

SCR8

Measure Title: ENCOURAGING THE DEPARTMENT OF HUMAN SERVICES MED-QUEST DIVISION TO IMPLEMENT AN INCOME DISREGARD PROGRAM FOR WORKERS WITH DISABILITIES.

Report Title: Medicaid; Income Disregard; Workers with Disabilities; Department of Human Services; Keiki Caucus

Current Referral: HMS/CPH, JDL/WAM

Introducer(s): K. RHOADS, HARIMOTO, KEITH-AGARAN, SHIMABUKURO, Green, Kim, Riviere

DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

BRIDGET HOLTHUS
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339
Honolulu, Hawaii 96809-0339

March 29, 2017

TO: The Honorable Josh Green, Chair
Senate Committee on Human Services

The Honorable Rosalyn Baker, Chair
Senate Committee on Commerce, Consumer Protection and Health

FROM: Pankaj Bhanot, Director

SUBJECT: **SCR 8 – ENCOURAGING THE DEPARTMENT OF HUMAN SERVICES MED-QUEST DIVISION TO IMPLEMENT AN INCOME DISREGARD PROGRAM FOR WORKERS WITH DISABILITIES**

Hearing: March 29, 2017, 10:00 a.m.
Conference Room 229, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent and supports the resolution.

PURPOSE: The purpose of Senate Continuing Resolution 8 is to encourage DHS, Med-QUEST Division (MQD) to implement and income disregard for workers with disabilities.

The Medicaid Buy-In task force has been meeting over the past several years working to implement a Medicaid Buy-In program in Hawaii. However, despite several bills to implement, the program was not funded and thus, not implemented. For that reason, the task force recommended taking the interim step of MQD implementing another earned income disregard that would allow individuals with disabilities to earn income and not lose their Medicaid benefits, which they would be at risk of given current Medicaid eligibility rules. While this interim program would not provide the full benefits of a Buy-in program, such as also disregarding the assets of the individual, it would increase the amount of income an individual could earn while retaining Medicaid eligibility, and is a positive step for these individuals.

In our analyses, the primary impact would be to help allow current Medicaid beneficiaries to become more self-sufficient. While there may be some new individuals who would gain coverage under this new program, the number was estimated to be so negligible to be covered within the projected population increases. Therefore, no additional appropriation is requested at this time.

Thank you for this opportunity to provide comments on this resolution.



STATE OF HAWAII
STATE COUNCIL
ON DEVELOPMENTAL DISABILITIES
919 ALA MOANA BOULEVARD, ROOM 113
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March 29, 2017

The Honorable Josh Green, Chair
Senate Committee on Human Services
The Honorable Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection,
and Health
Twenty-Ninth Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Senator Green, Senator Baker and Members of the Committees:

**SUBJECT: SCR 8 - ENCOURAGING THE DEPARTMENT OF HUMAN SERVICES
MED-QUEST DIVISION TO IMPLEMENT AN INCOME DISREGARD
PROGRAM FOR WORKERS WITH DISABILITIES.**

The State Council on Developmental Disabilities (DD) **STRONGLY SUPPORTS SCR 8.** The purpose of the concurrent resolution is to encourage the Department of Human Services Med-QUEST Division to implement an Income Disregard Program for workers with disabilities.

Act 200, Session Laws of Hawaii 2012, established a joint legislative Task Force to assist the Legislature in exploring the development and possible implementation of a Medicaid Buy-In (MBI) program for working individuals with disabilities based on Hawaii's current Medicaid income and asset limits subject to approval by the Federal Centers for Medicare and Medicaid Services. The Council has been a member of the Task Force and has been actively engaged in discussions on establishing and implementing a MBI Program for individuals with disabilities.

Over the course of the past four years since Act 200, Task Force meetings were convened by the Chairs of the Senate and House Human Services Committees to determine various strategies to implement the MBI Program. Attached to our testimony is a Summary Report of the MBI Task Force that describes a summary of its activities and a recommendation that is considered a feasible and practical option as an interim step to implement a full MBI Program. SCR 8 addresses the recommendation for the Department of Human to implement an Earned Income Disregard Program for workers with disabilities. The Council strongly supports this option as an interim mechanism and is fully supported as a workable one by DHS.

The Honorable Josh Green
The Honorable Rosalyn H. Baker
Page 2
March 29, 2017

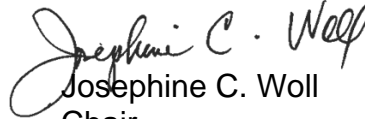
We appreciate the Legislature's involvement with the Task Force and perseverance in addressing options for individuals with disabilities to become employed and maintain their access to Medicaid benefits.

