
Saint Louis University Health Policy Legislative Analysis Team¹
MISSOURI STATE HEALTH POLICY BRIEF #2
For the Missouri Foundation for Health (MFH)

HB 1742: Medicaid Buy-in For Workers with Disabilities

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HB 1742, the “Medical Assistance for Employed Persons with Disabilities” bill², creates statutory authorization for a revised Medicaid Buy-in program for workers with disabilities to replace the former Medical Assistance for Workers with Disabilities (MAWD) program in Missouri.³ The bill also provides for expanded Medicaid eligibility for those who work in sheltered workshops.

This Policy Brief discusses Medicaid Buy-in programs for workers with disabilities and the history of the MAWD program in Missouri. It then analyzes how the Medicaid Buy-in program authorized by HB 1742 compares with the state’s previous MAWD program and how the two Medicaid eligibility expansions authorized by the bill are likely to affect Medicaid enrollment in Missouri and the cost of medical care for persons with disabilities.

Medicaid Buy In Programs

Medicaid Buy-in programs for workers with disabilities are an important component of a broad federal and state effort to support the employment of people with disabilities that includes the Americans with Disabilities Act of 1990 and President Bush’s New Freedom Initiative. Medicaid Buy-ins give states the ability to extend Medicaid coverage to working people with disabilities. Although some disabled individuals who work are eligible for Medicaid, many others risk losing coverage because of additional earnings. Loss of Medicaid means lost coverage for personal care, assistive devices and other specialized health services essential to their success in the workplace—services typically not covered by private insurance. Medicaid Buy-in programs for workers with disabilities are a response to these concerns.

Medicaid Buy-ins are authorized by both the Balanced Budget Act of 1997 (BBA) and the Ticket to Work and Work Incentives Act of 1999 (TWWIA). Both acts give states great flexibility in designing income and asset limits, and cost sharing requirements. This flexibility, combined with state-specific variation in traditional Medicaid programs, means that Buy-in programs vary greatly from state to state. As of March 2005, 32 states had implemented various Medicaid Buy-in programs, with a national enrollment of approximately 80,000 persons.⁴

Missouri’s Experience

In 2002, Missouri enacted a TWWIA Medicaid Buy-in called Medical Assistance for Workers with Disabilities (MAWD). This program was eliminated in July 2005 as part of a larger set of Medicaid cuts. The impetus for the repeal of MAWD, in particular, was its high enrollment and large expenditures. In 2005, Missouri had the largest number of Buy-in eligibles, 18,654, almost one quarter (23.5%) of all Buy-in eligibles nationally.⁵ Opponents of the program expressed concern that eligibility rules allowed enrollees who worked only a few hours per month in the casual workforce, doing child care or other employment in which wages were not reported to the state’s unemployment office, to take advantage of MAWD’s more generous income and asset limits to qualify for Medicaid.

Researchers suggest that the size of Missouri's MAWD program—more than double that of any other state – was the result of two factors: (1) an influx of individuals from the state's Spenddown Medicaid program, and (2) active outreach by the state's disability community.⁶ In October 2002, Missouri changed the eligibility criteria for Medicaid Spenddown. Previously, Medicaid paid all medical bills including the spenddown amount for persons with disabilities in the state's Spenddown program. Effective October 2002, the state stopped paying the Spenddown amount, causing the out of pocket costs for individuals in the Spenddown program to increase substantially. As a result, many individuals moved from Spenddown to the new MAWD where the buy-in premium was typically less costly than the Spenddown amount. In 2002, 81% of MAWD enrollees has previously been covered by Medicaid Spenddown. In 2003, the percentage dropped but was still 55%.⁷

Comparison of Medicaid Buy-in in HB1742 to MAWD program eliminated in 2005

HB 1742 authorizes a new Medicaid Buy-in program for Missouri workers with disabilities with more stringent income and asset eligibility guidelines than Missouri's old MAWD program (HB1742, section 208.146). In addition, HB1742 provides for expanded Medicaid eligibility for those who work in sheltered workshops (HB1742, section 208.151). The eligibility guidelines for the Medicaid Buy-in program proposed by HB1742 differ from the previous MAWD program in some important ways:

- **Employment:** HB 1742 addresses the concerns expressed about employment in the casual workforce by providing that only those who have earned income on which Medicare and Social Security taxes are paid may qualify for the Buy-in program.⁸ The bill does not disqualify workers with disabilities who do child care or other domestic work from Buy-in eligibility. However, it does require that these disabled workers must either have their employers pay the Medicare and Social Security taxes or do so themselves by reporting income from self employment. Moreover, the bill provides that the only earned income that is exempted from the income eligibility calculation (see below) is income on which Social Security and Medicare taxes are paid.
- **Income Eligibility:** The bill uses the same gross income limit — 250% of the federal poverty line (presently \$2042/month for one person and \$2750/month for a couple) —as the previous MAWD program. However, the bill also imposes a net income limit which did not exist in the MAWD program. This net income limit equals the income eligibility limit for non-spenddown Medicaid, presently 85% of the FPL or \$694/month for one person or \$935/month for a couple. The bill provides a variety of special income disregards and deductions to calculate net income, including an exemption for all earned income, all SSI benefits, and a standard deduction equal to one-half of earned income in recognition that people with disabilities have special work related expenses. The bill also exempts \$20 of any other income, including Social Security Disability Insurance payments, and the first \$65 plus one-half the remaining income of a spouse. With all of these exemptions from income, the net income limit is most likely to disqualify those who have spouses with substantial income or substantial income from Social Security Disability Insurance or other disability payments.
- **Assets:** HB 1742 applies the asset tests used in the PTD Medicaid program to the Medicaid Buy-in program: less than \$1000 for a single person and up to \$2,000 for a couple. This asset limit is almost identical to that used in the old MAWD program,⁹ but

that program excluded more resources from the asset calculation. PTD Medicaid excludes a person's home, one automobile, household goods, and limited other personal property. The previous MAWD program also exempted a variety of savings accounts: retirement accounts, medical expense accounts, family development accounts, PASS accounts and independent living development accounts.

- Spousal income and assets. The old MAWD program allowed persons with disabilities to qualify without having to exhaust a spouse's income or assets: it exempted spousal assets up to \$100,000, one-half of marital assets and spousal income up to \$100,000 per year. HB 1742 fully counts the spouse's income and assets in determining eligibility as does the regular PTD Medicaid program.

- Premiums. HB 1742 imposes premiums on participants with lower gross income—starting at 100% rather than 150% FPL (150% percent of the FPL is currently equivalent to \$1225 per month for a single person, as compared to 100% of the FPL at \$817 per month). Premiums rates are also set at a higher percentage of income than in the old MAWD

Table 1. Computation of premiums under HB1742, as compared to old MAWD program		
Income as percent of FPL	Old MAWD	HB 1742
100-150% (\$817-\$1225, 1 person)	\$0	\$61
151-175%	\$52	\$92
176-200%	\$75	\$92
201-225%	\$102	\$122
226-250%	\$133	\$122

program—a flat 7.5% rather than a sliding scale that rises from 4-7% as income increases (Table 1). It is interesting that this method for computing premiums results in lower income recipients being charged higher premiums under HB 1742 than existed under the MAWD program, while higher income recipients will see their premiums reduced by \$10-\$20.

- Subject to Appropriations. While HB1742 creates statutory authorization for a MAWD program, it does not guarantee that the MAWD program specified in the bill will exist. HB 1742 authorizes a MAWD program “subject to appropriations” so the program only exists in years in which the General Assembly chooses to fund it.
- HB1742 provisions on Sheltered Workshop. HB1742 also provides for expanded Medicaid eligibility for those who work in sheltered workshops by disregarding income earned from certified extended employment in sheltered workshops for purposes of Medicaid eligibility in the regular PTD Medicaid program. While this provision does not authorize any of the other special exclusions from income created by the Buy-in program, it does mean that those working in sheltered workshops will not have that income counted in computing eligibility for either non-Spenddown or Spenddown Medicaid—provisions that will make it easier to qualify for Medicaid and reduce any spenddown amounts. This provision creates an entitlement, and is not subject to the appropriations process. This portion of the bill will obligate the General Assembly to appropriate sufficient funds to operate the sheltered workshop program.

