WORKING HEALTHY
Making health care work

Policy Brief

UNIVERSITY OF KANSAS MEDICAID INFRASTRUCTURE CHANGE EVALUATION PROJECT

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Working Healthy Participants: Earning More & Costing Less

By Jean P. Hall, Ph.D. and Noelle K. Kurth, M.S.

INTRODUCTION

The Kansas Medicaid Buy-In program, *Working Healthy*, was implemented in July of 2002 with the goal of providing an incentive for Kansans with disabilities to work or work more. To do so, *Working Healthy* allows Kansans with disabilities to maintain Medicaid coverage even if their earnings and assets exceed those generally allowed by Medicaid, with the requirement of paying a premium for that coverage when countable income exceeds 100% of the federal poverty level. When the program started, advocates, providers, policy makers and consumers all hoped that enrollees would earn more, and thus pay more taxes. Some people were concerned, however, about the cost of expanding Medicaid to an additional group of people.

This Policy Brief summarizes research findings about the earnings, taxes paid, and Medicaid expenditures of people enrolled in *Working Healthy* using recently published data (Kurth, Fall, & Hall, 2008). In a nutshell, participants' earnings increased, as did the amounts of taxes and premiums they paid, while Medicaid costs per person decreased over time.

DATA

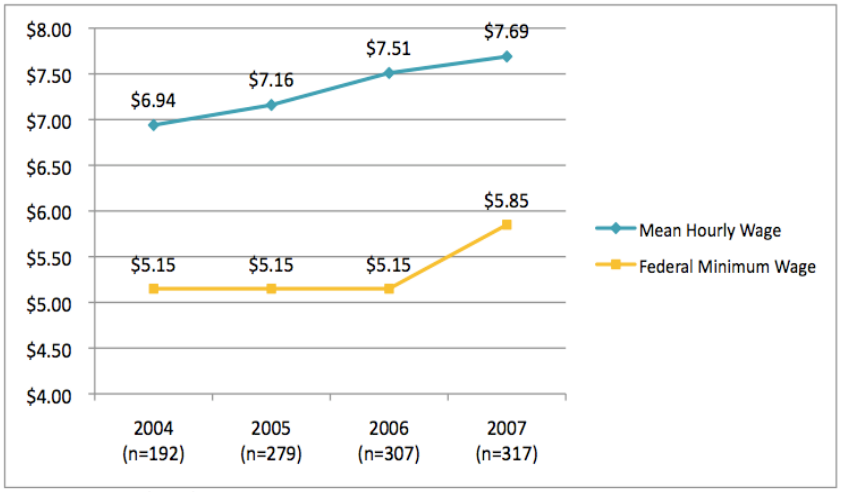
Both administrative data and self-reported survey data were used to look at trends in earnings and medical expenditures. University of Kansas evaluation staff has conducted annual Satisfaction Surveys with *Working Healthy* participants since the program's inception, allowing for repeated measures of self-reported income levels. In addition, aggregated data from the Kansas Department of Revenue were used to track adjusted gross income and Kansas taxes paid by individuals continuously enrolled in *Working Healthy*. Finally, Medicaid and Medicare claims data from the Kansas Medicaid Management Information System (MMIS) and the federal Centers for Medicare and Medicaid Services (CMS) were used to analyze per person expenditure trends over a four year period.

In a nutshell, participants' earnings increased, as did the amounts of taxes and premiums they paid, while Medicaid costs per person decreased over time.

FINDINGS

Since 2004, the Satisfaction Survey has queried respondents about their hourly wage. The mean self-reported hourly wage from 2004 through 2007 consistently increased from $6.94 to $7.69 (see Figure 1), well exceeding the federal minimum wage. To further understand earnings trends, an analysis of income taxes paid by people who remained continuously enrolled in *Working Healthy* from 2004 through 2007 is presented in Figure 4; this analysis is based on Kansas Department of Revenue aggregate income and tax data for this sub-group of *Working Healthy* enrollees. In general, people who remain enrolled in *Working Healthy* demonstrate consistent increases in income and the amount of state income taxes

Figure 1: Mean Hourly Wage Earned by *Working Healthy* Enrollees, Self-Reported by Year



Kurth, Fall, & Hall (2008).
Data Source: Annual *Working Healthy* Program Satisfaction Surveys

has allowed them to increase earnings and independence in addition to having the opportunity to pay taxes and premiums that offset some of their costs to Medicaid. Numerous studies (e.g., Lynch, Kaplan & Shema, 1997) have demonstrated the relationship between poverty and poor health status. The work presented here shows that, as Kansans with disabilities work more and earn more, their health status may indeed improve, as reflected in decreased medical expenditures.

