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March 25, 2014

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 1754, H.D.2, S.D.1 - RELATING TO PERSONS WITH DISABILITIES**

Hearing: Tuesday, March 25, 2014; 9:05 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of this bill is to establish and appropriate funds for a Medicaid Buy-In program for workers with disabilities.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this measure and strongly supports eliminating barriers for individuals with disabilities to gain employment. The DHS defers to the Department of Health on the proposed pilot program in Section 4.

The DHS has actively participated in the Medicaid Buy-in Task Force and has in good faith provided technical assistance and support to the efforts of the group seeking to implement a Medicaid buy-in program. The DHS provided input and the Task Force has reached consensus on language in this measure to establish a Medicaid buy-in program. The DHS would not need an appropriation for SFY 2014-2015, but additional funding would be necessary annually beginning with the 2017-2018 fiscal year.

The DHS estimates that a buy-in program would cost $3.4 million a year, of which approximately half would be federally funded. The general fund cost of $1.7 million should be used for purposes of comparing alternatives. The DHS estimates that 60% of Medicaid buy-in program participants will be current Medicaid beneficiaries who may choose to become employed if they are able to participate in a buy-in program. Since funding for these current Medicaid beneficiaries is already included in the Med-QUEST Division budget, an additional appropriation of $700,000 general funds would be needed annually for the buy-in program.

The main goal of the proposed Medicaid buy-in program is to allow individuals with disabilities to gain employment with increased income and assets, and have Medicaid coverage. Neither Medicare nor commercial insurance typically covers home and community-based services and specialized behavioral health services, which are covered by Medicaid. A Medicaid buy-in program would meet the goal of allowing workers with disabilities to have greater earnings while continuing to have access to these important services. If a Medicaid buy-in program is sought, which would generally require the same amount of work to implement whether serving 200 or 200,000 individuals, the DHS believes that the S.D.1 is a good bill.

In a buy-in program, Medicaid would provide coverage for all medical costs including hospitalization, procedures, and medications— in addition to home and community based services and specialized behavioral health services— for individuals who could also or would otherwise have Medicare or insurance through the health insurance exchange. Because the Medicaid buy-in program would be administered through contracted health plans, the payment would be capitated and include the entire array of services. Many individuals with a serious mental illness who are working are stable and don't necessarily need specialized behavioral health services; they just want to have access to them should they experience an exacerbation of their condition.

The DHS has been consistent in its position that in light of the federal Affordable Care Act (ACA), there are new options that can be considered to expand access to home and community-based services and specialized behavioral health services for workers with disabilities that may reduce general fund requirements, increase federal funding, and be able to be implemented more quickly. These include affordable health insurance available through the ACA, and wrap-around specialized behavioral health services through the Department of Health's Adult Mental Health Division and home and community-based services through the Executive Office on Aging, provided the State programs were adequately funded.

The option of funding the Department of Health Adult Mental Health Division (AMHD) to serve individuals who meet the program's clinical criteria (i.e. diagnosis and functional impairment) to receive specialized behavioral health services, regardless of having commercial insurance, may be worth piloting and evaluating before committing to a more costly Medicaid buy-in program in the future.

There are two factors in particular that support the merit of such an AMHD pilot: 1) With Medicaid's new coverage of peer specialist services, individuals with a serious mental illness may become employed as peer specialists and earn income that makes them lose their Medicaid eligibility; and 2) As uninsured individuals previously served by AMHD get health insurance utilizing tax credits through the health insurance exchange, they may lose access to AMHD services due to their insurance status.

The majority of individuals who use a Medicaid buy-in program are disabled as a result of a mental illness. Funding AMHD would not only strengthen the State's behavioral health safety-net, but would be a more efficient way of serving these individuals than a Medicaid buy-in program. Commercial insurance typically does not cover best practice specialized behavioral health services; individuals who are sufficiently impaired by their condition, regardless of their

insurance status, and do not receive services might likely end up in hospital emergency rooms or in prison. Providing access to best practice services for individuals who clinically need them would be expected to be cost-effective if not cost-beneficial to the state.

A more focused pilot could serve individuals who were recently employed but experienced an exacerbation of their serious mental illness by providing crisis and stabilization services as well as other transitional services as clinically needed until the individual was able to regain employment.

The DHS defers to the Department of Health on any pilot that involves their programs regarding policy, operational, funding, and timing details.

The DHS has an additional comment on Section 5 of this bill that would appropriate funding to the University of Hawaii Center on Disability Studies to prepare and conduct outreach and training for fiscal year 2014-2015. With the implementation for the program to be no later than July 1, 2017 it is unclear if this funding is necessary.

Thank you for the opportunity to testify on this measure.

March 24, 2014

LATE

Senate Committee on Ways and Means
Twenty-Seventh Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Chairman Ige and members of the Committee:

Re: HB 1754, HD2, SD 1- Relating to Persons with Disabilities

Aloha, my name is Tania Joao, Executive Director of Molokai Occupational Center. Molokai Occupational Center is a community based vocational rehabilitation facility providing opportunities for the individuals with disability living on Molokai to live, learn, work and play in the community of their choosing.

I believe HB1754, which seeks to establish and appropriate funds for a state Medicaid buy-in program will enable the individuals with disability to pursue employment opportunities while ensuring they retain full access to their needed benefits.

I support this program as it aligns to the organization's mission. Thank you for the opportunity to testify in support of HB 1254, HD 2, and SD 1.

Sincerely,

Tania Joao