Evaluation of MED Works Program  
Final Data Summary Report  

Prepared for  
Indiana Medicaid Infrastructure Grant  

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Introduction:

In 2008, the Medicaid infrastructure Grant funded three reports to evaluate Indiana’s Medicaid Buy-In (the MED Works program) and other Medicaid barriers to employment. Three reports were compiled by the Indiana Medicaid and Employment Evaluation Team, which included: principal investigator, Allen Jensen of the Center for Health Services Research and Policy of George Washington University, Becky Banks, Center on Community Living and Careers, Indiana Institute on Disability and Community at Indiana University, and Richard Van Dyke (providing state data and analysis) of the Office of Medicaid Policy and Planning, Family and Social Services Administration.

This final report provides additional data (compiled by Richard Van Dyke) which were not addressed in the first three reports. The data will be useful in guiding the questions of the MED Works evaluation that is underway in 2009.

Summary of 2008 Indiana Medicaid and Employment Evaluation:

Three reports were compiled and submitted to the Office of Medicaid Policy and Planning in 2008 with the final report submitted in January 2009. A brief summary of each report is described below.

The first interim report, submitted April 2, 2009, addressed employment data for individuals in three categories of disability (physical disabilities, psychiatric disabilities and developmental disabilities) and examined the types of employment setting (wage employment, sheltered workshops and self employment). This report also evaluated the utilization of Section 1619a and 1619b Medicaid protection under the provisions of the Social Security Act¹. A summary of the findings in the first report indicate the following:

- There was a discrepancy in the data between the Social Security Administration’s (SSA) records of Section 1619 recipients and Indiana’s records of 1619 Medicaid recipients. This is most likely due to the process of state workers having to recognize information on

¹ [http://www.socialsecurity.gov/OP_Home/ssact/title16b/1619.htm](http://www.socialsecurity.gov/OP_Home/ssact/title16b/1619.htm) describes the provisions for Section 1619 under the Social Security Act.
1619b sent to the state data exchange and hand enter the data received by SSA into the Indiana Client Eligibility System (ICES).

- Regarding MED Works, there was a gradual increase in MED Works participants between FY 2003 (6,051 enrollees) through FY 2007 (8,295 enrollees).

- Of the three groups examined, there were variations in the average level of earnings and participation in the MED Works program. Individuals with developmental disabilities remained in the program for the longest number of months, but had lower earnings on average, followed by individuals with psychiatric disabilities in number of months participating and level of earnings. The highest earners were individuals with physical disabilities with the shortest length of participation in MED Works. Detail about the variations of earnings and participation can be found in the April 2008 report.

- There were changes in the level of participation and MED Works expenditures between 2003 and 2007. These changes are explained in part by changes in the Medicaid Waiver program and changes through the implementation of the Medicare Prescription Drug Program, which was implemented in 2006.

- One of the most promising findings of the April 2, report was that there was an overall gradual (39% increase) in the amount of earnings per month for individuals participating in MED Works over a five-year period (FY 2003-2007).

The second report (developed on October 23, 2008) further evaluated and addressed the previous findings in detail to confirm earnings and participation in the MED Works program. When comparing average annual earnings by disability category, type of employment (sheltered employment, wages and salaries, and self-employment) and types of supportive services (including Medicaid Waivers), the following was confirmed for FY’s 2003-2007:

- Individuals with physical disabilities who were not receiving Waiver services were the highest earners in the MED Works program; and, the greatest percentage of increase in the MED Works program were for this group of individuals.

- Individuals with developmental disabilities who were not receiving Waiver services had the highest percentage of increase in earnings.

- There was a 39% decrease in the cost per member per month for MED Works participants with psychiatric disabilities who were not receiving waiver services.

These findings raised some question as to what factors influence employment outcomes for Waiver participants. Are the findings above explained by the severity of the disability for individuals receiving Waiver services or by other factors? The study in 2009 will attempt to understand this.
The third report, submitted to the Office of Medicaid Policy and Planning on January 19, 2009, summarized data in relation to the 2007 enrollees in MED Works. Because many MED Works members move in and out of the program (when employed or not employed), it was important to explore the status of MED Works participants within a fiscal year July 1, 2006 through June 30, 2007). A total of 8,457 individuals were enrolled in MED Works for at least one month during the year, however at the end of the fiscal year, there were 4,667 enrollees.

