVES

1. Approve the Governor's recommendations.

2. Delete the provision in the bill that would require MAPP participants to document that they have paid taxes or are withholding taxes. Increase funding in the bill by $1,014,400 ($413,400 GPR, $620,100 FED, and -$19,100 PR) in 2013-14 and $6,697,600 ($2,890,700 GPR, $4,336,000 FED, and -$529,100 PR) in 2014-15 to reflect the loss of savings the administration assumed due to this provision.

ALT 2	**Change to Bill** Funding
GPR	$3,304,100
FED	4,956,100
PR	- 548,200
Total	$7,712,000

3. Delete provision.

ALT 3	**Change to Bill** Funding
PR-REV	-$2,428,000
GPR	$1,480,500
FED	2,797,100
PR	- 2,428,000
Total	$1,849,600

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