SUBJECT: Creating a Medicaid buy-in program

COMMITTEE: Public Health — committee substitute recommended

VOTE: 6 ayes — Delisi, Dawson, McReynolds, Solis, Truitt, Zedler

0 nays

3 absent — Laubenberg, Coleman, Jackson

WITNESSES: For — Lori Henning, Texas Association of Goodwills; Bob Kafka, ADAPT of Texas; Diana Kern, National Alliance for the Mentally Ill; Jonas Schwartz, Advocacy, Inc.; Kim Suiter, National Multiple Sclerosis Society; (*Registered, but did not testify:* Tom Banning, Texas Ac ademy of Family Physicians; Dennis Borel, Coalition of Texans with Disabilities; Susanne Elrod, Texas Council of Community of MHMR Centers; John Holcomb, Texas Medical Association; Patricia Kolodzey, Texas Hospital Association; Susan Maxwell, Texas Council for Developmental Disabilities; Jason Sabo, United Ways of Texas; Heather Vasek, Texas Association for Home Care; Lynda Woolbert, Coalition for Nurses in Advanced Practice)

Against — None

On — Dianne Casey, Albert Hawkins, Health and Human Services Commission; Larry Lottman, Department of Assistive and Rehabilitative Services

BACKGROUND: Medicaid, the state-federal health care program for low-income families and children, disabled, or elderly individuals, has eligibility requirements that include limitations on an individual's income level. While the actual income level varies by population group, most employed people would not qualify for Medicaid. The Health and Human Services Commission (HHSC) administers Medicaid, which is subject to both state and federal regulations.

A Medicaid buy-in program is a way for people with disabilities to obtain employment without losing their Medicaid benefits. While some people with disabilities might be able to work, their income may not be sufficient

to cover their medical expenses. A buy-in program would be authorized under the federal Ticket to Work and Work Incentives Program Act of 1999 and the Balanced Budget Act of 1997.

Enacted by the 78th Legislature in 2003, HB 3484 by Delisi established a workgroup of stakeholders to study health care options for people with disabilities. HHSC and the workgroup contracted with the Lewin Group to develop different models for a Medicaid buy-in program. The model that HHSC chose for a Medicaid buy-in program would include:

- eligibility for disabled individuals with income below 250 percent of the federal poverty level ($23,275 per year);
- an asset limit of $2,000 to $3,000, including disregards for certain work expenses;
- a focus on work with required employment and income of about $300 per month;
- a sliding-scale monthly premium that could range from $25 to $400.
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The HHSC plan would assume participation of 3,400 adults at a cost of $6.3 million in general revenue and $15.8 million in all funds during fiscal 2006-07.

DIGEST:

CSHB 1135 would direct HHSC to develop and implement a Medicaid buy-in program for people with disabilities as authorized by federal law and based on the workgroup recommendation by December 1, 2005.

The bill would take effect September 1, 2005.

SUPPORTERS SAY:

A Medicaid buy-in program would remove a significant barrier faced by people with disabilities when they contemplate employment. Although many would be unable to earn enough to pay their significant medical costs, they could earn enough to contribute to them. Instead of having them not work and pay nothing for Medicaid, this program would get them into the work force and allow them to participate in the cost of their medical care as if it were a private health plan.

Employment benefits people in intangible ways through community involvement, skills development, and social interaction, and it may reduce medical costs. People who are shut out of the working world may show

symptoms of neglect or depression that could be remedied by purposeful, regular work.

Many people who slip through the regulations of Medicaid and Medicare – including the waiting period for Medicare for people with disabilities and the de facto employment prohibition in Medicaid – would benefit from this program. Often when a person with disabilities faces a change in their situation, such as a new diagnosis or loss of a spouse's health insurance, that person may experience a period without insurance. Untreated and without resources, these individuals often are ruined financially and physically by the gap. A Medicaid buy-in would give them a way to obtain health insurance when their income and health were on the brink and, possibly, prevent them from needing more public services.

The program would limit eligibility significantly. It would require recipients to work at meaningful employment and set upper limits on how much income they could bring in. A high-income earner would not be eligible even if that person were disabled.

This would not be a significant expansion of Medicaid. Worries about the costs of Medicaid in coming years and calls for holding the line on eligibility would not apply directly to this program. Because the program would have eligibility standards and cost-sharing requirements, the number of people who participated could be calibrated to the state's finances. Also, not all of the participants would be new to Medicaid because a portion of them already receive Medicaid services without any cost-sharing.

OPPONENTS SAY:

Medicaid is one of the largest and fastest-growing expenses every biennium, and the state should not expand the program in any way. Although the numbers may look small today, the creation of a Medicaid buy-in program would add an entitlement group. The state would be required under federal law to pay for any and all eligible recipients.

Those people with disabilities who can work should do so. Medicaid should be reserved only for those individuals whose income truly makes them eligible. If this population could work but does not for fear of losing this benefit, then those individuals' incomes would not support their eligibility for Medicaid. Instead of loosening the eligibility requirements for Medicaid, the state should ensure that all people who received state assistance really deserved it.

The eligibility level that HHSC would use is too generous. The per capita income in the state was $28,500 in 2002, just about $5,000 over the proposed maximum income eligibility for this program. People earning that much should not be eligible for Medicaid.

OTHER OPPONENTS SAY:

Texas has a problem with uninsured people. However, adding programs for people with higher levels of income, such as CHIP and a Medicaid buy-in program, would not be the way to fix it. Texas should look closely at making employers offer health insurance.

NOTES:

The committee substitute would allow implementation of the program to be delayed pending approval of any needed federal waivers.

The fiscal note estimates a cost of $12.5 million in general revenue-related funds in fiscal 2006-07. Both the House and the Senate appropriations proposals include $6.3 million in general revenue related funds and $15.8 million in all funds for a Medicaid buy-in program.