
A BILL FOR AN ACT

RELATING TO HUMAN SERVICES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 346-29, Hawaii Revised Statutes, is
2 amended by amending subsection (d) to read as follows:

3 "(d) The director shall adopt rules pursuant to chapter 91
4 defining assets and to determine eligibility for medical
5 assistance; provided that [~~the~~]:

6 (1) For households with minor dependents, the department
7 shall disregard assets in determining the needs of
8 persons for medical assistance; and

9 (2) The cash surrender value of life insurance policies
10 owned by persons included in an application shall be
11 treated as assets."

12 SECTION 2. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$, or so
14 much thereof as may be necessary for fiscal year 2007-2008, and
15 the same sum, or so much thereof as may be necessary for fiscal
16 year 2008-2009, to eliminate the asset limits for households
17 with minor dependents' applications for medical assistance.



H.B. NO. 100

1 SECTION 3. The sums appropriated shall be expended by the
2 department of human services for the purposes of this Act.

3 SECTION 4. This Act shall take effect on July 1, 2007.

4

INTRODUCED BY:

Albino L.

Della Ann Palatti
Myra Stanek
Karl N. ...

Josh Green
John M. ...
Jim
Tom ...
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Fell

JAN 17 2007



Report Title:

Human Services; Application for Medical Assistance

Description:

Eliminates the asset limits for households with minor dependents' applications for medical assistance and appropriates funds for this purpose.



JAN 24 2007

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S.B. NO. 1938

1 SECTION 3. The sums appropriated shall be expended by the
2 department of human services for the purposes of this Act.

3 SECTION 4. This Act shall take effect on July 1, 2007.

4

INTRODUCED BY:

Ray L. Hoome

David Y. Jones
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Will Eyo

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Report Title:

Asset Building; Application for Medical Assistance

Description:

Eliminates the asset limits for households with minor dependents' applications for medical assistance and appropriates funds for this purpose.



LINDA LINGLIM
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR


HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 9, 2007

MEMORANDUM

TO: Honorable Maile S. L. Shimabukuro, Chair
House Committee on Human Services and Housing

FROM: Lillian B. Koller, Director 

SUBJECT: H.B. 100 - RELATING TO HUMAN SERVICES
Questions from House Committee on Health, January 29, 2007

Testimony on HB 100 - Eliminating the asset limits for households with minor dependents for all adults in those households to qualify for Medicaid without an asset test.

We have not, as yet, determined how to reliably estimate the cost impact of H. B. 100. In particular, the scope of the bill is very broad in that all members of households with minor dependents (children), not just the parents of those children, would be eligible for our Medicaid programs without an asset test as this bill is written. This would include all members of each household including parents, siblings, grandparents, uncles, aunts, cousins and other family members.

The information provided in this memo does not cover all members of each household with children. Instead, we based this memo on data that we could readily obtain on the parents of the children who are currently in our Medicaid programs, not all household members. Therefore, the cost projections in this memo are far less than the full cost impacts of this bill. We are still working on developing a model with which we could reliably estimate the full cost impacts of this bill.

1. What is the approximate cost estimate of eliminating the asset test?

Limiting our cost estimates to eliminating the asset test for only the parents of children in households with minor dependents, not all members in these households as proposed in this bill, the cost impacts to our Medicaid QUEST Medicaid Fee-For-Service (FFS) programs. The income standard for adults is 100% of the federal poverty level (FPL). The estimate of affected adults (parents only) is based on the number of children in the current caseload of

AN EQUAL OPPORTUNITY AGENCY

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households with incomes under 100% FPL. The Department does not currently have sufficient data on the number of other adults per household that would be affected by this bill.

Medicaid QUEST Cost Impact

Children <100% FPL	3,987
Factor for children with Adults in Household	0.46
QUEST Adults w/children not receiving assistance	2,153
Capitation Rate	\$185
Monthly Costs	\$398,301
Annual Costs	\$4,779,616
State Share (Less current Federal match 57.55%)	\$2,028,946

Medicaid Fee-For-Service (FFS) Cost Impact

Children <100% FPL	1,383
Factor for children with Adults in Household	0.46
Blind/Disabled Adults w/children not receiving assistance	747
Average Fee-For Service Cost	\$645
Monthly Costs	\$481,815
Annual Costs	\$5,781,780
State Share (Less current Federal match 57.55%)	\$2,454,366
Total State Cost QUEST and FFS Parents	\$4,483,312

The Department estimates that the total annual State cost increase will be \$4,483,312 based on the current State share (57.55% Federal match, reducing to 56.5% from October 1, 2007 through September 30, 2008, thus requiring more State funds).