Effects of HB 1742 Medicaid Buy-in in Missouri

- Total Buy-In Enrollment: HB1742 is projected to have an enrollment of about 3,137 persons, with 1,800 of these in the revamped Buy-In program and 1,337 persons enrolling through Sheltered Workshops (Table 2). However, as described above, there are several changes in eligibility criteria -- based on income (gross and net) and asset considerations. These provisions are different than the previous experience with MAWD, making it difficult to gauge how individuals will respond to these different eligibility criteria. In particular, it is difficult to gauge the effect of the 85% net income limit in light of the many exclusions from the income calculation.
- Enrollment compared with MAWD. The number of persons likely to be covered by the Medicaid Buy-In and Sheltered Workshop programs are likely to be a fraction of those covered by MAWD: 3,137 as compared to over 18,000 that were enrolled in the old MAWD program.
- Regional differences in enrollment. The absence of a disregard for marital and spousal assets could disqualify potential Medicaid Buy-in eligibles who are relatively asset-rich, but income-poor. This could have particularly significant impacts on rural disabled persons and may also create an incentive to divorce in order to avoid the loss of assets.
- Total Medicaid enrollment. Although HB1742 is projected to have an enrollment of over 3,100 persons, only about 1,500 of these persons currently do not have Medicaid coverage.¹⁰ It appears that many of the former MAWD enrollees migrated to other parts of the Medicaid program, specifically to the PTD Medicaid program. Enrollment in that category has risen by over 4,000 persons since July 2005, even though the number of elderly and disabled on Medicaid was projected to fall by over 8,600.¹¹ Some of the enrollment growth is likely to be due to general growth in Medicaid over time due to population growth, increases in the number of disabled persons, and economic changes leading to more Medicaid eligibles. But estimates made of overall Medicaid enrollment growth cannot account for all of the increases in PTD enrollment, and a conservative estimate would be that about 30 percent of MAWD enrollees still on Medicaid as PTD eligibles.¹²
- Decrease in uninsurance. The net effect of HB1742 on the number of people with insurance coverage will be minimal. Most of the roughly 1,500 new Medicaid eligibles are likely to be Social Security Disability Insurance recipients who also qualify for Medicare after they receive SSDI benefits for 24 months. This Medicare coverage is important, but Medicaid is the only insurer that covers the specialized services like personal care and assistive devices necessary to help people with disabilities live independently and move into the workforce. Medicaid Buy-ins are important not because they decrease the number of uninsured but because they reduce this threat of underinsurance for people with disabilities who work.
- Impact on Individuals with Disabilities. HR 1742 will make Medicaid coverage more affordable for the approximately 3,000 individuals with disabilities who are likely to qualify for the Buy-in and Sheltered workshop programs. The newly eligible will now have access to Medicaid. Others who migrate from other Medicaid categories of eligibility will have more affordable Medicaid coverage. The impact as compared to the prior MAWD program will be more variable: higher income individuals will see lower premiums and lower income enrollees will face higher premium costs, as compared to previous MAWD enrollees' premiums. Also, as indicated above, a large number of

former MAWD enrollees will not be covered under the new program or other Medicaid programs (perhaps over 11,000 persons formerly covered by MAWD). For all of these persons, their out of pocket costs for medical care have likely risen considerably relative to July 2005.

- **Projected costs:** The projected costs of HB1742 are expected to be \$16.3 million in FY2007, rising to \$21.4 million by FY2009 (Table 2). This is a fraction of what the old MAWD program costs were (\$110 million).¹³

Table 2. Expenditure and enrollment estimates under HB1742		
Section 208.146: MAWD		
	Potential eligibles, FY2007:	
	1. Old MAWD only	664
	2. Spenddown Met: Currently spending down, but expected to enroll because premium will be lower than current spenddown	594
	3. Spenddown not met: Currently not spending down, but will enroll because premium will be lower than current spenddown	542
	TOTAL ELIGIBLES	1,800
	Fiscal Impact (millions):	
	2007	\$14.2
	2008	\$17.8
	2009	\$18.6
Section 208.151 - Sheltered Workshop Income Disregard		
	Potential Eligibles, FY2007:	
	1. Individuals Moving from Spenddown to Non-spenddown	362
	2. No change in spenddown (due to earnings<\$65)	178
	3. Individuals currently spending down, but expected to have reduced spenddown	797
	TOTAL ELIGIBLES	1,337
	Fiscal Impact (millions):	
	2007	\$2.1
	2008	\$2.7
	2009	\$2.8
TOTAL IMPACT OF HB1742		
	TOTAL ELIGIBLES	3,137
	Fiscal Impact (millions):	
	2007	\$16.3
	2008	\$20.5
	2009	\$21.4
Source: State of Missouri, Committee on Legislative Research, Oversight Division, Fiscal Note LR # 5088-01, Bill No. HB 1742, 2/15/06, http://www.moga.state.mo.us/Oversight/OVER06/fishtm/5088-01N.ORG.htm		

