Indiana Medicaid and Employment Evaluation

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Executive Summary

Purpose and Background for the Project

Improving the employment opportunities for persons with disabilities in Indiana is a primary goal of the Indiana Medicaid Infrastructure (MIG) project of the Indiana Medicaid agency. The Indiana MIG project has entered into an agreement with the Institute on Disability and Community at Indiana University to conduct a study and develop recommendations to identify primary barriers to persons with disabilities being able to work commensurate with their abilities.

The basic question is whether the MED Works program policies and administrative procedures are adequate to both:

1. Enhance the lives and facilitate the meeting of the life goals of a person with a significant disability?
2. Accomplish the state of Indiana’s policy goals related to persons with disabilities?

A basic strategy in this project is that if an accurate and useful picture of barriers to employment and use of work incentives is to be developed, that Indiana’s Medicaid Buy-In program (MED Works) needs to be examined in tandem with the SSI/Medicaid Section 1619 work incentives.

Documenting Barriers to Utilization of Section 1619 SSI/Medicaid Work Incentives

- Comparison of Social Security Administration data and Indiana Medicaid data showed that 557 individuals who should be benefiting from the SSI/Medicaid work incentives under Section 1619 of the Social Security Act were not actually enrolled in Indiana Medicaid under that category of eligibility. This is 23 percent of those identified in SSA records as Section 1619 eligible.
- The lack of a direct link between SSA data and Indiana’s eligibility determination process for SSI recipients is a primary reason that these SSI recipients are being denied access to this work incentive.

Comparing Indiana’s Medicaid Buy-In Program with Other States

- Indiana has highest percent in a Medicaid Buy-In program with mental retardation.
- Indiana has the highest per participant Medicaid cost in Medicaid Buy-In program.

Indiana Data Bank – Key Resource

Early on in the development and analysis of MED Works data it was evident that it was essential to have data which was broken out by at least broad categories of types of disability and to query data by years.
History of Participation in MED Works Program

- The number of participants in the Indiana MED Works program grew from 4,560 on June 30, 2003, to 5,674 on June 30, 2004, and 5,580 on June 30, 2005. The decline in numbers was to 5,303 on June 30, 2006 and to 5,069 on June 30, 2007.

- The developmental disabilities disability group has the most stable participation in the MED Works program compared to those with mental illnesses and those with a primary disability of physical impairments.

Impact of Medicaid Waiver Changes on MED Works

- In April 2004, the Division of Disability and Rehabilitative Services) initiated cost containment measures to the Home and Community-Based Waivers.

- Further analysis is needed to determine whether and to what extent these changes may have resulted in Waiver recipients with significant support needs having less funding to support community employment.

Types of Employment and Earnings Levels of MED Works Participants

- For the DD population in the 5 year time period, 56.9% had wage employment with average earning of $6.25 per hour; 51% were in sheltered work with average earning of $3.22 per hour; and, 1.7% had average net self employment earnings of $3.17 per hour.

- Of those with mental illnesses in MED Works, 89% had earnings from wages and salaries, with average earnings of $8.03 per hour. Sheltered work was the type of employment for 5.7% of those with mental illnesses with average earnings of $3.73 per hour. For those with earnings from self employment the average earnings were $5.07 per hour.

- Of the individuals participating in MED Works with physical disabilities, 80% had wages averaging $9.13 per hour; 9.7% participated in sheltered work with earnings of $2.96 per hour; and, 13.8% had net self-employment earnings of $6.39 per hour.

- During the five years since the MED Works program began in 2002, the percentage of participants with earnings from wages and salaries has increased from 53 percent to 63.7 percent. The percent with earnings from sheltered workshops decreased from 30.5 percent to 18.6 percent. The percent with earnings from self employment increased from 5.5 percent to 8.1 percent. The total number of participants decreased during this time from a high of 5,892 in June 2005 to 5,468 in June 2007.

MED Works Participants with Developmental Disabilities and Waiver Services

- Waiver expenditures for MED Works participants with developmental disabilities decreased from $38.5 million dollars in 2004 to $17.6 million in 2007.
Waiver policy changes may have had a significant impact on the number of individuals with Developmental Disabilities participating in MED Works. The number of participants in the MED Works program decreased from 1,477 during FY 2005 to 838 in FY 2007 which is a 43 percent decrease in two years.

According to the Family and Social Services Administration changes are again being implemented with the Waiver program through the Objective Assessment System for Individual Supports (OASIS).

**MED Works Participants with Physical Disabilities and Waiver Services**

- The number of MED Works participants with physical disabilities who are receiving Waiver services increased to 478 in FY 2005 and then has dropped to 229 in 2007.