2. Does the Department have any recommendations with regards to increasing the assets limitations?

Currently the Medicaid asset test is the same as used for SSI eligibility. Setting a different test will create a new gap group between financial, SSI and medical eligibility.

It is also important to point out that the federal match, called the Federal Medicaid Assistance Percentage (FMAP), will decrease for Federal Fiscal Year 2008 from 57.55% to 56.5% which will require additional State funds to maintain current services and reimbursement rates.

Honorable Maile S. L. Shimabukuro, Chair
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Also, in the Executive Biennium Budget 2007-2009, additional funds are requested to provide for projected enrollment and cost increases for HMS 401PE, the Aged, Blind and Disabled population. The projected rate increases are clinic services 2%, hospice services 5%, FQHC services 5%, nursing facility 3.9%, acute services 4%, and Part A/B Medicare services at 5%, equating to \$16.4 million in State general funds for FY 08 and \$18.1 million in FY 09. These increases are either required changes by the federal government or part of the Hawaii Medicaid State Plan. This request also includes additional general funds to compensate for a decrease in the FMAP, which will fall from 57.55% in FY07 to 56.50% in FY08. Additional funds were also requested to provide for projected increases in the service rates of 5% and population growth of 4% for HMS 401PQ, the QUEST managed care population including additional general funds to compensate for a decrease in the FMAP of \$16.2 million in general funds for FY 08 and \$43.4 million for FY09.

3. **What is the experience of other states that have eliminated the assets test? Testimony indicated that Oklahoma and New Mexico have dropped the test and only saw a slight increase in enrollment and realized administrative cost savings.**

We have not been able to confirm data from New Mexico or Oklahoma regarding their experience with eliminating the asset test for adults in Medicaid.

More importantly, it appears that Oklahoma and New Mexico's elimination of the asset test is much more narrow than proposed in H.B. 100. We have confirmed from the Oklahoma and New Mexico policy manuals that they do not count *assets for AFDC (able-bodied)* household members. However, if a member in the household is aged, blind or disabled (ABD), assets would count for that member.

The proposal in H.B. 100 does not differentiate between a household member who is AFDC (able-bodied) or ABD (not able-bodied). In Hawaii, AFDC individuals are in our QUEST program, where the State can waive the asset test for certain adult household members. The ABD individuals are not included in our QUEST program so the asset test is required for adults (except for pregnant women for whom the asset test is waived).

4. **What would be the administrative cost savings in eliminating the assets test?**

Based on current operating procedures, there will be no administrative cost savings as a result of eliminating the asset test for household with children. The implication of the testimony was that New Mexico or Oklahoma netted administrative cost savings because staff time was not expended on asset verification. However, in Hawaii, MQD staff time for verifying assets is minimal because self-declaration is considered acceptable verification. Staff are required by federal regulations to do verification of information only when provided via IEVS (electronic reports from IRS Workers Compensation, DOL, IRS, etc.). In short, we accept the applicant's declaration on the application and, if incorrect, then they

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are subject to criminal penalties including fraud as cited on the application. Even if the asset test is removed, we are still subject to IEVS and staff will have to verify income and other information about the applicant.

Additionally, if the asset test were removed, there will be a greater increase in administrative costs associated with the provision of benefits to adults who are not currently eligible. These costs would involve staff time to enroll eligibles in plans, issue notices, cards, handling appeals, processing requests for authorization for services, processing claims, and other costs not associated with direct benefit payments.

5. Additional concerns related to removing the assets test for household with children

There is a strong possibility of a challenge under the ADA if the State disregards assets for both the AFDC (able-bodied) with children and the ABD (aged, blind or disabled) adults with children, and not for the ABD (aged, blind or disabled) adults without children.

There is a lesser possibility of a challenge under the ADA if the State disregards assets for both the AFDC (able-bodied) adults with children and the ABD (aged, blind or disabled) adults with children, and not for the ABD adults without children.

