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## **Reforming Healthcare Brief #4:**

Medicaid Buy-in Programs for  
Individuals with Disabilities

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This paper is the fourth in a series examining the recent increases in healthcare costs, corresponding declines in employer-sponsored insurance and increases in the uninsured population, and policies federal, state, and local governments are pursuing to address these problems. In the first three papers, this series examined Health Savings Accounts, “pay or play” laws, and children’s health insurance in Georgia. This brief will examine policies and proposals states can and have implemented to help children and working-age individuals with disabilities obtain adequate, affordable health insurance.

At the conclusion of this series, GBPI will release a consolidated report of the discussion and key findings of the series. In particular, this report will focus on existing opportunities for Georgia to reduce the number of uninsured individuals and ease the financial burden faced by low and moderate income Georgians in their quest for health coverage.

### Background on Medicaid Buy-in Programs

Because of the sizable healthcare costs often faced by persons with disabilities, obtaining affordable insurance can be very difficult. Employer-sponsored insurance or even direct-purchase private insurance can be unavailable due to pre-existing conditions, and even available coverage may limit service utilization and impose maximum benefit caps. Due to the difficulties faced by persons with disabilities, states across the U.S. have sought to provide assistance to help these individuals obtain health insurance. One particular way states have helped individuals with disabilities obtain health coverage has been to broaden eligibility rules for participation in Medicaid.

Because Medicaid is already a very important healthcare resource for many individuals with disabilities, building on existing Medicaid programs can be a very effective and efficient way in which to serve individuals with higher incomes. Furthermore, because these buy-in programs are often complimentary to employer-based private coverage, the costs of healthcare can be spread across multiple payers. Medicaid buy-in programs can be implemented to assist working-age individuals, as well as children with disabilities obtain more comprehensive insurance than otherwise may be available through an employer or in the direct-purchase insurance market.

### Buy-in Programs for Working-Age Individuals

A Medicaid buy-in program was first created in the Balanced Budget Act (BBA) of 1997. Provisions in this Act allowed states to expand Medicaid to some working-age individuals with disabilities who were

unable to qualify for Medicaid due to their incomes. This program was followed up by the Ticket to Work and Work Incentives Improvement Act (TWWIIA) of 1999, which increased states’ flexibility in serving this population.<sup>1</sup>

Created by the TWWIIA, Ticket to Work programs are the most prominent of the so-called Medicaid buy-in programs. Under this Act, states are allowed to expand Medicaid to disabled individuals ages 16-64 (based on the Supplemental Security Income (SSI) program’s definition of disability). States are allowed, but not required, to set income and resource standards; therefore states may offer these Medicaid buy-in programs to nearly all working individuals meeting the SSI disability standard. Currently, 36 states operate (or are implementing) Medicaid Buy-in programs serving approximately 75,000 individuals.<sup>2</sup> Georgia does not currently operate a Medicaid buy-in program.

In general, states have a great deal of flexibility in implementing Medicaid buy-in programs under TWWIIA, and do not need federal waivers to do so. For example, states may implement sliding-scale monthly premiums based on income, and may also charge participants some cost-sharing, such as co-payments. States can also use Medicaid to “wrap-around” employer or other private coverage, limiting the financial burden on their Medicaid programs.

Ticket to Work (or BBA 1997 buy-in) programs can be especially useful programs as they target individuals who would likely be eligible for Medicaid if not for a job. Because employer-sponsored or other private health insurance programs are not always realistic healthcare options, some of the participants in Ticket to Work

<b>States with Medicaid Buy-in Programs (as of March 31, 2006)</b> <sup>1/2/3/</sup>	
States with BBA 1997 Buy-in: AK, CA, IA, ME, MS, NE, NM, OR, SC, UT, VT, WI	Enrollment: <sup>4/</sup> 25,469
States with TWWIIA Buy-in: AZ, AR, CT, IL, IN, KS, LA, MI, MN, NV, NH, NJ, NY, ND, PA, WA, WV, WY	38,723
1/ Massachusetts operates a buy-in program under a Section 1115 waiver, serving 8,828 enrollees as of March 31, 2006.	
2/ Missouri discontinued a TWWIIA buy-in program in 2005.	
3/ North Carolina, Virginia, Rhode Island, Maryland, and Idaho are implementing buy-in programs, but as of March 31, 2006 no individuals were enrolled in these programs.	
4/ March 2006 enrollment figures from CMS do not include data from either Mississippi or Arizona. As of 9/30/05, the buy-in programs in Mississippi and Arizona covered 1,331 and 799 individuals, respectively.	

programs may not be able to obtain a job without the health coverage provided through these programs. To the extent that Ticket to Work enrollees would be eligible for Medicaid if they were not working, and because Medicaid coverage may be critical in allowing these individuals to work, these programs may in reality not have significant costs to states as many of the individuals who take advantage in the program could be existing Medicaid enrollees. At the same time, these individuals benefit greatly from the ability to seek employment to supplement Social Security Disability Insurance (SSDI) income without forfeiting their health insurance. Furthermore, buy-in programs ease the health insurance burden on employers who hire individuals with disabilities, many of whom already have a difficult time providing health insurance to employees.

