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House Bill 4270 (Substitute S-1 as reported)
Sponsor: Representative Stephen Ehardt
House Committee: Appropriations
Senate Committee: Appropriations

CONTENT

House Bill 4270 (S-1), which is tie-barred to Senate Bill (S.B.) 22, would make the same amendments to Section 106 of the Social Welfare Act as proposed by S.B. 22, which previously passed the Senate. Senate Bill 22 also would add Section 106a to the Act. Reportedly, the Senate bill will be substituted in the House so as to contain only Section 106a, and will be tie-barred to the House bill. It appears that House Bill 4270 (S-1) in combination with the proposed House substitute to S.B. 22, will be identical to the Senate-passed version of S.B. 22. As such, taken together, these bills would make the same changes and have the same fiscal impact as described in the Senate Fiscal Agency's analysis of Senate Bill 22, which is presented in its entirety below.

This bill is designed is to remove what is often perceived as a major obstacle to the disabled in getting and holding jobs: the loss of their Medicaid coverage. Thus, the bill would amend the Social Welfare Act to establish a program within the Department of Community Health (DCH) to continue Medicaid coverage for disabled persons under certain conditions. The proposed eligibility criteria for continued coverage are:

- The individual is determined to be disabled under the Federal Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) program, or would be found to be disabled if not for excess earnings above Federal guidelines (approximately \$9,600 for CY 2003).
- The individual is between the ages of 16 and 64 inclusive.
- The individual's unearned income does not exceed the Federal poverty guideline (currently \$8,980 annually).
- The individual is currently a Medicaid recipient, or is Medicaid eligible.
- The individual is employed.

An individual who met all of these conditions could do all of the following and not lose his or her Medicaid coverage:

- Generate earned income in excess of existing eligibility guidelines, though unearned income still would be limited to 100% of the Federal poverty guidelines.
- Accumulate nonexcludable assets valued to \$75,000.
- Accumulate savings in retirement and individual retirement accounts without limits.
- Have breaks in employment up to 24 months due to medical necessity, or involuntary layoff.

Once an individual was determined eligible for this program, he or she would continue to receive Medicaid benefits, as they currently exist, until the person's earned income exceeded 250% of poverty (currently \$22,450). Once earnings exceeded that amount, a recipient would be able to continue his or her Medicaid benefits as long as the person paid an annual "premium" to defray the cost of the Medicaid coverage. The premium would start at \$600 and increase on an income-based sliding scale, until the person's income reached \$75,000. At that point, the individual would be paying 100% of his or her Medicaid coverage (which the Senate Fiscal

Agency (SFA) estimates to be \$10,200 currently). The bill would mandate that there be not more than five premium payment tiers (though it has not been decided if the tiers would be straight-line, i.e., equal increments across income brackets, or progressive, i.e., proportionately greater costs, as income increases).

The bill would require that this program be operational by January 1, 2004. Two years after that date, the DCH would have to report to the Legislature on the following issues:

- The number of individuals enrolled in the program and its costs.
- The effectiveness of the program in meeting its purpose (though the term "effectiveness" is not defined).
- The projected costs of expanding coverage to people currently not eligible for the program.
- An assessment of additional benefits, e.g., personal assistance services, that might be needed to enhance the ability of the disabled to obtain and hold employment.

MCL 400.106 et al.

FISCAL IMPACT

In the opinion of the Administration and the DCH, this bill, as drafted, would be budget neutral. Their assumptions appear to be that most people would remain on Medicaid in the absence of this program and/or those who did end up working would help defray the costs of the program through increased taxes and premium payments. Furthermore, they note that the continuation of Medicaid coverage would be based on the current benefits set and that no new benefits would be added. This removes what had previously been a fiscal obstacle in the past.

As for the overall budget neutrality assumption, it is a far stretch to assume that no one currently leaves the SSI rolls due to excess earnings. To the extent that such a person would be able to extend his or her Medicaid coverage if this bill were enacted, there would be an additional cost to the State of about \$4,500 annually (the GF/GP cost of a \$10,200 Medicaid premium). In addition, the SFA estimates that this person would have to increase his or her earnings to the current average household income level (about \$45,000) before the additional taxes and the Medicaid premium he or she paid would offset that cost. Nevertheless, it appears that any additional costs to the State would be nominal. The Department recently stated that for FY 2001-02, only 213 persons in the target population left the rolls due to excess earned income. If that number reflects a fairly constant annual number, then the additional cost to the State would be under \$1 million GF/GP. However, even if the lower range of the number of people the Department expects might participate in this program (from 6,000 to 20,000) did participate, and their net earnings increased to the level found in a similar Federally run program (\$12,300), the State tax on this additional income would more than offset the increased cost.

In the final analysis, the available evidence appears to indicate that any additional cost to the State would be minimal, at best, in the short run.

Date Completed: 6-4-03

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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.