The Attorney General's office is currently attempting to contact its counterparts in New Mexico and Oklahoma to clarify how they are dealing with these potential liabilities.

Ho`owaiwai
2007 Legislative Talking Points
HB 100/SB 1938 – Eliminates Asset Limits on Medicaid

General Points:

Hawai'i needs comprehensive public policies to help people build assets. This should include a package of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and become homeowners.

- **One in five** households in Hawai'i have zero or negative net worth, the 5th worst ranking among the states.
- **One in four** households do not have enough assets to subsist at the poverty level for three months if their income were disrupted.
- Assets are essential for three reasons:
 1. To have **financial security** against difficult times
 2. To create **economic opportunities** for oneself
 3. To **leave a legacy** for future generations to have a better life

HB 100/SB 1938 would eliminate Medicaid asset limits for families with children.

- ❖ Government policies intended to help the poor pose some of the greatest barriers to escaping poverty. Income criteria and “asset tests” are used to determine eligibility. As a result, the government ends up encouraging the economically rational person to choose welfare over work.
- ❖ Government must eliminate asset tests and adjust income criteria to create rational incentives for people to realistically work their way out of poverty.
- ❖ Twenty states have eliminated asset tests for families on Medicaid. The majority of these states found that any increased enrollment costs were off-set by administrative savings. For example, New Mexico found a slight increase of \$23,000 per year in state funds due to increase enrollment and Oklahoma saved over \$1 million in administrative costs by eliminating the test.

Board Members

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Jason Okuhama (at large)
Executive VP & Partner
Hawai`i Lending Specialists

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Akoni Akana (Maui)
Executive Director
Friends of Moku`ula

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Aloha United Way

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Executive Director
Waipahu Community Association

Stacy Crivello (Moloka`i)

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Puni Kekauoha &

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Keikialoha Kekipi &
Susie Osborne (Hawai`i)

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Charter School

Kipukai Kualiki (Kaua`i)

Project Director
Na Mahi`ai O Anahola – Anahola
Kaua`i Agribusiness Microenterprise
Project

Kukui & Gary Maunakea-Forth

(O`ahu)
WCRC/Mala Ai`Opio

Wayne Tanna (at large)

Asset Building Coalition &
Chaminade University

HACBED Staff

Robert Agres, Jr
Executive Director

Brent Dillabaugh
Deputy Director

Kehaulani Padilla
Administrative Officer

David Rothwell
Research Analyst

Larissa Meinecke
Public Policy Associate

February 6, 2007

House Committee on Human Services and Public Housing
Tuesday, February 6, 2007 at 1:30 p.m.
Conference Room 016 – 25 copies
SB 1938 -- Support

Dear Chair Chun Oakland and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of SB 1938 which would eliminate Medicaid asset limits for families with children.

Hawai`i needs a comprehensive public policy to help people build assets. This should include a package of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and become homeowners. We support SB 1938 as a component of a set of bills that we believe does just that. The Ho`owaiwai Asset Policy agenda addresses these needs by putting together a comprehensive package of bills and policies that encourages and widens opportunities for asset building.

Assets are essential for three reasons:

1. To have **financial security** against difficult times
2. To create **economic opportunities** for oneself
3. To **leave a legacy** for future generations to have a better life

Incredibly, government policies intended to help the poor pose some of the greatest barriers to escaping poverty. Income criteria and “asset tests” are used to determine eligibility. Benefits like Medicaid are reduced or retracted as a recipient’s income and assets increase. Often, the value of the benefits lost outstrips the value gained through work or saving. Thus government often ends up *encouraging* the economically rational person to choose welfare over work. To remedy this, this committee should adopt this bill to eliminate asset tests and adjust income criteria to create rational incentives for people to realistically work their way out of poverty.

HSP Chair Chun Oakland and Committee Members
February 6, 2007
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Twenty other states have eliminated asset tests for families on Medicaid. The majority of these states found that any increased enrollment costs were off-set by administrative savings. In fact, New Mexico saw a slight increase of \$23,000 per year in state funds due to increase enrollment and Oklahoma saved over \$1 million in administrative costs by eliminating the test.

Thank you for the opportunity to submit testimony.

Sincerely,

Brent Dillabaugh
Deputy Director
HACBED