Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 22 (as introduced 1-21-03)
Sponsor: Senator Shirley Johnson
Committee: Families and Human Services

Date Completed: 4-24-03

CONTENT

The bill would amend the Social Welfare Act to do all of the following:

-- **Require the Department of Community Health (DCH) to offer medical assistance, supplementary benefits, and personal assistance services to a disabled person whose earnings exceeded DCH eligibility limits but would otherwise be eligible.**
-- **Permit the DCH to implement a premium or other cost-sharing charge for a person eligible for benefits under the bill.**
-- **Require the DCH to submit to the Secretary of the United States Department of Health and Human Services (HHS) an annual report on the use of Federal funds for the program, including the percentage increase in the number of disability beneficiaries who returned to work.**
-- **Require the DCH to apply to the HHS Secretary for approval of a pilot project under which workers with a potentially severe disability were provided with medical assistance equal to that provided under the Federal Social Security Act.**

Currently, a disabled person must meet certain requirements to be considered a "medically indigent individual". Among other things, the individual must have an annual income that is below, or because of medical expenses falls below, the protected basic maintenance level established in the Act. The bill would make an exception to this requirement, as described below.

Under the bill, the DCH would be required to implement a program to offer medical assistance and supplementary benefits to a person who was either of the following:

-- A person at least 16 years old and younger than 65 who had earnings that exceeded the limit established by the DCH but would otherwise be eligible.
-- An employed person with a medically improved disability whose assets, resources, and earned and unearned income did not exceed the limit established by the DCH.

Under the bill, "employed person with a medically improved disability" would mean a person to whom all of the following apply:

-- The person was at least 16 but under 65 years old.
-- The person was employed (i.e., either earning at least the applicable minimum wage requirement under the Fair Labor Standards Act and working at least 40 hours per month, or engaged in a work effort that met substantial and reasonable criteria for hours of work, wages, or other measures, as defined by the DCH).
-- The person was no longer eligible for medical assistance because he or she, due to medical improvement, was determined at the time of a regularly scheduled continuing disability review no longer to be eligible for benefits.

-- The person continued to have a severe medically determinable impairment as determined under regulations of the HHS Secretary.

The DCH could require a person eligible for benefits under the program to pay a premium or other cost-sharing charge that the DCH determined, set on a sliding scale based on income. The DCH could require an eligible person to pay 100% of a premium in a year in which the person's income exceeded 250% of the Federal poverty level applicable to a family of the size involved. If the person's income for a year did not exceed 450% of the Federal poverty level, the requirement to pay the premium would apply only to the extent that the premium did not exceed 7.5% of the income.

For a year when a person's adjusted gross income as defined in the Internal Revenue Code exceeded $75,000, the DCH would have to require the person to pay 100% of the premium. The DCH could subsidize the premium by using State funds only that were not matched by Federal Medicaid funds.

Under the bill, the DCH also would have to make available to a person eligible under the program personal assistance services to the extent necessary to enable the person to remain employed. The bill would define "personal assistance services" as a range of services, provided by one or more persons, designed to assist a person with a disability in performing daily activities on or off the job that the person would typically perform if he or she did not have a disability. Personal assistance services would have to be designed to increase the person's control in life and ability to perform everyday activities on or off the job.

The DCH would be required to submit to the HHS Secretary an annual report on the use of Federal funds for the program, including the percentage increase in the number of Title II and Title XVI disability beneficiaries in the State who returned to work. (Title II of the Social Security Act provides for Federal old-age, survivors, and disability insurance benefits. Title XVI provides for grants to states for aid to the permanently and totally disabled.)

In addition, the DCH would have to apply to the HHS Secretary for approval of a pilot project under which up to a specified maximum number of individuals who were workers with a potentially severe disability were provided medical assistance equal to that provided under Section 1905(a) of Title XIX (Medicaid) to a person described in Section 1902(a)(10)(A)(ii)(XV) of Title XIX. (Section 1905(a) defines "medical assistance" in Title XIX. Under Section 1902(a)(10)(A)(ii)(XV), a state plan for medical assistance must provide for making medical assistance available, at the state's option, to a group of individuals described in Section 1905(a) who do not meet other criteria for medical assistance but who, but for excess earnings, would be considered receiving supplemental security income, are at least 16 but under 65, and whose assets, resources, and income do not exceed the state's limitations.) (Under the bill, "worker with a potentially severe disability" would mean a person who met all of the following criteria:

-- The person was between at least 16 but under 65 years old.
-- The person had a specific physical or mental impairment that, as defined by the DCH, was reasonably expected, but for the receipt of items and services described in Section 1905(a) of Title XIX to become blind or disabled as defined under Section 1614(a) of Title XVI, 42 U.S.C. 1382c.
-- The person was employed.)

MCL 400.106 et al. Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would have an indeterminate fiscal impact that could range from nominal to very significant depending on whose estimates and assumptions one relies on. In 2001, the General Accounting Office (GAO) did a study that looked at the impact of changes in the level of work of persons on Social Security Disability Insurance (SSDI for persons with average work histories) when the coverage continued even though their earnings increased. The GAO found little effect even though the amount of earnings increased significantly. On the other hand, the Lewin Group found an increase in earned income when it looked at persons on SSI (persons with little or no work history receiving Supplemental Security Income) when they were allowed to keep their Medicaid coverage as their income increased. (The Senate Fiscal Agency is in the process of reviewing these studies in more depth.)

While it is not clear why this is the case, there is little doubt that this bill would increase total State costs. This is based on the following factors: First, some persons currently on SSI who would have "earned" their way off the program with no change in policy, instead would continue to be covered. Second, the "insurance" cost of this group of people is quite high, $10,200 annually based on current capitation payments, and the maximum premium that could be charged at or below a $40,410 income level is $3,031. Third, there would be no premium charged for persons between the old maximum income level, $6,000, and 250% of poverty (about $22,500 for a single person). Fourth, the maximum offset of income taxes generated by persons who would be working with income up to $40,410 is $1,496, which would only cover one-third of the State cost of the Medicaid coverage. Finally, the bill would mandate full coverage for personal assistance services, which could include coverage for individuals who are assisting other recipients eight to 10 hours per day.

Any or all of these items could result in a significant new cost to the State with little offset from increased income tax. As an example, Michigan currently provides Medicaid coverage to nearly 270,000 SSI or SSI related individuals. If only 10% of these persons are those who would have increased earnings without this bill, the additional State cost for continuing their Medicaid coverage would be $120,000,000. Even if one assumes that each person was paying at 7.5% of his or her income toward premiums, members of this group still would have to increase their total earnings by $2 billion in order for their income tax to cover the remainder of the net costs.

Fiscal Analyst: John Walker

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