- The cost of Waiver services for those with physical disabilities dropped from a high of about $10.8 million in 2004 to about $3.7 million in FY 2007.

- The reduction in the number of MED Works participants with physical disabilities was 201 from FY 2005 to FY 2007 and the reduction in the number of participants with Waiver services was reduced by 249.

- It will be necessary to determine the impact of changes in policies regarding the provision of Personal Assistance Services (PAS) on the ability of individuals with physical disabilities to work and participate in the Indiana MED Works program.

**MED Works Participants with Mental Illnesses**

- About one-fourth of MED Works participants in Indiana have a diagnosis of mental illness and the percentage has not changed significantly since the program began.

- The primary change over the five years of the program for persons with mental illness is the decrease in the use of Medicaid funds for prescription drugs. This coincides with the implementation of the Part D Medicare Prescription Drug program in 2006.

**Examples of Other Issues for Continued Analysis**

**Characteristics of MED Works Participants Not Eligible for SSDI**

What is the reason that a higher percent of those who did not previously have Medicaid eligibility prior to their participation in the MED Works program are those with physical disabilities?

**Increases in Earnings Levels by MED Works Participants**

From FY 2004 to FY 2007 the average earnings levels for MED Works participants with salary or earnings increased from an average of $7.42 to $8.70 per hour. This is a 17 percent increase in
five years. The amount earned per month worked increased from $594.96 to $828.20 a month in those same five years which is a 39 percent increase in monthly income.

1. What has contributed to these significant increases?
2. Are there differences among the service providers which can be determined?
3. What can be learned from this that may contribute to reducing barriers to employment by persons with disabilities?

The full report provides information on Section 1619 Medicaid participants. It also describes MED Works participation by three populations (Developmental Disabilities, Mental Illness/Substance Abuse and Physical Disabilities) and the costs of services and earnings levels while participating in employment.
Introduction

Improving the employment opportunities for persons with disabilities in Indiana is a primary goal of the Indiana Medicaid Infrastructure (MIG) project of the Indiana Medicaid agency. The Indiana MIG project has entered into an agreement with the Indiana Institute on Disability and Community at Indiana University to conduct a study and develop recommendations to identify primary barriers to persons with disabilities being able to work commensurate with their abilities. The Institute has also enlisted the assistance of Allen Jensen\(^1\) at the Center for Health Services Research and Policy, at George Washington University in conducting this study.

In 2001, the state of Indiana established a Medicaid Buy-In program called the Indiana MED Works. The program is authorized under the Medicaid Buy-In authorization contained in the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law No 106-170). The MED Works program allows Social Security Disability Insurance (SSDI) beneficiaries and others with significant disabilities to be eligible for Medicaid if they work and their disability continues. In September 2007 there were 5,070 participants in the MED Works program in Indiana.

A work incentive provision for Supplemental Security Income (SSI) beneficiaries and related Medicaid eligible individuals which the state of Indiana provides is under Section 1619 of the Social Security Act. SSI recipients have a gradual reduction in benefits as their earnings increase and they can retain their Medicaid if they work. They retain eligibility for Medicaid even when their earnings reduce their benefits to zero under the provisions of Section 1619(b) and can return to SSI benefit payment status if their earnings are reduced or cease.

Need to Evaluate Use, Lack of Use or Misuse of Both MED Works and SSI/Medicaid Section 1619 and Interaction between the Work Incentives

A basic strategy in this project is that if an accurate and useful picture of barriers to employment and use of work incentives is to be developed, that Indiana’s Medicaid Buy-In program, MED Works, needs to be examined in tandem with the SSI/ Medicaid Section 1619 work incentives. This is especially needed given the fact that access to and use of these Medicaid eligibility categories intended to reduce work disincentives is not automatic but is very dependant on the actions of Medicaid eligibility staff and other direct service staff interacting with persons with disabilities.

\(^{1}\) Prior to joining the University, Allen Jensen was on the staff of the Human Resources Subcommittee of the Committee on Ways and Means of the U.S. House of Representatives. He was with the Committee for fourteen years from 1975 - 1989. He was the primary staff person responsible for the Supplemental Security Income (SSI) program including the work incentives provisions in SSI law and the child welfare, foster care and social services programs under the jurisdiction of the Committee.
Defining General and Program-Specific Goals of Data Analysis Related to Removing Employment Barriers

The basic question is whether Indiana’s program policies and administrative procedures pertaining to 1619 and MED Works are adequate to both:

1. Enhance the lives and facilitate the meeting of the life goals of a person with a significant disability?
2. Accomplish the state of Indiana’s policy goals related to persons with disabilities?