Thank you for the opportunity to submit testimony in **strong support of SCR 8**.

Sincerely,



Waynette K.Y. Cabral, MSW
Executive Administrator



Josephine C. Woll
Chair

Attachment

Summary Report of the Medicaid Buy-In Task Force
Twenty-Ninth Legislature
Regular Session of 2017

March 2017

Act 200, Session Laws of Hawaii 2012 established a joint legislative Task Force to explore the development and possible implementation of a Medicaid Buy-In (MBI) Program for working individuals with disabilities based on Hawaii's current Medicaid income and assets limits. The Task Force meetings have been convened by the Chairs of the Senate and House Human Services Committees on a regular basis since 2012. The Task Force included representatives from the Department of Human Services (Division of Vocational Rehabilitation, Med-QUEST Division, Ho'opono), Department of Health (Developmental Disabilities Division, Adult Mental Health Division), Department of Labor and Industrial Relations, Aloha Independent Living, Aloha State Association of the Deaf, Consumer Family and Youth Alliance, Disability and Communications Access Board, Hawaii Association for the Blind, Hawaii Centers for Independent Living, Hawaii Disabilities Rights Center, Hawaii Families as Allies, Hawaii Waiver Providers Association, National Federation for the Blind, State Council on Developmental Disabilities, State Rehabilitation Council, University of Hawaii Center on Disabilities Studies, Workforce Development Council, and representatives from each of the Counties of Hawaii, Kauai, and Maui, and other advocates.

Act 200 dissolved the Task Force on June 30, 2013. Legislation was initiated during the 2013 Legislative Session to extend the Task Force until June 30, 2014. That passed and was enacted as Act 32, Session Laws of Hawaii 2013. Several bills were introduced during the 2013, 2014, 2015 Legislative Sessions to implement a MBI Program. HB1236 and SB 481-Relating to Persons with Disabilities were introduced during the 2015 Legislative Session to implement a MBI program, and to establish and appropriate funds for the working disabled adult's eligibility group to expand access to Medicaid for workers with disabilities. Despite strong support & advocacy from the Task Force and House and Senate Human Services and Finance and Ways and Means Committees, the Legislature did not pass the bills to implement the MBI program. Although the Task Force membership dwindled after June 30, 2014, it continued to meet during the Interim (2015-2016), to review the MBI costs for working individuals with disabilities.

In its commitment to establish the MBI, program, the Department of Human Services (DHS) initiated a budget request and was included on the Governor's budget request for the Legislature to consider in the Regular Session of 2016. The request would add funds for Ticket to Work Medicaid State Plan Services. The amount requested included \$293,405A (State General Funds) and \$344,155N (Federal Funds) for FY 2017. These funds would allow DHS to establish and implement the MBI program for individuals with disabilities. This program would enable individuals to seek and obtain employment while maintaining their Medicaid benefits. The request received overwhelming support from the House and Senate Human Services Committees. However, during the Conference Committee meetings in the last week before the legislature was scheduled to adjourn, the budget was zeroed out and no funds were appropriated to DHS for the MBI program.

The MBI Task Force met during the 2016-2017 Interim to further discuss the costs and benefits, identify, and recommend viable options to establish the MBI program. Below is background information and facts about the MBI program, and recommendations from the Task Force.

Background Information and Basic Facts about the MBI program:

- Hawaii has had a strong history of caring for its people. Persons with disabilities want to work. The array of Medicaid health benefits has permitted many people in our community to be productive members of our society as a result of Hawaii's comprehensive health program for people of humble means.
- Hawaii has the opportunity to provide a greater opportunity for persons with disabilities to work to their full potential and not jeopardize their eligibility to receive Medicaid benefits through an interim administrative step to provide an income disregard for the next few years and a more permanent Medicaid Buy-In program in future years.
- The current Department of Human Services Administration supports the implementation of MBI and the interim step of an earned income disregard.
- The state first began talking about the MBI program with the Centers on Medicare and Medicaid Services (CMS) in 2005 during an eight-year Medicaid Infrastructure Grant, during which then Governor Linda Lingle committed to the implementation of the MBI program.
- On a regular basis, persons with disabilities report to their case workers that they cannot accept work opportunities because they would lose their benefits under the Med-QUEST Division's Aged Blind and Disabled (ABD) group coverage, particularly those who have Social Security Disability Insurance (SSDI).
- MBI allows working people with disabilities to retain medical coverage they need, as primary or secondary coverage, by paying premiums on a sliding scale, as defined by the state and CMS.
- CMS offers MBI as an optional group through the two legislative routes, federally:
 - (i) the Balanced Budget Act of 1997, and
 - (ii) the Ticket to Work and Work Incentives Improvement Act of 1999
- Hawaii is one of four remaining states in the U.S. that has not adopted this group coverage for working people with disabilities. The other three states are Alabama, Florida, and Tennessee.
- Most persons with SSDI have Medicare, after a 24-month waiting period. While this covers many expenses, Medicare is generally an 80/20 plan that leaves significant copays for the individual to pay if Medicaid is removed. Moreover, there are important pharmaceuticals, services, and equipment not covered under Medicare that individuals currently get under Medicaid and would lose without a MBI.

- Currently, Hawaii underutilizes a federal work incentive called 1619(b), which enables Supplemental Security Income (SSI) recipients to keep Medicaid while earning up to \$3,162 per month.
- While the Pre-Paid Health Act (PPHA) guarantees private health insurance to employees who worked 20 hours or more a week for four consecutive weeks, most people with disabilities go to work part-time for months and years at a time before they make it to this level, if they are able. PPHA does not meet the need for working people with disabilities. When they do reach this level of work, many will need Medicaid as a secondary coverage to access Home and Community Based Services (HCBS).

Recommendation:

Based on numerous meetings and discussions, the Task Force identified what would be the most viable option to recommend for the Legislature to take action in implementing a MBI program. The Task Force considered the support of the Governor, his Administration, and the Legislature, the State's fiscal climate, and immediate impact for working individuals with disabilities. In essence the Task Force recommends the implementation of an interim step that would involve DHS to amend their administrative rules to change the Medicaid eligibility rules for people with disabilities ages 16-64 to be allowed an earned income disregard of 138% of the federal poverty level which would be \$1,140 per month for a family of one. This interim step (earned income disregard) would take place instead of a full MBI program at this time. DHS can evaluate the program, and hopefully expand to the full MBI in the future. The program has the advantage of also raising/changing the asset limits, which would allow for the targeted population to accumulate savings and become more independent.

The earned income disregard may cost more money, however, it is believed that the potential increase would be essentially absorbed/lost within the normal caseload, cost/utilization, and FMAP (Federal Medical Assistance Percentage) fluctuations of the Med-QUEST Division's budget.

In light of the overwhelming support of the above, the Task Force strongly feels that legislative acknowledgement and support for the earned income disregard option is needed through a resolution to designate and direct DHS to implement this option. The implementation and evaluation of the earned income disregard option would justify DHS's request for a full MBI program in the future, that would include a budget request; the need to be able to state why the incremental increase won't be as large as what the request was in the previous year; and provide the basis for legislative authority to implement the MBI program in the future. The earned income disregard option is an interim measure with the goal of establishing and implementing a full MBI program.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 26, 2017 3:42 PM
To: HMS Testimony
Cc: louis@hawaiidisabilityrights.org
Subject: *Submitted testimony for SCR8 on Mar 29, 2017 10:00AM*

SCR8

Submitted on: 3/26/2017

Testimony for HMS/CPH on Mar 29, 2017 10:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Louis Erteschik	Hawaii Disability Rights Center	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 23, 2017 3:17 PM
To: HMS Testimony
Cc: anniemoriyasu@gmail.com
Subject: Submitted testimony for SCR8 on Mar 29, 2017 10:00AM

SCR8

Submitted on: 3/23/2017

Testimony for HMS/CPH on Mar 29, 2017 10:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Annie Moriyasu	Individual	Support	No

Comments: This is an overdue bill. I would encourage the members of the legislature to make this happen. People with disabilities, who for too long are afraid to work because of loss of benefits, will be able to get out of poverty.

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WILLIAM M. MIHALKE

March 23, 2017

Dear Senators:

Please pass SCR8, with the following considerations:

- a) Providing an earned income disregard for working persons with disabilities will encourage long-term self-sustainability.
- b) Without the earned income disregard, many on the 1915 (c) Home and Community Based Services waiver for persons with developmental disabilities will not be able to keep needed supports when then seek and attain work. These Medicaid supports are critical to their success.
- c) The new program would create new taxpayers, and would reduce the need for other benefits for the individuals that utilize the program.
- d) Individuals that are working generally have better health outcomes, and in the long run cost the state less in healthcare costs.
- e) 46 of our sister states that have Medicaid Buy-in for working persons with disabilities, 70% - 80% are already in the Medicaid system, and would be no additional cost to the State.

