

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6232

BILL NUMBER: SB 79

DATE PREPARED: Feb 22, 2000

BILL AMENDED: Feb 21, 2000

SUBJECT: Medicaid Definition of Disability.

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FUNDS AFFECTED: **GENERAL**
DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill amends the definition of a disabled person, which is used for purposes of determining eligibility under the Medicaid program and the Supplemental Assistance for Individuals with Disabilities program, to allow a determination of a mental impairment to be made by a psychologist and to include a person who has a physical or mental impairment, disease, or loss that appears reasonably certain to result in death or last for a continuous period of at least 4 years without significant improvement. (Current law requires that the impairment continue throughout the individual's lifetime.)

The bill also eliminates the requirement that the Office of Medicaid Policy and Planning (OMPP) take into account parental income for a blind or disabled individual between the ages of 18 and 21 who is attending school or a university.

Effective Date: July 1, 2000.

Explanation of State Expenditures: (Revised) This bill is estimated to increase the state cost of providing Medicaid services to disabled individuals. The amount of increased costs that will be incurred on an annual basis due to the change in the definition is estimated to be \$7.8 M in state dollars.

Background: Currently, about 55,000 of the 81,000 Supplemental Security Income (SSI) recipients in Indiana are receiving Medicaid services. The additional cost of this bill is a result of more SSI recipients that are likely to be determined eligible for Medicaid services. Indiana, as a 209(b) state under federal regulations, is one of at least two states in the nation that has a medical definition for disability, as well as financial criteria, that are more restrictive than SSI. In most other states, eligibility for SSI implies automatic eligibility for Medicaid. However, 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 throughout the individual's lifetime. This bill would make the definition less restrictive by requiring the disability to be reasonably certain to last for a continuous period of at least four years.

New Hampshire is also a 209(b) state. Prior to December 1, 1993, New Hampshire's definition of disability

was based on a lifetime criterion, as is currently the case in Indiana. However, in December of 1993, New Hampshire changed to a one-year criterion. In June of 1995, the state changed again to a four-year requirement (as proposed in this bill). During this time, the New Hampshire legislature authorized a study and contracted with the Dartmouth Medical School to analyze the impact of these changes in the disability definition.

Researchers (Clark, 1996) initially estimated the relative sizes of the populations that would qualify as disabled under the 4-year definition (the "4-year group") and the group that qualified under the original lifetime criterion (the "lifetime group"). This estimate was made through a retrospective review of the disability cases that had been opened during the 19-month period of the one-year definition. [Note: The alternative estimate referred to here is that the 4-year group was about the same size as the lifetime group. This estimate would result in a significantly higher cost projection than provided below.] However, the researchers concluded that there were several problems associated with the initial methodology that would result in an overestimation of the size of the 4-year group. Consequently, the researchers statistically analyzed the data using regression analysis to compensate for the methodological problems. As a result, the size of the 4-year group was reported to be about 23% of the size of the lifetime group. In addition, it was reported that: (1) the estimates produced by the regression analysis would be expected to be closer to the actual size of the 4-year group in New Hampshire than would the estimates produced by the alternative methodology; and (2) the average medical costs of the 4-year group would be expected to be less than the lifetime group.

Based on 12,800 new open disability cases in Indiana projected for FY2001 (that would be eligible under Indiana's current lifetime criterion) and an estimated average annual cost of \$6,352, the new cases that would occur as a result of the proposed 4-year definition is estimated to be about 2,970 (i.e., 23.2% of 12,800). Although any estimate of an unknown population based on data from another state must be used with appropriate caution, data from the New Hampshire experience would generate an estimate of additional total Medicaid expenditures in Indiana of \$18.9 M as a result of this bill. The state share of these program costs would be about \$7.2 M. OMPP estimates additional staffing and equipment costs of \$315,000 in state dollars. Consequently, total additional state expenditures are estimated to be about \$7.5 M annually. [State share of Medicaid costs are about 38% for program expenditures and 50% for administrative expenditures.]

[Note: This projected cost described above does differ from OMPP's estimate. OMPP estimates additional state expenditures of \$15.7 M annually.]

Associated with the increased provision of health care services through the Medicaid program is some potential reduction in future expenditures by other payors such as hospital charity care, township Poor Relief, and potential cost-shifts from the private-pay market. However, the amount of expenditure reduction that would be attributable to the provisions in this bill is not known.

In addition, the bill also eliminates the requirement that OMPP take into account parental income for a blind or disabled individual between the ages of 18 and 21 who is attending school or a university. This provision is estimated to cost an additional \$278,000 in state dollars annually (total additional expenditures of \$727,000 with about \$449,000 in federal reimbursement).

Total additional state expenditures from all provisions is estimated to be about \$7.8 M annually.

Explanation of State Revenues: This bill's impact on Medicaid program expenditures are cost-shared with the federal government and will impact the amount of revenue which Indiana receives from the federal

government as noted above.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Clark, Robin E., Ph.D., The Impact of Changes in Aid to the Permanently and Totally Disabled in New Hampshire, Dartmouth Medical School, 1996.
Judith Becherer, Office of Medicaid Policy and Planning, 233-6467.