- In 2007, 2,172 individuals left MED Works rolls and moved to other Traditional Medicaid programs, and another 865 individuals left the Medicaid rolls entirely.
- According to the data provided by the Office of Medicaid Policy and Planning, 62% of MED Works participants are also receiving Social Security Benefits; however 35% of the MED Works participants have never received Social Security Benefits.
- There may be influences in the enrollment of MED Works by service providers (including vocational rehabilitation services providers, mental health centers, Benefits Information Network, Community Work Incentive Coordinators or others who support individuals with disabilities in employment).

**Purpose of this Report**

This report summarizes additional data found through the 2008 evaluation, and provides a graphic depiction of MED Works participation, transitions on and off the MED Works program, per member per months costs of MED Works participants, and employment data, including earnings and hours worked. Charts and data about the MED Works program that have not been provided in previous reports are summarized graphically in this report.

When the MED Works program was conceptualized, it was intended to create a Medicaid work incentive for individuals who would lose Medicaid as their source of healthcare coverage due to earnings, or those who could not afford to keep Medicaid because of an increase in spend-down resulting from earned income. Advocates for the program attested that the program would be fiscally neutral, in that the majority of MED Works participants would most likely be eligible for Medicaid Assistance. For the most part, this is confirmed by the data provided by the Office of Medicaid Policy and Planning. Since 2003, MED Works has been more highly populated by existing Medicaid disabled members. The majority of MED Works participants (79%) were already Medicaid members prior to enrollment in MED Works. Seventy-five percent were MA D members prior to enrollment in MED works, while another 4% were enrolled in other Medicaid assistance categories prior to enrollment in MED Works. Over 65% of MED Works enrollees had previously been on Medicaid for over a year or more. The average number of months of enrollment in any Medicaid category of assistance is as 74.6 months.

**Participation in MED Works**

MED Works is a sub-category of Medicaid Assistance for the Disabled (MA D) and is referred to as MAD W in the Indiana Client Eligibility system (ICES). There has been a gradual increase in overall enrollment for disabled individuals receiving Medicaid assistance since 2003, and
there has been an increase in enrollment in the MED Works program as well. Chart 1 indicates the increase in enrollment in Medicaid and MED Works.

Chart 2 indicates the penetration rate of MED Works enrollees of all Medicaid members between the ages of 16-64 between the timeframes evaluated (July 2002 through June 2007). The Chart indicates a peak in enrollment in December 2004, meaning that of all Medicaid working-aged disabled individuals, 5.7% were MED Works participants, decreasing to 4.3% by June 2007.
The cause of the decrease in MED Works participation is unknown at this time. Further evaluation is needed to assess if this is a result of a decrease in employment rates (data for employment rates would need to be compared with Vocational Rehabilitation and Workforce Development data). Other factors to explore further are changes in waiver services (as discussed in the April report) or a result of state efforts to ensure individuals are appropriately enrolled in MED Works or other programs such as Section 1619 Medicaid continuation under the Social Security Act provisions.

**Participation in MED Works by Disability Population**

To understand who participates in the MED Works program, the evaluators broke down the population of MED Works enrollees into three basic populations (developmental disabilities, mental illness/substance abuse and physical disabilities. Individuals with developmental disabilities had an average of 97 months of enrollment in Medicaid; individuals with mental illness had an average of 69 months enrollment in Medicaid, and individuals with physical disabilities had an average of 54 months of enrollment in Medicaid.

There is however, some “churning” of the participation in MED Works, meaning that individuals transitioned in and out of MED Works depending on their participation in employment. Individuals tend to move in and out of the program based on participation in employment. Chart 3 shows the rate of transitioning on or off the MED Works program by disability population. Note that a large number of individuals with developmental disabilities left the MED Works program in 2004, which coincides with the changes in the Medicaid Waiver program, particularly the effort for cost-containment in the Waiver program.
Costs of MED Works Participants by Disability Category

One primary question is the overall costs of MED Works participants. Individuals with developmental disabilities consistently appear to have the highest per member per month costs to the program. This may be explained by the service and support needs of these members.

