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### FISCAL IMPACT REPORT

SPONSOR:	Wilson	DATE TYPED:	02/04/00	HB	
SHORT TITLE:	Medicaid Buy-in for the Disabled			SB	97/aSPAC
				ANALYST:	Taylor

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
N.A.	\$ 700.0	N.A.	None	Recurring	General Fund
N.A.	\$ 1,881.0	N.A.	None	Recurring	Federal Funds

Duplicates/Conflicts with/Companion to/Relates to None

### SOURCES OF INFORMATION

Human Services Department (HSD)

Health Policy Commission (HPC)

State Department of Education, Division of Vocational Rehabilitation (DVR)

## **SUMMARY**

### Synopsis of SPAC Amendment

The SPAC amendment adds language that would allow the department to include the use of co-payments or premiums.

The amendment reduces the appropriation from \$1.4 million to \$700 thousand, and decreases the amount that must go to direct costs from \$1.3 million to \$600 thousand.

## **FISCAL IMPLICATIONS OF SPAC AMENDMENT**

The SPAC amendment reduces the cost of the program in the first year from \$1.4 million to \$700 thousand. Cost are reduced on the assumption that the new program will be implemented for only half of the first year.

### Synopsis of Bill

Senate Bill 97 creates and funds a program that would allow disabled persons with earned income less than 250 percent of the federal poverty level to participate in medicaid.

The bill appropriates \$1.4 million from the state general fund. One million three hundred \$1.3 million is provided to pay for the direct cost of providing medicaid to participants, and \$100.0 is provided for administrative costs.

## **FISCAL IMPLICATIONS**

The bill appropriates \$1.4 million from the general fund. The general fund appropriation will enable the state to leverage approximately \$3.8 million in federal funds. A total of \$200.0 would be earmarked for program administration; the remaining \$5 million would pay the cost of providing medicaid coverage to the eligible population.

Funds made available for the disabled buy-in program are sufficient to cover 636 persons at an average cost of \$650 per member per month. Per the HPC, the Governor's Committee for the Concerns of the Handicapped estimates 636 disabled persons would qualify for the program. HSD reports their estimate of the number of eligible ranges from a low of 400 to a high of 1,500.

## **ADMINISTRATIVE IMPLICATIONS**

HSD reports they project administrative costs will total \$250.0, which is \$50.0 higher than the \$200.0 provided for administration in the bill.

## **TECHNICAL ISSUES**

The HPC notes that the bill creates a "buy-in" program, but there are no buy-in provisions contained in the bill. HSD also reports the cost-sharing provisions implied in a buy-in program would raise additional revenue for the program that could be used to offset administrative and program costs. However, they do not estimate the additional revenue as the cost sharing provisions are not established.

HPC reports the intent of the bill is to include only severely disabled persons as defined in the balanced budget act, but the bill does not specify this. Thus, the program may be open to many more disabled persons.

## **OTHER SUBSTANTIVE ISSUES**

DVR reports a state survey and reported prepared by the University of New Mexico in 1995 suggests the

workforce participation rate for persons with disabilities would increase by nearly 50 percent if health insurance were provided by medicaid or by employers. HPC notes even private insurance is not always sufficient to induce some into the workforce as private insurance benefit packages tend to be less generous than the medicaid package. HPC also notes private employers often face a disincentive to hiring the disabled because they may face an increase in the health insurance premiums they pay for their entire workforce. Higher workforce participation rates implies lower costs to the federal Supplemental Social Security program. They also note many employed disabled persons stay in lower paying jobs in order to maintain their medicaid or medicare benefits. (Note: providing medicaid to disabled persons with any income cap retains the incentive of moving to jobs paying more than the cap unless the higher paying job also includes insurance coverage.)

DVR notes the income cap of 250 percent of poverty means a family of two with income below \$27,125 would qualify for the program. A family of four would have to have income below \$41,125 in order to qualify.

The HPC and DVR note that providing medicaid coverage to the disabled may reduce participation in the Comprehensive Health Insurance Pool (CHIP). However, the HPC asserts this effect is likely to be minimal because most disabled individuals with incomes below this level probably cannot afford CHIP premiums.

BT/njw