Thank you for your time and thoughtful deliberation on this matter.

Aloha nui loa,

William Mihalke

Aloha Members of the

Through greater flexibility provided by the federal government, Hawaii can make adjustments to its Medicaid program to accommodate people with disabilities to encourage work, as almost ALL other states have already done. The benefits to Hawaii of taking this step include:

- reduce the number of uninsured or underinsured persons in Hawaii;
- remove documented barriers to work, such as loss of benefits, lack of job supports and personal assistance services, and being told not to work by case workers;
- help working people with disabilities increase their economic independence and live above poverty by providing needed health care coverage and decreasing their reliance on SSDI or SSI benefits;
- enable some SSDI recipients to work and get Medicaid as a supplement to private or Medicare insurance;
- obtain federal funding for health care services for persons now served through state-funded mental health programs;
- allow persons with disabilities to work and pay state, federal and FICA taxes; and
- for every \$1.00 that the state spends on Medicaid, there is a business activity return of up \$3.17 (according to Families USA Foundation study).

Mahalo,
David Leake
46-395A Kahuhipa Street, Kaneohe
(808) 247-4737

Senator Josh Green, Chair

Senator Stanley Chang, Vice-Chair

Members of the Committee: Senators Breene Harimoto, Jill Tokuda, and Glenn Wakai

Re: SCR45 and SR11, scheduled for hearing by the Committee on Human Services Wednesday, March 29 at 2:50pm.

Honorable Senators:

I support HCR65 and HR32, which urge the Department of Human Services to not consider certain benefits under Title II of the Social Security Act as income when determining Medicaid eligibility, by taking the necessary steps to adopt the income disregard provisions of federal law.

The problem these resolutions are intended to correct is the so-called “Medicaid Cost Share” or “spend down.” This occurs when the total amount of federal and state disability benefits received by an individual exceeds the maximum income eligibility standard for Medicaid. In order to continue Medicaid coverage, the individual must “spend down” all but \$469 of income to cover Medicaid services. After a \$50 personal expense allowance, tenants are left with only \$419 for room, board, transportation, clothing and all other living expenses. Obviously, no one can survive on this income in Hawaii or anywhere else.

The result is irrational: For example, \$419 falls far short of the \$1,336.90 monthly payment normally contractually obligated as payment for these services in The Arc in Hawaii’s DD Dom Homes.

Federal law does not mandate this result. Often the excess countable income is due to the receipt of, or an increase in the amount of, federal Social Security income received by a disabled adult child on his or her parent’s social security account (DAC Benefits). When the child becomes eligible for DAC benefits, or when the DAC benefit is increased, this amount sometimes increases the countable income of the recipient over the Medicaid income eligibility standard, resulting in the Medicaid Cost Share spend down described above.

However, it is **optional** for the State of Hawaii to disregard the amount of DAC or an increase in the DAC amount to the extent it triggers Cost Share. The details are set forth in the CMS Disability and Aging TA Series #01 Memorandum dated June 12, 2002, *Groups Deemed to be Receiving SSI for Medicaid Purposes*.

I urge this Committee to pass HCR65 and HR32 in the interest of fairness and equal treatment to this already underserved and marginalized group of our fellow citizens.

Thank you for the opportunity to submit testimony.

Janet Hanamoto

Email: janetpalolo@gmail.com

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 28, 2017 12:07 PM
To: HMS Testimony
Cc: Kenth@Eastersealshawaii.org
Subject: Submitted testimony for SCR8 on Mar 29, 2017 10:00AM

SCR8

Submitted on: 3/28/2017

Testimony for HMS/CPH on Mar 29, 2017 10:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Kent Higa	Individual	Support	No

Comments: Please allow people with disabilities more access to employment and not put restrictions on the amount of their social security income. They should be able to work as many hours they would like without penalties. Thank you.

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To: HMS Testimony
Cc: jim@fullifehawaii.org
Subject: *Submitted testimony for SCR8 on Mar 29, 2017 10:00AM*

SCR8

Submitted on: 3/28/2017

Testimony for HMS/CPH on Mar 29, 2017 10:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
James Kilgore	Individual	Support	No

Comments:

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