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## FISCAL ISSUE BRIEF



### 2003 Legislative Changes to Minnesota Health Care Programs

*Senate Office of Fiscal Policy Analysis*

*August 2003*

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#### ***Questions***

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#### ***Introduction***

The 2003 Legislature enacted several changes to Minnesota's Health Care Programs including Medical Assistance (MA), Medical Assistance – Employed Persons with Disabilities (MA-EPD), General Assistance Medical Care (GAMC), Emergency GAMC, and MinnesotaCare. Changes involved eligibility, benefit levels, and co-payments/premiums. Effective dates for these changes are phased in over the biennium; however some changes require federal approval before they can be implemented.

The purpose of this fiscal issue brief is to summarize these changes, as well as how these changes are projected to impact enrollment and the budget. The changes are sorted by program by effective date. Much of this information has been provided by the Department of Human Services; however, the intent of this brief is to provide all information in one document. Also attached is a summary of benefits for adults without children for GAMC and Minnesota Care prepared by the DHS.

**Senate Office of Fiscal Policy Analysis Fiscal Issue Briefs are intended to offer background information on new or pending issues in the budgeting process. Issue Briefs are divided into the various budget categories including General Budget Information, Health and Family Services, Economic Development, Corrections, K-12, Higher Education, Early Childhood Education, Environment, Transportation, and State Government.**

## Changes to Medical Assistance

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
July 1, 2003	<p><b>Repeal MA income deductions</b> – Eliminates the 21% earned income disregard for children 2-5, Eliminates the special work expense deduction for pregnant women and infants under 2, and clarifies that families and children Qualifying under the 100% Federal Poverty Guideline can use 17% earned income disregard for 4 months and also receive child support paid and dependant care deductions.</p> <p><b>Reduce automatic newborn coverage from 2 years to 1 year</b> Children who turn one before July 1, 2003, are “grandfathered” and remain eligible through the last day of the month of the child’s second birthday.</p> <p><b>Limit Asset Sheltering</b> – Changes period of ineligibility for making improper transfers to start the month after the transfer is made; clarifies that all transfers made by the community spouse are subject to transfer limitations, including those transfers completed after the month the long term care spouse is determined eligible; allows a shorter life expectancy to be used to determine if an annuity is actuarially sound; and allows recovery from 3<sup>rd</sup> parties receiving property improperly transferred and not reported after eligibility is established.</p>	<p>\$1.2 million</p> <p>\$7.241 million</p> <p>\$3 million</p>	<p>FY04 = 1,267 FY05 = 3,991 FY06 = 4,190 FY07 = 4,400</p>

### Changes to Medical Assistance - Continued

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
July 1, 2003	<p><b>Eliminate delayed verification</b> – applicants must verify that specific conditions are met before eligibility is established.</p> <p><b>Reduce Asset Tests for Adults</b> – Allowable asset limits are lowered from \$15,000 for a household of one and \$30,000 for a household of two or more to \$10,000 and \$20,000.</p>	\$672,000	FY04 = 122 FY05 = 243 FY 06 = 254 FY 07 = 254
August 1, 2003	<p><b>Eliminate One-Month Rolling Eligibility</b> – eliminates the grace month for those enrolled in managed care programs who fail to comply with reporting deadlines for income renewals, eligibility renewals, or household report forms</p>	\$7.4 Million	
October 1, 2003	<p><b>Maximize MA Estate Recovery</b> – expands definition of estate recovery for recovery from estates of deceased enrollees</p> <p><b>Apply Co-pays to MA</b> - \$6 co-pay for non-emergency ER visits, \$3 co-pays for eyeglasses, and non preventative office visits; \$3 co-pay on non-generic drugs and \$1 co-pay on generic drugs up to \$20/month; excludes emergency services and services to pregnant women, children under 21, people in ICF/MRs, NHs, hospice, and family planning.</p> <p><b>\$500 cap per year on Dental Services</b> – excludes pregnant women and children under 21. Some services (denture) are exempt from the cap.</p>	\$495,000	
		\$20 Million	
		\$1.75 million	