Chart 4 illustrates per member per month costs by each population (developmental disabilities, mental illness and physical disabilities). Of note is that costs decreased for individuals with mental illness and physical disabilities after 2006, which may explained in part by the start up of the Medicare Part D prescription drug program. This added federal coverage for Medicare eligible individuals affected the population with mental illness the most, with 26% of their total Medicaid costs due to pharmacy. For people with physical disabilities, 19% of their total Medicaid costs were due to pharmacy; and for individuals with developmental disabilities, 5% of their total Medicaid costs were due to pharmacy. Therefore, the federal Medicare Part D Prescription Drug program has alleviated the costs to Medicaid and MED Works expenditures.
For individuals with dual diagnosis (namely developmental disabilities and a co-occurring mental illness or physical disability), the per member per month costs are higher than those with a single diagnosis are. Chart 5 illustrates the per member per month cost of MED Works participants with dual diagnosis.
Two other factors that appear to attribute to the high cost for MED Works members were residing in Intermediate Care facilities for the Mentally Retarded (ICF/MR) and Medicaid Waiver expenditures. Individuals residing in ICF/MR facilities account for 49% of all costs for MED Works members, although this group of individuals is only 9% of the total population. Individuals receiving Waiver services, which is 18% of the total population, account for 26% of the MED Works expenditures.

MED Works and Increase in Earnings

MED Works appears to have been successful in increasing employment outcomes and earnings of individuals with disabilities. Chart six shows the average annual earnings by the MED Works program and type of disability (developmental disabilities, mental illness, and physical disabilities) compared to other Medicaid categories of working individuals. As can be seen in Chart 2, MED Works members with physical disabilities had the highest followed by MED Works members with mental illness, and MED Works members with developmental disabilities.
having the lowest earnings. However, all populations had an increase in earnings when participating in the MED Works program over the first five years of the program, an overall 87% increase in average net earnings.

Most of the earnings improvement was due to increased hours worked and the increase in earnings per hour. Individuals with physical disabilities had a 48% increase in hours worked and a 24% increase in earnings per hour. Individuals with developmental disabilities had an increase in hours worked by 47% and earnings per hour increased by 23%. Individuals with mental illness had an increase in hours worked by 33% and earnings per hour by 16%.

Over the five years evaluated, 85% of earnings were a result of wages and salaries; 9% of earnings were a result of self-employment, and 20% of earnings were a result of sheltered work. The average wage and salary rate of pay was $8.12 per hour, while the average rate of pay in sheltered work was $3.12 per hour. Overall, for all three populations evaluated showed at least a 50% improvement in average earnings between FY 2003 through FY 2007.

Conclusion

This report evaluated the participation in the MED Works program by disability population, average costs per member per month and changes in earnings and hours worked. The MED Works program provides an incentive to all disability populations to work and increase earnings per hour and hours worked.
Findings that were consistent in all of the 2008 data and in this evaluation indicate that individuals with developmental disabilities have the highest per member per month costs, yet the lowest level of earnings. There is indication that a high number of participants in MED Works over time are those with developmental disabilities.

This data developed in 2008 does not account for the severity of disability across any of the populations; it would be beneficial to classify MED Works participants based on severity of the disability to understand further the costs and benefits of MED Works supporting employment. Many other factors attribute to success in employment. These factors may include the nature of employment supports and other programs and services provided to MED Works members. In the future, an evaluation of MED Works compared to employment-related supports would be useful in determining employment outcomes in Indiana.

The next steps for the MED Works and Employment Supports evaluation will involve:

1. Verifying the data of MED Works members’ average monthly Medicaid costs to understand if there are changes when MED Works members are working versus not working. In conjunction, verifying all other state data previously provided regarding MED Works Participation and provided on the evaluation of this project, to validate findings;
2. Conducting surveys and gathering qualitative data to identify the primary ways that adults with disabilities receive information about, or referral to the MED Works program. There is a lack of information on how individuals are informed about the MED Works program, what level of information they receive and who provides this information to MED Works participants. Surveys will be distributed among various provider groups (such as the Benefits Information Network, VRS counselors, providers or state personnel to understand how individuals are informed of MED Works and the work incentives offered through the program;
3. Collecting and analyzing both quantitative and qualitative data to answer the questions of referral to MED Works and the type and amount of information individuals receive. A report with findings will be submitted by the fall of 2009; and,
4. Conducting a study determine the most effective services and practices that have resulted in improvements in employment outcomes for persons with disabilities are participants in the Indiana MED Works program. It is possible that employment supports and services or programs provided to MED Works members may influence outcomes of MED Works Participants.

These last data elements will be useful in understanding the efficacy of the MED Works program.