



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



BILL ANALYSIS

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

House Bill 4179 (Substitute S-2 as reported)
Sponsor: Representative Scott Shackleton
House Committee: Health Policy
Senate Committee: Health Policy

Date Completed: 3-22-04

RATIONALE

The State's Elder Prescription Insurance Coverage (EPIC) program provides prescription drug coverage to eligible seniors. Though the program is not open for general enrollment at the present time, applications are accepted from those needing help in an emergency; for example, when the medication needs for a sudden illness or injury exceed the financial resources of low-income seniors.

Applicants for the EPIC program must pay a \$25 administrative fee, which the law describes as nonrefundable. Since many seniors live on fixed incomes, the loss of the application fee could be a hardship for those who are determined to be ineligible. Although the Department of Community Health (DCH) actually does refund the fee if an applicant is found to be ineligible, it has been suggested that the law should require that the fee be returned.

In a related matter, only "noninstitutionalized" residents are eligible for the EPIC program; however, that term is not defined in the Elder Prescription Insurance Coverage Act. Many seniors live in adult foster care homes or assisted living facilities, which provide supervision and help with life activities such as dressing and bathing. Evidently, many residents prefer to purchase their medications on their own but are ineligible for EPIC because they are considered institutionalized. Some people believe that the term "institution" should not include adult foster care facilities, assisted living facilities, or homes for the aged.

CONTENT

The bill would amend the Elder Prescription Insurance Coverage Act to

require the DCH to return the \$25 application fee if it determined that an individual applicant or married couple was not eligible for the program; define "institution"; and provide for the calculation of the household income of sole proprietors and farmers with assets under \$200,000.

The EPIC program must provide prescription drug coverage to a person to whom all of the following apply:

- The person is a noninstitutionalized Michigan resident at least 65 years old.
- The person has a household income at or below 200% of the Federal poverty level.
- The person currently is not a Medicaid recipient.
- The person is not covered by other insurance that provides prescription drug coverage, excluding Medicare supplemental insurance or other Federal program.

The bill specifies that, for purposes of determining eligibility, "institution" would mean a facility in which an individual resided and through which he or she received medical care, including prescription drugs. The term could include a hospital, nursing home, convalescent center, mental health or psychiatric facility, or jail, prison, or other correctional facility. The term would not include an adult foster care home, a home for the aged, or an assisted living facility.

The bill provides that, for an owner of a sole proprietorship whose business had not more than one employee and had less than \$200,000 in assets, or for the owner of a family-owned farm with less than \$200,000

in assets, for the purposes of determining income eligibility, household income would have to be determined after excluding business or farm expenses deducted for Federal tax purposes.

MCL 550.2003

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Many seniors who apply to the EPIC program but are determined to be ineligible are living on fixed incomes and may not be able to afford high-priced medications. For seniors with low or moderate incomes, even \$25 may seem like a lot of money. Fear of losing the fee might discourage some people from applying for the program. The bill would alleviate this concern by codifying the DCH's current practice of refunding the application fee.

Supporting Argument

The bill appropriately would exclude adult foster care homes, assisted living facilities, and homes for the aged from the definition of "institution", thereby extending eligibility for the EPIC program to residents of those facilities. These residents, who include many low-income individuals, often are highly mobile and need only low to moderate amounts of assistance with daily activities. Many of them still purchase their medications themselves from their local pharmacies. Reportedly, this usually is cheaper for the resident and easier for the facility. It would be appropriate to include these low-income individuals in the eligibility pool.

Supporting Argument

A sole proprietorship or family farm might appear to be very profitable but, due to high operating expenses, the owner might have a relatively small actual net income. Under the bill, household income would be determined by excluding farm and business losses for applicants with less than \$200,000 in assets, so some individuals who would not otherwise be eligible for the program could obtain coverage.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The State currently refunds the \$25 administrative fee for those who do not qualify for EPIC, so guaranteeing a refund to those not eligible would have no fiscal impact.

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.