### Changes to Medical Assistance -Continued

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
<p>July 1, 2004</p> <p>Pending Federal Approval</p>	<p><b>Reduce MA Children from 170% to 150% FPG</b> – Income level for children 2-18 reduced from 170% to 150% FPG. Reinstates the \$90 work expense for children 2-18 using the 150% standard.</p> <p><b>Reduce Income level for pregnant women to 200% FPG.</b> Pregnant women receive the dependent care and child support paid deductions.</p> <p><b>LTC Asset Transfer Changes</b> - Penalize transfer of excluded assets; penalize all MA for uncompensated transfers; extend look-back period for trusts and other assets to 72 months; start penalty period in first month of LTC eligibility; Use average facility payment , not rate, to calculate penalty period; retain excluded status of homestead for relative residing but prohibit transfer; limit transfers to spouse to those permitted under section 1924; require trusts for the benefit of a disabled child to revert to the state; require transfers to trusts for a disabled individual be limited to children or legal wards of the transferor; allow state discretion to determine permissible purpose of trust.</p>	<p>\$2 million</p> <p>\$1.9 million</p> <p>No savings were taken on these changes due to the uncertainty of implementation</p>	<p>FY 04 = 0 FY 05 = 1,617 FY 06 = 2,132 FY 07 = 2,132</p> <p>FY 04 = 0 FY05 = 192 FY 06 = 373 FY 07 = 391</p>

### Changes to Medical Assistance – Employed Persons with Disabilities

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
July 1, 2003	<p><b>Income change reporting</b> – Participants must report a change of income within 10 days. Decrease in premium effective the first day of the next available billing month. Increase in premium effective at next 6 month review.</p> <p><b>Past due premiums</b> – Enrollees disenrolled for nonpayment must pay past due premiums as well as current premiums prior to being enrolled.</p>		
November 1, 2003	<p><b>Medicare Part B</b> – Reimbursement of Medicare Part B premiums only for individuals with income no greater than 200% FPG.</p> <p><b>Unearned income</b> - Enrollees with unearned income must pay .5% of unearned income in addition to a premium.</p>	<p>\$759,000</p> <p>\$189,000</p>	
January 1, 2004	<p><b>Four month eligibility</b> – enrollees will be allowed up to 4 months without earnings to obtain new employment following job loss unrelated to work performance</p> <p><b>Minimum premium</b> - \$35 minimum premium</p>	<p>\$21,000 cost</p> <p>\$492,000</p>	
July 1, 2004	<p><b>Earned income minimum</b> – earned income must be above the \$65 disregard.</p> <p><b>Income qualifications</b> – Medicare, Social Security and income taxes must be paid or withheld from earnings to qualify.</p>	<p>\$187,000</p> <p>\$214,000</p>	

### Changes to General Assistance Medical Care

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
July 1, 2003	<p><b>Eliminate GAMC for Undocumented</b> – includes undocumented non-citizens and non-immigrants under 18, over 65, or disabled. Eligibility for Emergency MA is retained if there is a medical emergency. Health care coverage remains available to pregnant women who are non-immigrants or undocumented under MA through a new federal option by the State Children’s Health Insurance Program (S-CHIP).</p> <p><b>End Emergency GAMC</b> – Populations affected include: non-residents injured in the state; former GAMC enrollees referred to MnCare who did not pay their premiums; and undocumented/non immigrant adults who are not disabled or elderly.</p> <p><b>Eliminate Delayed Verification</b> – see MA change.</p> <p><b>Eliminate One-Month Rolling Eligibility</b> – see MA change.</p> <p><b>Application Clarification</b> – clarifies that health care providers can assist in completing the application if the applicant is unable due to a medical condition, which will protect the filing date.</p>	<p>\$35.6 million</p> <p>Included Above</p> <p>\$309,000</p> <p>\$12 million</p>	<p>FY 04 = 1,964 FY 05 = 1,870 FY 06 = 1,800 FY 07 = 1,777</p> <p>FY 04 = 164 FY 05 = 167 FY 06 = 171 FY 07 = 174</p>
October 1, 2003	<p><b>Adults at or Below 75% FPG</b></p> <ul style="list-style-type: none"> <li>• \$1000 asset Test</li> <li>• Eligible from date of Application</li> <li>• No spend down option</li> <li>• No retroactive coverage</li> </ul>	<p>\$108 M (Total for all 10/1/03 changes)</p> <p>\$28 million</p> <p>\$78 million</p>	<p>FY 04 = 4,214 FY 05 = 4,963 FY 06 = 4,777 FY 07 = 4,715 (Total for all changes)</p>

## Changes to General Assistance Medical Care - Continued

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
	<ul style="list-style-type: none"> <li>• Receive full benefits, except \$500 cap per year on dental services with some exceptions</li> <li>• Co-pays: \$25 for non-emergency ER; \$25 for eyeglasses; 50% on restorative dental; \$3 for non-preventive visit; \$3 for non-generic prescription drugs and \$1 for generic drugs up to \$20 max/mo. Exceptions: Anti psychotic drugs, PT, OT, ST, MH services</li> <li>• 6 month eligibility</li> <li>• FFS until enrollment in managed care</li> </ul> <p><b>Adults with gross income over 75% and at or below 175% FPG</b> eligible for catastrophic coverage as follows:</p> <ul style="list-style-type: none"> <li>• \$10,000/\$20,000 asset test</li> <li>• Coverage from date of application, but must apply during an inpatient hospitalization</li> <li>• Limited to inpatient coverage. Only other benefit is physician services during hospital stay.</li> <li>• \$1,000 co-pay on inpatient services per inpatient occurrence.</li> <li>• May reapply for subsequent inpatient hospitalizations.</li> <li>• FFS</li> </ul>	<p>\$31,000</p> <p>\$6.3 million</p> <p>Savings included in totals above.</p> <p>\$10 million for limiting eligibility to 75% of FPG offset by a cost of \$12 million for creating a catastrophic benefit.</p>	<p>Included Above</p>

