Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 961 (Substitute S-1 as reported)
Sponsor: Senator Tonya Schuitmaker
Committee: Appropriations

CONTENT

The bill would amend the Social Welfare Act to make changes in the "Freedom to Work" program. The bill would replace the current premium of 7.5% per month for individuals with income between 138% of the current Federal poverty level (FPL) and $75,000, with a premium equal to up to 7.5% per month of gross income. The bill would continue the premiums for individuals below 138% of the FPL and with incomes above $75,000 as stated in statute.

The bill would limit revenue received from premiums to $3.0 million per year.

MCL 400.106a

BACKGROUND

The Freedom to Work program was established in Michigan by Public Act 32 of 2003. Currently serving approximately 8,000 individuals; the Freedom to Work program provides medical assistance to individuals with earned income. In order for an individual to qualify for this program, the following criteria must be met:

- The individual must be found disabled under Federal Supplemental Security Income (SSI) or Social Security Disability Income (SSDI) program standards.
- The individual must be between the ages of 16 and 64.
- The individual must have a countable income level of not more than 250% of the FPL for a family of one ($29,175 for FY 2013-14).
- The individual's assets must meet the Medicare Part D Extra Help Low Income Subsidy and Medicare Savings Program asset limit.
- The individual must be employed.

Individuals who meet these criteria continue to be Medicaid-eligible even if they accumulate personal savings and assets up to $75,000, save money for retirement (savings that will be excluded from future eligibility considerations for other Medicaid programs even if eligibility for this program is lost), and have income exceeding the amounts described above (as long as unearned income does not exceed 250% of the FPL). Additionally, any temporary breaks in employment must not exceed 24 months and must be the result of an involuntary layoff, medical necessity, or relocation. Individuals are eligible for Medicaid services, including personal assistance services in the workplace, as defined elsewhere in the Social Welfare Act.

Currently, the Act uses a premium scale based on an individual's earned and unearned income. There is no premium for individuals with an income below 138% of the FPL ($16,105 for FY 2013-14) for a family of one. A person with gross income between 138% of

FPL and $75,000 would pay a premium of 7.5% per month of that income. Finally, a person with earned and unearned income over $75,000 annually would pay a premium reflecting the average Freedom to Work program participant cost.

FISCAL IMPACT

The bill would have no fiscal impact on State or local government. When the Freedom to Work program was expanded in 2012, the Department of Community Health estimated the State cost for the enhanced program to be $3.0 million. This bill would allow the premiums to be adjusted as a result of estimates of program participation rates to reach the revenue cap of $3.0 million and offset the cost of the program. As the bill would not expand the number of people eligible for the Freedom to Work program, there would be no negative fiscal impact stemming from new clients or increased administrative costs.

What cannot be accurately estimated is the effect a lower premium would have on the decision of program participants to increase their number of hours worked. If a lower premium due to an increase in the number of program participants resulted in an increase in their number of hours worked, the State would see a potential increase in income tax, sales tax, and use tax revenue, resulting in a positive fiscal impact on the State. Since this relies on assumptions about a participant's response to premium rates, the true impact of decreasing premiums cannot be determined. Additionally, as the premium may be set lower one year or higher the next, an increase in hours worked one year could be balanced out by a decrease in hours worked the next.

Date Completed: 11-25-14 Fiscal Analyst: Ellyn Ackerman

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