CONCLUSIONS

HB 1742 would create a Medicaid Buy-In program reaching only about 3,000 individuals, a small program in comparison to the MAWD program it will replace. For these 3,000 individuals the program is significant: it will lower the spenddown burden for the roughly 1500 recipients who are projected to move to this program from other parts of Medicaid, while it will also lower the out of pocket costs for the remaining 1500 people who are projected to become eligible for

Medicaid as a result of the new program. However, the new program will make only a negligible impact on the number of insured and underinsured persons in Missouri because of the limited size of the program.

ENDNOTES:

- ¹The Saint Louis University State Health Policy Legislative Analysis team consists of 16 analysts from the Schools of Public Health, Law, Business, Public Service, and Medicine. The analysts are: Timothy McBride, Heather Bednarek, Michael Counte, Kanak Gautam, Daniel Gentry, Barbara Gilchrist, Kathy Gillespie, Thomas Greaney, Muhammad Islam, Heidi Israel, Richard Kurz, Ana Maria Lomperis, Doug Luke, Nicolas Terry, Sidney Watson, and Kathleen Wyrwich. The work of the Saint Louis University Health Policy Legislative Analysis Team is funded by the Missouri Foundation for Health (MFH) but the views represented here are those of the analysts and do not represent the views of the Missouri Foundation for Health or Saint Louis University.
- ² The legislation, introduced by Rep. Portwood, can be found at: <http://www.house.mo.gov/bills061/bills/hb1742.htm>
- ³ This proposed legislation was originally outlined in the Medicaid Reform Commission's Final Report, December 2005, pp. 59-61
- ⁴ CMS Longitudinal Enrollment Charts, Current Enrollments in the Medicaid Buy-in as of March 31, 2005, <http://www.cms.hhs.gov/TWWIA/Downloads/BuyInEnrollment.pdf>
- ⁵ CMS Longitudinal Enrollment Charts, Current Enrollments in the Medicaid Buy-in as of March 31, 2005, <http://www.cms.hhs.gov/TWWIA/Downloads/BuyInEnrollment.pdf>
- ⁶ Justin White, William E. Black and Henry T. Ireys, Explaining Enrollment Trends and Participant Characteristics of the Medicaid Buy-in Program, 2002-2003. Mathematica Policy Research, Inc., January 2005..
- ⁷ White, et al., 2005.
- ⁸ The Medicaid Reform Commission Report concluded that "To qualify as working for purposes of this program, it should be demonstrated that Social Security taxes are paid on the earnings. This would prohibit informal work arrangements, such as caring for a neighbor's pet, from qualifying someone for the program." (Medicaid Reform Commission, December 2005, p. 58)
- ⁹ The previous MAWD program used an income limit of \$1000 for a single person and \$2000 for a couple.
- ¹⁰ While the new MAWD program is projected to have 1,800 enrollees, only 1,206 of these are currently not receiving Medicaid coverage (groups 1 and 3), and while the enrollees under Section 208.151 (Sheltered Workshop) are projected to number 1,337, only 291 of these persons are currently not receiving Medicaid (groups 1b, 3B and 3C) (State of Missouri, Committee on Legislative Research, Oversight Division, Fiscal Note LR # 5088-01, Bill No. HB 1742, 2/15/06, <http://www.moga.state.mo.us/Oversight/OVER06/fishtm/5088-01N.ORG.htm>)
- ¹¹ Fiscal Note to SB539, State of Missouri Legislature.
- ¹² This can be seen by noting that the projected decrease in the MAWD, PTD and Old Age Assistance programs under Medicaid was 18,189 persons. However, the combined enrollment of these programs decreased by 15,472 persons between July and December 2005, a difference of about 2,700 persons. In addition, the projections indicated that Medicaid would grow 45,000 overall in FY2006 due other factors, which amounts to a growth rate of about 5% overall. So this should have yielded about 2,800 new enrollees by December 2005. The combination of these two estimates then suggests that over 5,000 MAWD enrollees may have migrated to the PTD program, compared to the enrollment of roughly 17,900 in the program when it ended.
- ¹³ The Fiscal Note to HB1742 focuses only on the costs to the state of implementing HB1742 and does not reflect the federal funds that will flow from the implementation.