### Changes to Minnesota Care

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
July 1, 2003	<b>Rollback MinnesotaCare Children Exceptions</b> - Repeal planned expansion of income level to 175% FPG (from 150% FPG) at which children < 21 pay a \$4 premium and are exempt from most insurance barriers.	\$3.8 million	FY 04 = 212 FY 05 = 684 FY 06 = 718 FY 07 = 753
	<b>Reduce automatic newborn coverage from 2 years to 1 year.</b> – see MA Change	\$91,000	FY 04 = 37 FY 05 = 66 FY 06 = 35 FY 07 = 12
	<b>Eliminate delayed verification</b> – see MA change	\$1.2 million	
	<b>Income cap for parents</b> - . Parents with income over \$50,000 not eligible for MCHA exemption or 18-month extension. This applies regardless of whether the income is at or below 275% FPG.	\$894,000	FY 04 = 325 FY 05 = 345 FY 06 = 344 FY 07 = 345
	<b>Reduced asset test for adults (\$10,000/\$20,000)</b> – see MA change	\$7.9 million	FY 04 = 993 FY 05 = 2,077 FY 06 = 2,109 FY 07 = 2,133



### Changes to Minnesota Care Continued

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
October 1, 2003	<p><b>Limited benefits coverage for adults w/o children with income over 75% and at or below 175% FPG:</b></p> <ul style="list-style-type: none"> <li>• Eligibility begins following premium payment and approval.</li> <li>• \$10,000 cap/year and 10% co-pay for inpatient services, up to \$1000.</li> <li>• \$5,000 cap/year on non-inpatient: physician, drugs, outpatient, hospital, chiropractic, and lab/diagnostic.</li> <li>• Co-pays: \$50 on ER; \$5 on non-preventive physician; \$3 prescription drugs up to \$20/mo.</li> <li>• 12 month renewals for one year and 6-months renewals starting 10/1/04.</li> <li>• Managed care</li> <li>• Adults without children are not eligible for the MCHA exemption or the 18-month extension.</li> </ul> <p><b>Eliminate dependent sibling basis.</b> – Dependent children age 21-25 (enrolled in college and living at home) with a sibling on MinnesotaCare, are no longer automatically eligible for MinnesotaCare. The sibling may qualify individually.</p>	<p>\$ 112.1 million (total all changes)</p> <p>\$98 million for \$2000 cap, balance covered with enhanced federal funding \$2.6 million</p> <p>\$1.2 million</p> <p>\$10.9 million</p> <p>\$1.2 million</p>	<p>FY 04 = 4,751  FY 05 = 7,713  FY 06 = 8,034  FY 07 = 8,329</p> <p>FY 04 = 131  FY 05 = 422  FY 06 = 441  FY 07 = 457</p>

## Changes to Minnesota Care

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
October 1, 2003	<p><b>Former MA enrollees w/ cost-effective insurance exempt from the 4-month insurance barrier.</b></p> <p><b>Premium scale modified:</b> increase premium scale steps by .5% for enrollees w/ income &gt;100% FPG and ≤ 200% FPG and by 1.0 % for enrollees with incomes &gt; than 200% FPG.</p> <p><b>\$500 cap/year on dental services (with some exceptions)</b> for adults without children with income at or below 75% FPG and for parents (Adults without children with incomes over 75% FPG and ≤ 175% FPG do not receive any dental services.)</p>	<p>\$436,000 increase costs</p> <p>\$5.3 million</p> <p>\$493,000</p>	
February 1, 2004	<p><b>Eligibility for parents ends if income &gt; 275% FPG or \$50,000, whichever is lower.</b> Pregnant women and children are exempt from the \$50,000 cap.</p> <p><b>MCHA exemption only applies to kids.</b> Extension for loss of MCHA exemption reduced from 18 months to 12 months.</p>	<p>\$674,000</p> <p>Included in figures above</p>	<p>FY 04 = 149 FY 05 = 383 FY 06 = 400 FY 07 = 415</p> <p>FY 04 = 8 FY 05 = 70 FY 06 = 110 FY 07 = 110</p>