The Indiana Databank and the staff which is skillful in making useful queries of the Databank are very important resources in answering these questions. For example, it is anticipated that there will be participants in the Indiana MED Works program who have had significant increase in earnings over time. In future queries and analysis this information can be linked with the characteristics of those participants, the services they received and the organization providing those services. Such information may be helpful in identifying best practices that are effective in overcoming barriers to employment and improving employment outcomes.

Documenting Barriers to Utilization of Section 1619 SSI/Medicaid Work Incentives

Anecdotal evidence has indicated that Indiana’s choice to not provide automatic Medicaid eligibility to SSI recipients has limited the use of the Section 1619 SSI/Medicaid work incentives. Under Indiana’s Medicaid policies, the Section 209(b) Medicaid eligibility policy has been chosen which allows the state to have a more restrictive Medicaid policy without automatic Medicaid and to require SSI recipients to apply for Medicaid.

The state of Virginia is also a Section 209(b) state. Allen Jensen had assisted Virginia in their conduct of a data analysis to determine whether those SSI recipients who showed up in SSA data as being eligible for Medicaid under Section 1619 SSI/Medicaid work incentives were actually Medicaid recipients under that or any Medicaid eligibility group.

Utilizing data from the Social Security Administration’s State Data Exchange (SDX) provided to the Indiana Data Warehouse, Richard VanDyke of the Indiana Family and Social Services Administration (FSSA) used records indicating those that SSA considered to be eligible for Medicaid under Section 1619(a) or Section 1619(b) and matched them with Medicaid records. The result was that of the 2,388 different individuals who showed up in SSA records as being eligible for Medicaid under Section 1619(a) or Section 1619(b) and matched them with Medicaid records. The result was that of the 2,388 different individuals who showed up in SSA records as being in Section 1619(a) status (498), and those in Section 1619(b) status (1,890), a very significant number did not show up in Indiana Medicaid records as being eligible for Medicaid under Section 1619.

Instead, 326 instead of 498 (65 percent) were actually eligible under Section 1619(a) and 1,505 instead of 1,890 (80 percent) were actually receiving Medicaid on the basis of eligibility under Section 1619(b). In total, 77 percent of those who were shown in SSA records as being eligible for Medicaid under Section 1619(a) or Section 1619(b) showed up in Indiana Medicaid records as eligible on that basis. The difference was 557 individuals. Of those 557 individuals, 241 were enrolled in MED Works, Indiana’s Medicaid Buy-In program, instead of the Section 1619
Medicaid eligibility category. The next highest category is those receiving assistance under the Qualified Medicare Beneficiary (QMB) category.

According to information gathered by Erin Wertz of the MIG Project staff, the information from SSA that was used by Rick Van Dyke to determine the number of individuals in Section 1619 status were from the SDX file provided to Indiana by the Social Security Administration. The SDX file is sent by SSA to the Indiana to the Indiana Data Warehouse. However, while the information in the SDX file is “connected” with the Indiana Client Eligibility Systems (ICES), the data is not used directly to determine Section 1619 Medicaid eligibility status. Instead the eligibility caseworker must be aware of, and enter by hand the data from the SDX file into the ICES system separately. If the eligibility caseworker does not record the 1619a/b status, the individual will not be listed with 1619a/b status, and either is not afforded this federal work incentive provision, or placed in another Medicaid category of assistance such as MED Works.

**Initial Review of National Data Comparing Indiana to Other States**

The Indiana MIG project is required to provide information to the Centers for Medicaid and Medicare Services (CMS) on their Medicaid Buy-In program including the participant characteristics, earnings information and other data. That data has been utilized by Mathematica Research Institute, a contractor to CMS, to develop reports on state Medicaid Buy-In programs which include tables showing the considerable variation among the states.²

In addition to the reports prepared by Mathematica for CMS, there are a number of state MIG projects that have conducted surveys of the participants in their state Medicaid Buy-In program. The results of those surveys have been collected into documents by Allen Jensen at George Washington University and available on a website at the University of Iowa.³

In reviewing the reports prepared for CMS based on data from 2000 - 2004, there were a number of significant findings related to the state of Indiana’s Medicaid Buy-In program, including:

1. Indiana had the highest percent of persons participating in the Medicaid Buy-In program whose primary disability was mental retardation. (26 percent compared to 12 percent average in all the states.)⁴

2. Indiana had the highest per person per month (PMPM) cost for Medicaid Buy-In enrollees at $3,024 compared to $1,467 as the national average.⁵

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³ Survey summaries are available at [www.medicaidbuyin.org](http://www.medicaidbuyin.org) under Part F. Program Data Development and Research and Evaluation, Section 3. Medicaid Buy-In Participant Characteristics and Satisfaction Studies - Compilation of Surveys


These comparisons of Indiana with other states has been useful in initially targeting data analysis in an attempt to identify what has caused these particular unusual and unique characteristics of the Indiana MED Works program.

