



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-40 – Eligibility Conditions and Requirements
Department of Medical Assistance Services
August 1, 2012

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 506 of the 2011 Acts of Assembly, one of the proposed changes increases the maximum allowable gross earnings for participation in the Medicaid Works program. The other proposed changes expand the income disregards allowed in the program.

Result of Analysis

There is insufficient data to accurately compare the magnitude of the benefits versus the costs. Detailed analysis of the benefits and costs can be found in the next section.

Estimated Economic Impact

Virginia's Medicaid Works program is a work incentive program offered to individuals with disabilities. The program allows Medicaid enrollees with disabilities to earn higher incomes up to a certain limit without losing their eligibility for Medicaid. The current gross income limit for Medicaid Works participants is \$45,468 per year. Chapter 506 of the 2011 Acts of Assembly increased the maximum allowable gross earnings for participation in the Medicaid Works program to the maximum gross income amount allowed by the federal Ticket to Work and Work Incentives Improvement Act, which is \$75,000 per year. One of the proposed changes implements the increased income limit passed by the 2011 General Assembly.

The proposed changes also introduce additional income disregards. One of these changes allows a Medicaid Works participant to disregard the increase in their Social Security Disability Insurance (SSDI) as a result of work while participating in the program. According to the Department of Medical Assistance Services (DMAS), working while in the program can actually cause the SSDI benefit to increase which in turn can cause the gross income to increase and render the individual ineligible for Medicaid. The possibility that working may lead to the loss of

Medicaid eligibility may currently be discouraging some individuals from participation and undermining the very intent of the program which is to encourage disabled individuals enrolled in Medicaid to go back to work and earn higher incomes. The proposed changes would also disregard any increase in the SSDI benefit due to cost of living adjustments.

Similarly, if a program participant becomes unemployed due to no fault of their own they are required to apply for unemployment insurance which may in turn render the individual ineligible for Medicaid. Currently, the program allows participants to remain eligible for up to six months, if loss of employment was due to no fault of their own. The possibility of unintended unemployment causing loss of Medicaid eligibility also has the potential to discourage participation in the program and undermine the intent of the program. The proposed changes would disregard unemployment insurance benefits while the enrollee is in the six month grace period.

The proposed changes either increase the eligibility income limit or allow more income disregards in the Medicaid Works program, which would allow participants to earn higher incomes without putting their eligibility for the program or for Medicaid at risk. Thus, the proposed changes are expected to help maintain enrollment of current participants by allowing them to earn higher incomes. Thus, the proposed changes are expected to promote the Medicaid Works program which in turn promotes work among disabled Medicaid enrollees. Once they are allowed to work and earn incomes, they may be able to support themselves and no longer need Medicaid and possibly other public assistance programs. Any reduction in the Medicaid enrollment and/or other public assistance programs would represent an economic benefit as it would reduce state and federal expenditures needed for public assistance. However, the possibility that some of the participants may never be successfully weaned out of Medicaid or other public assistance programs cannot be ruled out. The proposed changes would allow such people to maintain their Medicaid benefits while allowing them to earn higher incomes.

Currently, Medicaid pays \$10,017 per person per year for individuals in the Medicaid Works program. According to DMAS, approximately five out of 45 Medicaid Works program participants may be affected by the proposed changes.

Businesses and Entities Affected

The proposed changes are expected to affect five out of 45 Medicaid Works participants.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed changes promote Medicaid Works program which allows Medicaid enrollees with disabilities to work without losing their eligibility for Medicaid. Thus, an increase in the labor supply may be expected. According to DMAS, there could be five people affected by the proposed changes.

Effects on the Use and Value of Private Property

The proposed changes do not have any direct impact on the use and value of private property.

Small Businesses: Costs and Other Effects

The proposed changes do not have any direct effects on small businesses. However, increased labor supply may indirectly benefit small businesses that are hiring.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed changes do not pose an adverse impact on small businesses.

Real Estate Development Costs

No effect on real estate development costs is expected.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small

businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.