### Changes to Minnesota Care Continued

Effective Date	Change Description	Projected Savings for the 2004-05 Biennium	Projected Enrollment Reductions
October 1, 2004	<b>Renewal every 6 months for all MinnesotaCare enrollees – reduced from 12 month renewals.</b>	\$2.3 million (children and parents only, adults included above)	FY 04 = 0 FY 05 = 2,060 FY 06 = 6,217 FY 07 = 10,432
	Total Medical Assistance	\$46 million	FY 04 = 1,389
	Total Medical Assistance – Employed Persons with Disabilities	\$1.8 million	FY 05 = 6,043
	Total General Assistance Medical Care	\$158.7 million	FY 06 = 6949
	Total Minnesota Care	\$135.5 million	FY 07 = 7,177
			FY 04 = 6,342
			FY 05 = 7,000
			FY 06 = 6,748
			FY 07 = 6,666
			FY 04 = 6,606
			FY 05 = 13,820
			FY 06 = 18,408
			FY 07 = 22,986
	<b>Total All Health Care Programs</b>	<b>\$340 million</b>	<b>FY 04 = 14,337</b> <b>FY 05 = 26,863</b> <b>FY 06 = 32,105</b> <b>FY 07 = 36,829</b>

**Coverage options for Adults without Children up to 175% FPG**  
**2003 HHS Omnibus Bill**  
**Department of Human Services – 6/23/03 – f**

<b>Variables</b>	<b>GAMC</b>	<b>GAMC Hospital Only</b>	<b>MinnesotaCare Limited Benefit</b>	<b>MinnesotaCare</b>
Effective Date 10/1/03 on all programs	Full Coverage Adults w/o kids $\leq 75$	Inpatient only Adult w/o kids $>75$ to $\leq 175$	Core Benefits only Adults w/o kids $>75$ to $\leq 175$	Full coverage for Adults w/o kids $\leq 75$
<b>Asset limits</b>	\$1,000	\$10,000/\$20,000	\$10,000/\$20,000	\$10,000/\$20,000
<b>Date of Application Eligibility</b>	Yes.	Yes. Presumes Inpatient hospitalization to access this program.	No. Eligibility month following premium payment and approval.	No. Eligibility month following premium payment and approval.
<b>Inpatient Benefits</b>	Yes.	Yes. See copays.	\$10,000 cap per calendar year, and 10% copay up to \$1000.	\$10,000 cap per calendar year, and 10% copay up to \$1000.
<b>Full benefits (other than inpatient)</b>	Yes.	No. Physician only during hospital stay.	No. Physician, drugs, outpatient, chiropractic, lab/diagnostic only.	Yes. Full MinnesotaCare benefits.
<b>Cap on benefits</b>	No, except a \$500 annual cap on current dental coverage. Dentures and necessary pre-denture procedures excluded from this \$500 cap.	No.	Yes. \$5,000 cap per calendar year on non-inpt. Physician, drugs, outpt., hospital, chiropractic and lab/diagnostic	No, except a \$500 annual cap on current dental coverage. Dentures and necessary pre-denture procedures excluded from this \$500 cap
<b>Premiums</b>	No. No spenddown Option.	No.	Yes. Current sliding scale for $>75\%$ - $100\%$ FPG, and $.5\%$ premium step increase for $>100\%$ - $175\%$ FPG.	Yes. Current sliding scale.
<b>Co-pays</b>  Only one copay per provider per day, except for drugs	Yes. <ul style="list-style-type: none"> <li>• \$25 for non-emergency ER</li> <li>• \$25 on eyeglasses</li> <li>• 50% on restorative dental</li> <li>• \$3 on nonpreventive visit</li> <li>• \$3/\$1 on drugs up to \$20 max. per month</li> </ul> Ecxeptions: 1. anti-psychotic drugs 2. PT, OT, ST 3. MH services	Yes. <ul style="list-style-type: none"> <li>• \$1000copay on inpatient services, per inpatient occurrence</li> </ul>	Yes. <ul style="list-style-type: none"> <li>• \$50 on ER</li> <li>• \$5 on nonpreventive physician visit</li> <li>• \$3 on drugs up to \$20 max. per month</li> </ul>	Yes. Same copays as current MinnesotaCare (pre-July 1, 2003.)
<b>Duration of eligibility</b>	6 months with renewal. (status quo)	Episodic. May reapply if subsequent inpatient hospitalizations.	12 months with renewal. (will go to 6 month renewals starting 10/1/04)	12 months with renewal. (will go to 6 month renewals 10/1/04)
<b>Service delivery method</b>	FFS until enrollment in managed care.	Fee for Service	Managed Care	Managed Care