Need for Data Based on Categories of Disability and Year

Early on in the development and analysis of MED Works data it was evident that it was essential to have data which was broken out by at least broad categories of types of disability. The impact of specific disabling impairments on an individual’s ability to work is different among those with developmental disabilities/cognitive impairments; those with significant mental illnesses and those with primarily physical disabilities. The barriers to employment and the services provided, including those provided under the Medicaid program are different for each group based on the nature of the disability.

Appendix A provides a summary review of all of the data, including previous Medicaid eligibility; frequency of moving in and out of MED Works; eligibility, total Medicaid costs; average Medicaid costs; categories of Medicaid costs; participation in Waivers; cost of Waivers; and, average cost of Waiver services.

The initial review of data on participants in the Indiana MED Works program included separating the participants into three broad categories of:

1. Developmental disability,
2. Mental disability and
3. Physical disability.

These categories of disability are drawn from the Medical Review Team (MRT) data. The MRT data comes from the findings of the primary disabling condition which is the basis of their eligibility for Medicaid on the basis of disability. It should be noted that what is cited as the primary disability may not always be the disabling condition that results in the highest category of Medicaid service. For example, a 30 year old with a primary disabling condition of mental retardation may have more Medicaid costs for mental health treatment services than any other services.

It was also found essential to have yearly data on participants and categories of service costs for the MED Works program. For example, it appears that changes in Indiana policies regarding Medicaid Waivers beginning in 2004 has significantly impacted the participation in the MED Works program in subsequent years. In addition, the implementation of the Medicare Part D Medicare Pharmacy Assistance program in 2006 has impacted the cost of services provided to MED Works participants.

Growth and Changes in the Indiana MED Works Program

Richard VanDyke of the Indiana Family Services and Support Administration (FSSA) provided data on participants in the Indiana MED Works program for Fiscal Years 2003 through Fiscal
Year 2007. Table 1 shows the number of participants for each fiscal year since the program began by major disability categories.

In the first fiscal year of the MED Works program, FY 2003, which began on July 1, 2002, a total of 6,051 individuals participated in the program. The program grew to:

- 8,793 total participants in FY 2004;
- 9,737 in FY 2005;
- and then began a gradual decline in 2005 to 7,737;
- increasing to 9226 in FY 2006; and,
- decreasing to 8,295 in FY 2007.

The above enrollment numbers were total numbers of participants throughout the year, noting that some participants were not enrolled for all months during the entire year.

Also included in Table 1, is the actual number of all participants as of June 30th at the end of each fiscal year. The June 30 numbers for each year are from the Indiana MIG Project’s reports to CMS for the quarter that ends on June 30. The number of participants at the end of the fiscal years grew from:

- 4,560 on June 30, 2003,
- 5,674 on June 30, 2004,
- 5,580 on June 30, 2005,
- a decline to 5,303 on June 30, 2006, and

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Participants in Fiscal Year &amp; Percent of Total by Category of Disability</th>
<th>Total Participants in Fiscal Year</th>
<th>Participants at End of Fiscal Year, June 30</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1 – June 30</td>
<td>Developmental Disabilities Mental Illness Physical Disabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>2533 38.6% 1629 24.8% 2396 36.6%</td>
<td>6558</td>
<td>4560</td>
<td>Program began July 1, 2002</td>
</tr>
<tr>
<td>2004</td>
<td>3068 34.9% 2235 25.4% 3490 39.7%</td>
<td>8793</td>
<td>5674</td>
<td>Changes in Medicaid Waiver policies began April 2004</td>
</tr>
<tr>
<td>2005</td>
<td>3130 32.1% 2541 26.1% 4066 41.8%</td>
<td>9737</td>
<td>5580</td>
<td>Changes in Medicaid Waiver policies</td>
</tr>
<tr>
<td>2006</td>
<td>2587 28% 2565 27.8% 4074 44.2%</td>
<td>9226</td>
<td>5303</td>
<td>Part d Medicare Pharmacy program began Jan. 1, 2006</td>
</tr>
<tr>
<td>2007</td>
<td>2373 27.7% 2415 28.1% 3798 44.2%</td>
<td>8586</td>
<td>5069</td>
<td></td>
</tr>
</tbody>
</table>
The difference between the total participants in a year and the lower number at the end of the fiscal year shows that participants move in and out of the program during a year.