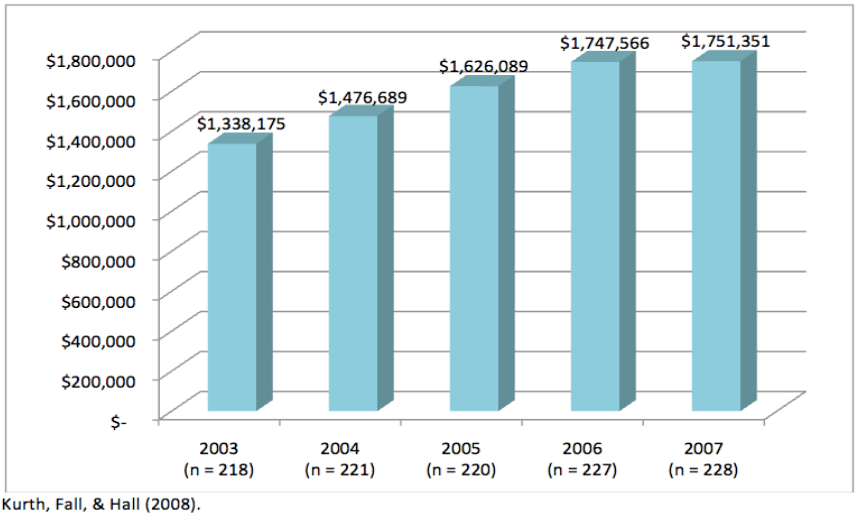
they pay. Because their earnings are increasing, the percentage of *Working Healthy* enrollees who pay a premium and the average premium paid have also trended upward. In 2007, about 70% of enrollees paid premiums, averaging $73.20 per month.

Even as their contributions to state revenues increased, medical expenditures for the same group of individuals continuously enrolled in *Working Healthy* decreased. Adjusting for inflation, Medicaid expenditures per person per month for this group declined over time, dropping 45% from 2004 to 2007 (see Figure 5). In addition, *total* medical costs, i.e., Medicaid and Medicare combined, also declined.

DISCUSSION

When the Ticket to Work/Work Incentives Act (P.L. 106-170) was passed in 1999, establishing an option for states to implement Buy-In programs, one congressional finding listed in the law was that "For individuals with disabilities, the fear of losing health care and related services is one of the greatest barriers keeping the individuals from maximizing their employment, earning potential, and independence." For participants in *Working Healthy*, access to Medicaid

Figure 2: Aggregate Federal Adjusted Gross Income (AGI) of Continuously Enrolled *Working Healthy* Enrollees, 2003-2007



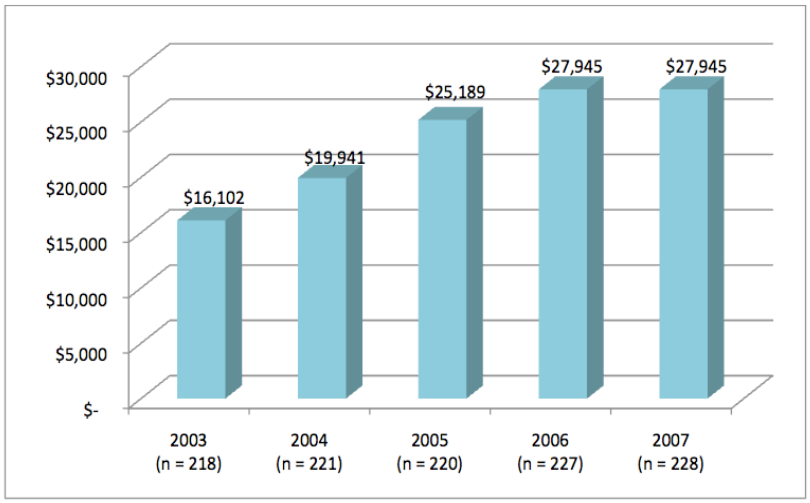
Kurth, Fall, & Hall (2008).
Data Source: Kansas Department of Revenue Income Tax Data

