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FISCAL IMPACT STATEMENT

LS 7404
BILL NUMBER: SB 461

NOTE PREPARED: Feb 3, 2011
BILL AMENDED: Jan 25, 2011

SUBJECT: Health Care Reform Matters.

FIRST AUTHOR: Sen. Miller
FIRST SPONSOR: Rep. T. Brown

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State and Local

Summary of Legislation: (Amended) *Medicaid 209(b) Status:* This bill allows the Office of Medicaid Policy and Planning (OMPP) to request federal approval to change how the state determines Medicaid eligibility for the aged, blind, and disabled.

Indiana Check-Up Plan [Healthy Indiana Plan (HIP)] Health Care Reform Provisions: The bill requires the Indiana Check up Plan (HIP) to include any federally required bench mark services. It allows, instead of requires, the plan to include dental and vision services. The bill makes the following changes concerning the plan beginning January 1, 2014: (1) changes income eligibility requirements for the plan from 200% to 133%; and (2) removes the requirement that the individual's employer not provide health insurance and that the individual be without health insurance for six months. It also requires a health insurer that provides coverage under the plan until December 31, 2013, to also offer to provide coverage to certain other individuals in a manner consistent with federal law concerning underwriting, rating, and with state approval of the rate. The bill further allows the OMPP to amend the plan in a manner to be used to cover individuals eligible for Medicaid resulting from passage of the federal Patient Protection and Affordable Care Act (ACA).

Indiana Check-Up Plan [Healthy Indiana Plan (HIP)] Provisions: The bill allows a nonprofit organization and health insurers to make deposits into a plan participant's account under specified circumstances. It also requires a plan participant to contribute at least $100 per year.

Health Insurance Provisions: The bill amends current health insurance law to specify application of the law in conformity with the ACA, as amended by the federal Health Care and Education Reconciliation Act of 2010, including provisions concerning coverage of children until age 26, grievances, and rescissions. The

bill also makes conforming amendments.

Effective Date: September 23, 2010 (retroactive); July 1, 2011.

Explanation of State Expenditures: *Summary:* The bill would allow FSSA the authority to discontinue the state Medicaid 209(b) status. The fiscal impact of this provision would depend on administrative actions taken by FSSA in response to federal initiatives in implementing the ACA .OMPP has estimated that depending on how the federal ACA is implemented with respect to 209(b) states, the ten-year fiscal impact of this change could vary from a cost of $667 M to a savings of $58 M.

Health insurance provisions and revisions to the Indiana Check-Up Plan/HIP will bring Indiana statutes into conformity with federal requirements of the ACA.

(Revised) Provisions of the bill dealing with the Indiana Check-Up Plan/HIP concerning a minimum contribution of $100 per year would require individual contributions of $890,000 into HIP power accounts resulting in state savings of $302,600.

Additional Details:

Eligibility Revision for Medicaid Aged, Blind, and Disabled- Medicaid 209(b) Status: The bill would allow FSSA to revise the state's status as a Medicaid 209(b) state to a 1634(a) status, which recognizes an SSI disability determination as eligibility for Medicaid and discontinues the spend-down requirement. This provision would become effective with the implementation of ACA Medicaid provisions. Any increase in the aged, blind, and disabled population on Medicaid that might result will have an unknown impact on the 100% state-funded burial assistance program for aged, blind, and disabled Medicaid recipients. By electing the 1634(a) status, SSI eligibles would be fully eligible for Medicaid benefits with no need for a separate Medicaid application process or a spend-down calculation, eliminating the duplicative OMPP eligibility process and the need to administer the spend-down program.

If FSSA determines to eliminate the 209(b) status, the number of aged, blind, and disabled individuals on Medicaid may increase. OMPP has estimated that initially an additional 23,000 aged, blind, or disabled individuals would become eligible for Medicaid. However, with the implementation of the ACA, the cost to the state to convert would depend on the number of the newly eligible population that would be assumed at the 100% federal match rate for the initial years of ACA implementation. OMPP has estimated that depending on how the federal ACA is implemented with respect to 209(b) states, the ten-year fiscal impact of this change could vary from a cost of $667 M to a savings of $58 M.

Any increase in the aged, blind, and disabled population on Medicaid will have an impact on the 100% state-funded burial assistance program for aged, blind, and disabled Medicaid recipients. This program currently makes payments to funeral directors and cemeteries as defined in state statute. Expenditures were approximately $1.38 M in FY 2010. The fiscal impact on this program would depend on the ultimate configuration of the ACA implementation.