There are differences among the general categories of disabilities as to the average number of “MED Works participant months” in a year by each category of disability over the five years of the MED Works program life. The following are the averages for each of the general categories of types of disabilities.

<table>
<thead>
<tr>
<th>Disability Category</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developmental Disabilities</td>
<td>8.66 months</td>
</tr>
<tr>
<td>Mental Illnesses</td>
<td>7.042 months</td>
</tr>
<tr>
<td>Physical Disabilities</td>
<td>6.882 months</td>
</tr>
</tbody>
</table>

It is evident from this data that the developmental disabilities disability group has the most stable participation in the MED Works program compared to those with mental illnesses and those with a primary disability of physical impairments.

An eligibility provision in the Indiana MED Works program provides that an individual can remain eligible for the program up to twelve months if they are no longer employed. This is similar to many other states Medicaid Buy-In programs. It is recognition of the fact that persons with disabilities are often not able to sustain employment because of reoccurring health problems and mental or physical stress related to their impairments and other factors.

**Impact of Medicaid Waiver Changes on MED Works**

In April 2004, the Division of Disability, Aging and Rehabilitative Services (now known as the Division of Disability and Rehabilitative Services) initiated cost containment measures to the Home and Community-Based Waivers. This effort resulted in approximately $23.8 million (state and federal dollars) in estimated cost containment, $9 million of which is state share savings.⁶ Within the cost-containment were changes to:

- Service definitions,
- Reimbursement rates and
- Caps on services provided.

**Example of Caps on Services**

- Supported employment follow-along (Habilitation Supported Employment or Supported Employment Follow-Along) was limited to no more than ten hours per month.

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Annual caps of $4,500 for individuals working more than five hours per week and an annual cap of $2,500 for individuals working less than five hours per week under these services.\(^7\)

**Example of Changes in Service Definition**

- Community Habilitation and Participation services are not available for employment and may only be used for volunteer activities.
- Personal Assistance services in the workplace were also limited at that time.

**Further Analysis Needed** - Further analysis is needed to determine whether and to what extent these changes may have resulted in Waiver recipients with significant support needs having less funding to support community employment. It will also be important to determine whether these cost containment changes in Waiver policies has resulted in some individuals being diverted into sheltered work or day services and having lower overall earnings.

Two critical questions arise as to the affect these cost containment measures had on MED Works:

1. Did the measures affect the level of earnings for MED Works members?
2. Did the measures affect the types of employment services in which these members participated?

**Types of Employment and Earnings Levels of MED Works Participants**

Employment data was compiled on MED Works members for the three categories of disability of developmental disabilities, mental illness and physical disabilities. Additionally, employment data was compiled for three types of employment: wages and salaries; sheltered workshop/habilitation plan; and, self-employment net earnings. The types of employment were lumped into a category of “other.” Over the five year time period, 76.4% of the MED Works population had wages and salaries; 20.2% participated in sheltered work/habilitation; and 9.3% participated in self-employment.

As shown in Table 3 for the Developmental Disability population in the 5 year time period, 56.9% had wage employment with average earning of $6.25 per hour; 51% were in sheltered work with average earning of $3.22 per hour; and, 1.7% had average net self employment earnings of $3.17 per hour. This is in comparison to the Mentally Ill/Substance Abuse population, whose wage employment was 89%, with average earnings of $8.03 per hour; sheltered work 5.7%, with average earnings of $3.73 per hour; and, net self employment earnings of $5.07 per hour. Of the individuals with physical disabilities, 80% had wages averaging $9.13 per hour; 9.7% participated in sheltered work with earnings of $2.96 per hour; and, 13.8% had net self-employment earnings of $6.39 per hour.

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\(^7\) Bureau of Developmental Disability Services, Service Definitions and Standards Manuals 10/1/04; 7/1/06;
Table 3. MED Works Program
Types of Employment and Earnings Level by Disability Diagnosis
Five Year Data FY 2003 - 2007

<table>
<thead>
<tr>
<th>Disability Diagnosis</th>
<th>Wages/Salaries</th>
<th>Sheltered Workshop</th>
<th>Self Employment Net</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent</td>
<td>Earned/ hour</td>
<td>Percent</td>
</tr>
<tr>
<td>Developmental Disabilities</td>
<td>56.9%</td>
<td>$6.25</td>
<td>51.1%</td>
</tr>
<tr>
<td>Mentally Ill</td>
<td>89.1%</td>
<td>$8.03</td>
<td>5.7%</td>
</tr>
<tr>
<td>Physical Disabilities</td>
<td>80.4%</td>
<td>$9.13</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

MED Works Participants with Developmental Disabilities and Waiver Services

As shown in Table 4 there was an increase in the number of MED Works participants with earnings from sheltered work/habilitation in years from 2003 through 2005. Then there was a decrease in the number and percent of MED Works participants in 2006 and 2007. It appears that these changes coincide with changes to the Medicaid Waiver rules, particularly the cost-containment initiative implemented by the Bureau of Developmental Disabilities.