REFERENCES

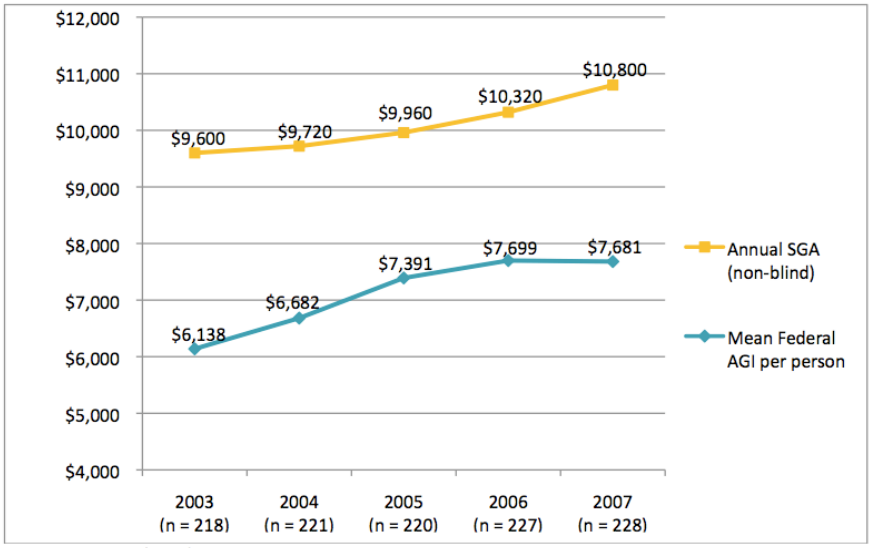
Kurth, N.K., Fall, E.C. , & Hall, J.P. (2008). Working Healthy Data Chartbook: Evaluation of the Kansas Medicaid Buy-In 2002-2007. Lawrence, KS: University of Kansas Center for Research on Learning. Online: http://www.workinghealthy.org/downloads/WorkingHealthyDataChartbook_Jan09.pdf

Lynch J, Kaplan G, Shema, S. Cumulative impact on sustained economic hardship of physical, cognitive, psychological and social functioning. New England Journal of Medicine 1997;337(26):1889-1895.

Figure 3: Aggregate Kansas State Income Taxes Paid by Continuously Enrolled *Working Healthy* Enrollees, 2003-2007



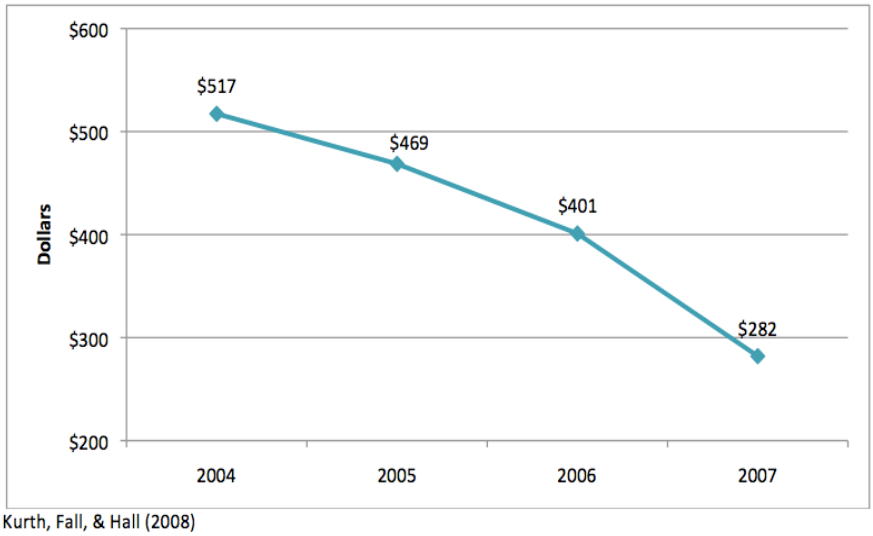
Kurth, Fall, & Hall (2008)
Data Source: Kansas Department of Revenue Income Tax Data



Kurth, Fall, & Hall (2008).
Data Source: Kansas Department of Revenue Income Tax Data

Figure 4: Mean Federal Adjusted Gross Income of Continuously Enrolled *Working Healthy* Enrollees Compared to Annual Substantial Gainful Activity (SGA), 2003-2007

Figure 5: Total Medicaid Inpatient and Outpatient Expenditures for Continuously Enrolled *Working Healthy* Participants, per Member per Month, 2004-2007 (n = 254)



Kurth, Fall, & Hall (2008)
Data Source: Kansas Medicaid Management Information System (MMIS)
Note: Expenditures were adjusted to 2007 prices using the Consumer Price Index for medical care.

WORKING HEALTHY

University of Kansas
Medicaid Infrastructure Change Evaluation Project
CRL, Division of Adult Studies
Joseph R. Pearson Hall
1122 West Campus Road, Room 521
Lawrence, KS 66045-3101
1-785-864-7085

Return service requested

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Additional copies and copies in alternate formats are available upon request by calling 1-800-449-1439 or e-mailing the Project Coordinator at pixie@ku.edu

KU Research Team
Jean P. Hall, Ph.D., Principal Investigator
Noelle K. Kurth, M.S., Project Coordinator
Shawna Carroll & Emily Fall, Graduate Research Assistants
Emily Tonsfeldt, Student Assistant

Kansas Health Policy Authority
Mary Ellen O'Brien Wright, Senior Manager
Nancy Scott, Program Manager