Elimination of the 209(b) status would eliminate the spend-down program. States that elected 209(b) status were required to implement a program for the medically needy to allow individuals who are otherwise eligible, to spend-down excess income to become eligible for Medicaid. If the state elects the 1634(a) status, SSI eligibles would be fully eligible for Medicaid benefits with no need for spend-down, eliminating the need

to administer that program. OMPP has supplied an estimate of $141 M of savings over a ten-year period, associated with the elimination of the spend-down for persons with incomes above 133% of the FPL. (There was an average of 37,854 total members per month that had spend- down obligations during FY 2008.)

Elimination of the 209(b) status would allow Medicaid to discontinue duplicative administrative expenses. Indiana requires an application for Medicaid and does an eligibility determination separate from the SSI process. (The Indiana Medical Review Team currently conducts the medical eligibility determination for the Social Security Administration.) If the 209(b) status were to be eliminated, Medicaid eligibility would be determined simultaneously with the Social Security Administration's determination for SSI benefits. Medicaid applications might only be required for applications for long-term care or waiver services, or for individuals denied SSI due to excess income but otherwise eligible. Administrative cost savings associated with the elimination of the separate eligibility determination process have been estimated by OMPP to be $3 M over a ten-year period.

Health Insurance Provisions: The health insurance provisions included in the bill will bring state statutes into compliance with the provisions of the ACA. Since the Department of Insurance must already comply and implement the ACA provisions, there is no additional fiscal impact associated with the change to the state statutes.

Indiana Check-Up Plan [Healthy Indiana Plan (HIP)] Health Care Reform Provisions: The provisions of the bill regarding HIP would allow the operation of the program under the current state statute until the effective date of the ACA implementation, at which time HIP would be brought into compliance with ACA requirements. The bill would allow FSSA the authority to decrease the income eligibility for HIP to 133% of the federal income poverty level (FPL), revise the benefit plan, and make any other changes that would allow Indiana to use the HIP design to cover individuals eligible for Medicaid resulting from the passage of the ACA. The fiscal impact of these provisions would depend on federal requirements and actions taken by FSSA.

(Revised) *Indiana Check-Up Plan [Healthy Indiana Plan (HIP)] Provisions: HIP Minimum Contribution:* The bill would require a minimum contribution of $8.33 per month, or a total of $100 per year, from all participants in the HIP program. Currently, approximately 8,900 individuals are exempted for various reasons from making sliding scale-based payments into their health savings account. This provision would result in annual health savings account deposits of $890,000 being made by participating individuals rather than the state and federal governments. The state share of the savings would be about $302,600. HIP is funded with cigarette tax dollars deposited in the Indiana Check-Up Plan Trust Fund.

(Revised) *HIP Assistance or Incentives:* The bill would allow a not-for-profit organization that is not affiliated with a health care plan to contribute up to 75% of an individual's required premium payment. This provision would allow not-for-profits to provide some assistance to HIP enrollees either on a temporary or long-term basis. The bill would also allow an insurer or managed care organization contracted with the OMPP to provide rewards as incentives. The bill specifies that the incentives cannot be given to induce an individual to receive services from a particular health care provider or facility. Rewards must be deposited in the individual's health care account, or if the account is fully funded, it may be provided directly to the individual. These provisions would have no direct fiscal impact on the state.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 34% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 66%. Certain family planning services and supplies

are matched with 90% federal funding. Administrative expenditures with certain exceptions are matched at the federal rate of 50%. Federal ARRA enhanced Medicaid stimulus funding will be available to the state until June 30, 2011.

209(b) Background Information: Indiana is one of approximately 11 states with more restrictive financial criteria than SSI and one of only 2 states with a more restrictive definition of disability. [Current Indiana statute provides that an SSI recipient, in order to be eligible for Medicaid services, must have a physical or mental impairment or disease that appears reasonably certain to continue for at least four years (SEA 79-2000). The SSI medical standard requires a duration of 12 months, rather than 4 years. However, although Indiana has not relinquished its 209(b) status, as a result of court cases the medical definition of disability has, in practice, been made consistent with the national standard.]

Explanation of State Revenues:

Explanation of Local Expenditures: *Potential 209(b) Status Elimination:* The potential change in the number of SSI beneficiaries eligible for Medicaid along with the elimination of spend-down requirements and the provision of subsidized coverage under the ACA may have an impact on township poor relief by decreasing the number of requests for assistance due to lack of Medicaid or other coverage, requests for assistance due to current Medicaid spend-down requirements, and requests for burial assistance. The extent to which the bill might decrease requests for township assistance is indeterminate.

Explanation of Local Revenues:

State Agencies Affected: FSSA, OMPP, DFR; Department of Insurance.

Local Agencies Affected: Local government-owned hospitals; Township trustees.

Information Sources: FSSA; Social Security Administration.

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