Table 4. Participants in MED Works Programs: All Disabilities

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Wages/ Salaries</th>
<th>Sheltered Workshop</th>
<th>Self Employment Net</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td>2003</td>
<td>53.0%</td>
<td>3,479</td>
<td>30.5%</td>
<td>1,999</td>
</tr>
<tr>
<td>2004</td>
<td>57.7%</td>
<td>5,077</td>
<td>26.0%</td>
<td>2,285</td>
</tr>
<tr>
<td>2005</td>
<td>60.5%</td>
<td>5,892</td>
<td>23.7%</td>
<td>2,312</td>
</tr>
<tr>
<td>2006</td>
<td>62.8%</td>
<td>5,795</td>
<td>19.9%</td>
<td>1,834</td>
</tr>
<tr>
<td>2007</td>
<td>63.7%</td>
<td>5,468</td>
<td>18.6%</td>
<td>1,600</td>
</tr>
</tbody>
</table>

The cost containment measures were intended to control the costs of Medicaid Waiver expenditures, and, in fact, did achieve that goal as Waiver expenditures decreased from $38.5 million dollars in 2004 to $17.6 million in 2007. However, it also appears that these Waiver policy changes may have had a significant impact on the number of individuals with Developmental Disabilities participating in MED Works. As shown in Table 5, the number of participants with developmental disabilities in the MED Works program decreased from 1,477 during FY 2005 to 838 in FY 2007, representing a 43 percent decrease in two years.
Table 5. MED Works Participants with Developmental Disabilities and Waiver Services

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of MED Works Participants with Developmental Disabilities</th>
<th>Percent of MED Works Participants with Developmental Disabilities</th>
<th>Number of MED Works Participants with Developmental Disabilities in Waiver Services</th>
<th>Total Waiver Costs for those with Developmental Disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2353</td>
<td>38.6%</td>
<td>986</td>
<td>$19,557,127</td>
</tr>
<tr>
<td>2004</td>
<td>2979</td>
<td>34.7%</td>
<td>1,430</td>
<td>$38,532,237</td>
</tr>
<tr>
<td>2005</td>
<td>3081</td>
<td>32.1%</td>
<td>1,477</td>
<td>$35,589,040</td>
</tr>
<tr>
<td>2006</td>
<td>2530</td>
<td>28.0%</td>
<td>967</td>
<td>$17,614,032</td>
</tr>
<tr>
<td>2007</td>
<td>2326</td>
<td>27.7%</td>
<td>838</td>
<td>$17,614,907</td>
</tr>
</tbody>
</table>

Indiana has however been able to reduce the waiting list for Medicaid Waiver services. There has been a gradual increase in Waiver recipients each year, from less than 7,000 Waiver recipients in 2003\(^8\) to nearly 10,000 Waiver recipients by year end 2007.\(^9\)

According to the Family and Social Services Administration changes are again being implemented with the Waiver program through the Objective Assessment System for Individual Supports (OASIS). The OASIS is in the pilot and implementation phase beginning April 2008 and will be fully implemented on July 1, 2008. OASIS will create a uniform way to fund Medicaid Waiver services, by basing funding on an individual assessment of each Medicaid Waiver consumer called the Individual Client and Agency Planning (ICAP). This assessment and other factors will be used to determine an individual budget for services of Medicaid Waiver consumers. Changes through OASIS will most likely affect the funding for employment services for MED Works in the future as well as hours worked and wages. Future evaluation of the impact of OASIS should be explored in 2009 and beyond to assess the impact of OASIS on MED Works.

**MED Works Participants with Physical Disabilities and Waiver Services**

The percent of MED Works participants with physical disabilities has been increasing as a percent of all participants since the program began as is shown in Table 6. The number of MED Works participants with physical disabilities who are receiving Waiver services increased to 478 in FY 2005 and then has dropped to 229 in 2007. The cost of Waiver services for those with physical disabilities dropped from a high of about $10.8 million in 2004 to about $3.7 million in FY 2007. The number of MED Works participants with Waiver services dropped by 236 individuals (from 465 in FY 2004 to 229 in FY 2007). Also, the cost of Waiver services for individuals with physical disabilities participating in MED Works also dropped by $7,104,452 (from $10,773,541 in FY 2004 to $3,669,089 in FY 2007).

