

March 29, 2000

Dear State Medicaid Director:

On December 17, 1999, President Clinton signed the "Ticket to Work and Work Incentives Improvement Act of 1999" into law. In signing this legislation, President Clinton emphasized that it will enable the nation to better ensure that "No one will have to choose between taking a job and having health care." This legislation improves access to employment training and placement services for people with disabilities who want to work. It also offers States unprecedented opportunities to eliminate barriers to employment for people with disabilities by improving access to health care coverage available under Medicare and Medicaid. The Health Care Financing Administration (HCFA) will be providing information on an ongoing basis concerning implementation of this important legislation.

The concern expressed most frequently by people with disabilities who want to work is the fear of losing coverage for health care should their employment cause them to lose eligibility for benefits such as Medicare and Medicaid. Often these individuals cannot get private health insurance. The loss of Medicare and Medicaid would leave them without a way to pay for medical expenses and for basic supports they require to live. Many, therefore, fear working as not in their best interests if it would result in the loss of their Medicare or Medicaid coverage. Others may be employed, but are careful to limit their employment to the very low levels that will not jeopardize such coverage.

Title II of the new legislation entitled "Expanded Availability of Health Care Services" contains five provisions that specifically address the concerns many people with disabilities have about possible loss of health care if they return to work. Three of the provisions affect the Medicaid program, and are described more fully below. The remaining two provisions include: (1) an extension to 78 months (versus the previous 24 month limit) of premium-free Medicare Part A benefits for beneficiaries who lose Title II cash assistance because they return to work; and (2) a consumer protection provision which at the policyholder's request requires suspension of Medigap coverage and premiums for disabled policyholders who are entitled to Medicare Part A benefits if the individual is covered under certain group health plans. The law now requires that the policy be automatically reinstated if the policyholder provides timely notice that he or she lost the group health coverage.

It will take some time to develop detailed guidance on the provisions affecting the Medicaid program. In the meantime, though, I want to provide each of you with a summary of the Medicaid provisions and information on who you can contact for further information and technical assistance. I hope you will

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begin seriously considering the options available to States to make a real, positive contribution to efforts to assist people with disabilities to gain and sustain competitive employment.

**New Eligibility Groups (Section 201 of the legislation).** Two new optional categorically needy Medicaid eligibility groups are created by the new statute.

Under the subsection (XV) eligibility group, States can cover individuals at least age 16 but less than 65 years of age who, except for earned income, would be eligible to receive Supplemental Security Income (SSI) benefits, regardless of whether they have received SSI cash benefits. This group is similar to the group created by section 4733 of the Balanced Budget Act (BBA), except that there is no 250 percent of the Federal poverty level family income limit, AND under this new group States are free to establish their own income and resource standards, or have no income or resource standards if they choose.

Under what we are calling the "Medical Improvement and Employment Security" group, States can cover employed individuals with a medically improved disability who lose Medicaid eligibility under the subsection (XV) eligibility group described above because their medical conditions have improved to the point where they are no longer disabled under the SSI definition of disability. If a State wants to cover this group, it must cover the subsection (XV) group described above.

As with the original BBA group, States may impose premiums or other cost-sharing charges on a sliding scale based on income for individuals eligible under both of the new eligibility groups. For individuals with annual adjusted gross income (as defined by the IRS) that exceeds \$75,000, States are required to charge 100 percent of the premiums they may impose. However, States can subsidize the premium cost for these individuals, using State funds.

**Medicaid Infrastructure Grant Program (Section 203 of the legislation).** This eleven year grant program makes \$150 million available over the first five years to States to design, establish and operate State infrastructures that:

- implement the Medicaid eligibility group(s) discussed above;
- design and plan a Medicaid demonstration for employed individuals with potentially severe physical or mental impairments;
- plan, design or evaluate improvements to the Medicaid State Plan for purposes of providing more effective employment support; and/or
- create a State-to-State Medicaid Infrastructure Center to serve as a regional technical assistance provider for health care improvements supporting employment.

Funds may also be used to conduct outreach campaigns to educate beneficiaries about the availability of such health care and related coverage for competitively employed individuals with disabilities. Subject to availability of the overall annual amount appropriated for this grant program, the minimum award to States is \$500,000 per fiscal year.

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To be eligible for grant funds, a State must make personal assistance services available under its State Medicaid plan to the extent necessary to assist individuals with disabilities to maintain employment. The grant program is designed to reward States for their efforts in encouraging individuals with disabilities to be employed, and to give proportionately more funding to States that have elected to cover the eligibility group for working individuals with disabilities.

**Medicaid Demonstration (Section 204 of the legislation).** This program, which is funded at \$250

million over six years, enables States to provide the full Medicaid benefits package to workers with potentially severe disabilities. These workers must be at least 16 but less than 65 years old, and have a specific physical or mental impairment that can reasonably be expected, but for the receipt of Medicaid services, to lead to blindness or disability as defined under the SSI program. Under the demonstration, a State defines the number of people with the physical or mental impairments it chooses to cover. The intention of the demonstration is to measure the effect of providing early intervention in the form of Medicaid benefits and services on the ability of participants to retain competitive employment. States are permitted to operate sub-State demonstrations.

Funds under both the Medicaid Infrastructure Grant Program and the Medicaid Demonstration will be available beginning October 1, 2000. Two requests for proposals (RFPs) will be released this summer with complete details on how States can apply for funds under both the infrastructure grant program, and the demonstration program. We plan to issue State Medicaid Directors letters in advance to alert States to the pending release of the RFPs.

HCFA also is preparing guidance materials for States on the options created by this legislation. Additional letters to State Medicaid Directors will provide more detailed information about the new eligibility groups. A draft State Medicaid plan pre-print for States to use in submitting plan amendments to cover these groups also will be made available.

In addition, we will be providing ongoing technical assistance and education around the new health care programs as well as participating in several public information sessions on the entire Act sponsored by the Social Security Administration. If you have questions about the new eligibility groups created by the Ticket to Work and Work Incentives Improvement Act of 1999, please contact Roy Trudel at 410-7863417 (e-mail [rtrudel@hcfa.gov](mailto:rtrudel@hcfa.gov)). If you have questions about the Medicaid Infrastructure Grants or the Medicaid Demonstration, please contact Carey O'Connor at 202-690-7865 (e-mail [coconnor2@hcfa.gov](mailto:coconnor2@hcfa.gov)).

We are excited about the opportunities presented by the legislation, and look forward to working with you as you begin to consider the options available to your State to really make a difference in the lives of people with disabilities who want to work.

Sincerely,

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/s/

Timothy M. Westmoreland Director

cc: All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations Lee Partridge - Director, Health Policy Unit American Public Human Services Association Joy Wilson - Director, Health Committee National Conference of State Legislatures Matt Salo - Director of Health Legislation National Governors' Association

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