### **Family Opportunity Act: A Buy-in Option for Disabled Children**

While the Ticket to Work program is designed to expand Medicaid benefits to working age individuals with disabilities, the recently passed Family Opportunity Act gives states additional coverage options regarding disabled children. Enacted by Congress in 2006, this law allows states to create Medicaid buy-in programs targeted at children who meet the Social Security standard for disability, but who come from families with incomes above standard Medicaid eligibility limits. States do not need a federal waiver to implement a buy-in program under this law.

Under this law, and beginning in 2007, states may offer Medicaid coverage to disabled children from families with incomes up to 300% FPL (about \$60,000 / year for a family of four).<sup>3</sup> The new federal law requires participating families to first take advantage of employer-sponsored health insurance options (if available and if the employer pays at least half of the monthly premium cost). Following the procurement of employer-sponsored insurance (if available), states would then be allowed to charge premiums to participating families.<sup>4</sup> These premiums would be offset by the family's private insurance premiums, and total premium payments on behalf of the family may not exceed 5% of family income for families with incomes under 200% FPL or 7.5% of income for families with incomes between 200% - 300% FPL.<sup>5</sup>

Eligibility for these buy-in programs will be phased in starting in October 2007 when children under 6 will be eligible for the program. Children ages 7-13 will be added in October 2008, and children from 14-18 will be eligible beginning October 2009.

### **Conclusions and Policy Implications**

While health insurance can be difficult for many individuals to obtain, individuals with disabilities face a unique set of challenges when it comes to securing affordable and comprehensive health insurance. In general, the high medical costs faced by these individuals can make employer-sponsored and other privately purchased health insurance very difficult to obtain. Pre-existing conditions can prevent individuals from qualifying for affordable coverage, and service limitations can make the benefits purchased less valuable. On the other hand, Medicaid buy-in programs can be one of the most effective and efficient ways in which the state can guarantee proper access to care for state residents with disabilities. Working individuals with disabilities can receive medical coverage that allows them to work, while children in working families can also get needed healthcare services without the costs significantly hindering the family as a whole. Furthermore, these Medicaid buy-in programs often work as a "wrap-around" to existing private health insurance that participants often obtain. This feature eases the pressure on state Medicaid programs while simultaneously allowing disabled individuals to obtain the comprehensive health coverage they need.

Georgia can and should follow in the efforts of the many other states that have implemented successful Ticket to Work programs that serve approximately 75,000 individuals with disabilities. These programs allow participants to retain their health insurance when they gain employment, and thus increase the self-sufficiency of this population. At the same time, Georgia can be one of the first states to embrace and implement a Medicaid Buy-in program, as allowed in the Family Opportunity Act. Such a program would be a significant benefit to Georgia families with disabled children, who already spend significant amounts of money trying to obtain needed health coverage for their children.

*The Georgia Budget and Policy Institute (GBPI) is an independent, nonprofit, non-partisan organization engaged in research and education on the fiscal and economic health of the state of Georgia. The GBPI provides reliable, accessible and timely analyses to promote greater state government fiscal accountability as a way to improve services to Georgians in need and to promote quality of life for all Georgians.*

<sup>1</sup> From Center for Medicare and Medicaid Services (CMS) website.  
<http://www.cms.hhs.gov/TWWIA/downloads/TWWIABuyInGroups.pdf>

<sup>2</sup> Data from CMS; as of March 31, 2006, 29 states reported covering 73,021 individuals. Two states (Arizona and Mississippi) were not included in the data from CMS, though these states likely covered approximately 800 and 1,300 individuals, respectively, bringing the total number of individuals covered under Medicaid buy-in programs under TWWIA of 1999, the BBA of 1997, or through a Section 1115 Medicaid Waiver to more than 75,000. Five additional states (Idaho, Maryland, North Carolina, Rhode Island, and Virginia) are implementing programs but had not yet enrolled individuals in those programs as of March 31, 2006.

<sup>3</sup> Family Opportunity Act Fact Sheet produced by Senator Kennedy's Office: <http://www.tedkennedy.com/content/660/the-family-opportunity-act-a-fact-sheet>

<sup>4</sup> Individuals without access to employer-sponsored insurance would still be eligible for participation in the Medicaid Buy-in and would not be required to first buy private insurance.

<sup>5</sup> Family Opportunity Act Fact Sheet produced by Senator Kennedy's Office: <http://www.tedkennedy.com/content/660/the-family-opportunity-act-a-fact-sheet>

## Appendix 1:

The U.S. Department of Health and Human Services (HHS), which is the federal agency that oversees Medicaid, publishes poverty guidelines every year. These guidelines are used to determine eligibility for a variety of federal programs, including Medicaid. The table below summarizes several of the income standards discussed in the report, based on the 2006 federal poverty guidelines (also often referred to as the federal poverty level (FPL)). Additional information is also available on the HHS website: <http://aspe.hhs.gov/poverty/06poverty.shtml>

<b>2006 HHS Poverty Guidelines (\$ per year)</b>				
Size of Family or Household	<b>100% FPL</b>	Common Medicaid Buy-in Eligibility Levels:		
		200% FPL	250% FPL	300% FPL
1	<b>9,800</b>	19,600	24,500	29,400
2	<b>13,200</b>	26,400	33,000	39,600
3	<b>16,600</b>	33,200	41,500	49,800
4	<b>20,000</b>	40,000	50,000	60,000
Additional Person:	<b>3,400</b>	6,8400	8,500	10,200