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Table 6. MED Works Participants with Physical Disabilities and Waiver Services

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of MED Works Participants with Physical Disabilities</th>
<th>Percent of MED Works Participants With Physical Disabilities</th>
<th>Number of Participants With Physical Disabilities with Waiver Services</th>
<th>Total Waiver Costs for those with Physical Disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2161</td>
<td>35.7%</td>
<td>319</td>
<td>$5,550,953</td>
</tr>
<tr>
<td>2004</td>
<td>3208</td>
<td>38.6%</td>
<td>465</td>
<td>$10,773,541</td>
</tr>
<tr>
<td>2005</td>
<td>3819</td>
<td>40.8%</td>
<td>478</td>
<td>$9,973,280</td>
</tr>
<tr>
<td>2006</td>
<td>3871</td>
<td>43.4%</td>
<td>308</td>
<td>$4,845,286</td>
</tr>
<tr>
<td>2007</td>
<td>3620</td>
<td>43.6%</td>
<td>229</td>
<td>$3,669,089</td>
</tr>
</tbody>
</table>

The reduction in the number of MED Works participants with physical disabilities (236) with Waiver services divided into the reduction in the cost of Waivers ($7,104,452) for those with physical disabilities is about $30,000. This could mean further analysis is needed to determine if those with physical disabilities with very high Waiver costs are those primarily impacted by changes in Waiver policies.

There are changes that have taken place in Waiver policies that impact persons with physical disabilities. Further analysis will be needed to determine the relationship between the changes in Waiver policies and the participation in the Indiana MED Works program by persons with physical disabilities. Specifically, it will be necessary to determine the impact of changes in policies regarding the provision of Personal Assistance Services (PAS) on the ability of individuals with physical disabilities to work and participate in the Indiana MED Works program.

**MED Works Participants with Mental Illness**

About one-fourth of MED Works participants in Indiana have a diagnosis of mental illness and that percentage has not changed significantly since the program began. The primary change over the five years of the program for persons with mental illness is the decrease in the use of Medicaid funds for prescription drugs. This coincides with the implementation of the Part D Medicare Prescription Drug program in 2006.

Table 7 shows that the percent of MED Works participants with mental illness who have Medicaid-funded prescription drugs costs dropped from 90.2% in FY 2005 to 66.4% in FY 2007. The cost for Medicaid for prescription drugs dropped from about $7.7 million in FY 2005 to $2 million in FY 2007.
Table 7. MED Works Participants with Mental Illnesses Prescription Drugs Usage FY 2003 – 2007

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of MED Works Participants with Mental Illness</th>
<th>Percent of MED Works Participants with Mental Illness</th>
<th>Percent of MED Works Participants with Mental Illness with Medicaid Prescription Drugs</th>
<th>Medicaid Prescription Drug Costs for MED Works Participants with Mental Illness</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1537</td>
<td>25.4%</td>
<td>88.8%</td>
<td>$3,121,055</td>
</tr>
<tr>
<td>2004</td>
<td>2131</td>
<td>25.6%</td>
<td>89.3%</td>
<td>$5,972,021</td>
</tr>
<tr>
<td>2005</td>
<td>2449</td>
<td>26.2%</td>
<td>90.2%</td>
<td>$7,694,530</td>
</tr>
<tr>
<td>2006</td>
<td>2504</td>
<td>28.1%</td>
<td>86.1%</td>
<td>$5,125,004</td>
</tr>
<tr>
<td>2007</td>
<td>2349</td>
<td>28.3%</td>
<td>66.4%</td>
<td>$2,044,961</td>
</tr>
</tbody>
</table>

Examples of Other Issues for Continued Analysis

This analysis poses a number of additional questions that the MIG grant may want to explore of the MED Works participants and their characteristics, increases in earnings, and other factors that may contribute to the effectiveness of the MED Works program. Some Preliminary questions are outlined below.

Characteristics of MED Works Participants Not Eligible for SSDI

What is the reason that a higher percent of those who did not previously have Medicaid eligibility prior to their participation in the MED Works program are those with physical disabilities?

1. Are they individuals who also do not have SSDI benefits?
2. Are they individuals receiving SSDI but are in their two year waiting period for Medicare?
3. Were they working with a significant disability but were without health insurance?
4. Are they more likely to be referred to MED Works by state VR counselors as part of their rehabilitation plan?

Increases in Earnings Levels by MED Works Participants

From FY 2004 to FY 2007 the average earnings levels for MED Works participants with salary or earnings increased from an average of $7.42 to $8.70 an hour. This is a 17 percent increase in five years. The amount earned per month worked increased from $594.96 to $828.20 a month in those same five years which is a 39 percent increase in monthly income.

4. What has contributed to these significant increases?
5. Are there differences among the service providers which can be determined?
6. What can be learned from this that may contribute to reducing barriers to employment by persons with disabilities?
Conclusion

This analysis, requested by the Medicaid Infrastructure Grant sought to accomplish two primary goals. First, to identify the number of individuals who are eligible for Medicaid protection under Section 1619a of the Social Security Act who may not be afforded this federal protection; secondly, to understand how the MED Works program has been used to support employment of participants. A number of findings of three primary populations (Developmental Disabilities, Mental Illness and Substance Abuse, and Physical Disabilities) were developed, and these findings lead to additional questions.

As the project continues it will be essential to continue to review and analyze the impact and effectiveness of service delivery systems for a particular population. The necessity is to:

1. Identify barriers
2. Analyze data which indicates it is a barrier and
3. Develop findings and recommendations to reduce the barriers

At the direction of the Office of Medicaid Policy and Planning and the Medicaid Infrastructure Grant, these questions will be developed and further analysis will be conducted between April and October 2008.

Within this report are some plausible explanations for the discrepancy between the federal and state records of Section 1619 work incentive provisions. This information may provide guidance to the Family and Social Services Administration on any administrative changes that need to be made to ensure working individuals are receiving adequate healthcare supports through Medicaid and the 1619 work incentives.

Information about the changes in participation in the MED Works program including enrollment and earnings by disability category was described from 2003 through 2007. This information can be useful as the Family and Social Services Administration continues with service changes and implementation of healthcare supports and employment programs for individuals with disabilities.
## Appendix A
**Summary Review of the Data**
Prepared by Allen Jensen - March 27, 2008

<table>
<thead>
<tr>
<th>Developmental Disabilities</th>
<th>Mental Illnesses</th>
<th>Physical Disabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Previous Medicaid Eligibility</strong></td>
<td>75% in Eligibility category D – Disabled</td>
<td>16% not previously in Medicaid</td>
<td>Not differentiated by disability category</td>
</tr>
<tr>
<td><strong>2. Frequency of Moving In and Out of MED Works Eligibility</strong></td>
<td>DD has highest number of months in a year that are in MED Works Average of 5 years 8.66 months a year</td>
<td>MI has lowest number of months in a year that are in MED Works Average of 5 years 6.882 months a year</td>
<td>Physically disabled have an average of 7.042 months in MED Works a year</td>
</tr>
<tr>
<td><strong>3. Number of MED Works Participants in Year</strong></td>
<td>FY 2005 3081</td>
<td>FY 2005 2449</td>
<td>FY 2005 3819</td>
</tr>
<tr>
<td><strong>3. Total Medicaid Costs</strong></td>
<td>FY 2005 $113 m</td>
<td>FY 2005 $24 m</td>
<td>FY 2005 $46.8 m</td>
</tr>
</tbody>
</table>

10 Different numbers of MED Works participants in Table in FYDim
### 5. Categories of Medicaid Costs

**Table: CosRollFYDim**

<table>
<thead>
<tr>
<th>Year</th>
<th>ICF-MR</th>
<th>Waiver services</th>
<th>Prescription drugs</th>
<th>Mental Health services</th>
<th>Inpatient services</th>
<th>Outpatient services</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2005</td>
<td>59.8%</td>
<td>31.5%</td>
<td>6.4%</td>
<td>0.6%</td>
<td>-2%</td>
<td>1%</td>
</tr>
<tr>
<td>FY 2007</td>
<td>59.8%</td>
<td>31.5%</td>
<td>6.4%</td>
<td>0.6%</td>
<td>-2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### 6. Participation in Medicaid Waivers

**Table: CosRollFYDim**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2005</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,477</td>
<td>838</td>
</tr>
</tbody>
</table>

### 7. Cost of Waivers

**Table: CosRollFYDim**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2005</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$35.6M</td>
<td>$17.6M</td>
</tr>
</tbody>
</table>

### 8. Average cost of Waiver services

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2005 Monthly</th>
<th>FY 2007 Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,234.70</td>
<td>$843.26</td>
</tr>
<tr>
<td></td>
<td>$14,816.40</td>
<td></td>
</tr>
</tbody>
</table>