

## ***Who Are the Top Earners in the Medicaid Buy-In Program?***

By Gilbert W. Gimm, Henry T. Ireys, and Caitlin Johnson

**T**he Medicaid Buy-In program is a key component of the federal effort to make it easier for people with disabilities to work without losing health benefits. Authorized by the Balanced Budget Act of 1997 (BBA) and the Ticket to Work and Work Incentives Improvement Act of 1999 (the Ticket Act), the Buy-In program allows states to expand Medicaid coverage to workers with disabilities whose income and assets would ordinarily make them ineligible for Medicaid. To be eligible for the Buy-In program, an individual must have a disability (as defined by the Social Security Administration) and earned income, and must meet other financial eligibility requirements established by states. States have the flexibility to customize their Buy-In programs to their unique needs, resources, and objectives. As of June 30, 2006, 33 states reported covering 75,443 individuals in the Medicaid Buy-In program.

*This issue brief, the third in a series on workers with disabilities, describes the characteristics of the top 10 percent of all earners in the Medicaid Buy-In program in 2004.*

In 2004, the top 10 percent of all earners in the Buy-In program made at least \$16,205 annually, or \$25,231 on average.<sup>1</sup> That average amount is equal to 271 percent of the 2004 federal poverty level. In contrast, average earnings for the remaining 90 percent of Buy-In earners was just \$5,248. That difference has captured the attention of federal and state policymakers who would like to see workers with disabilities use the program as a springboard to sustained employment, which was one of its original purposes.

Who are these top earners? How do they differ in age and race from other Buy-In participants? Do they participate in other federal disability programs? How do states vary in terms of the prevalence of top

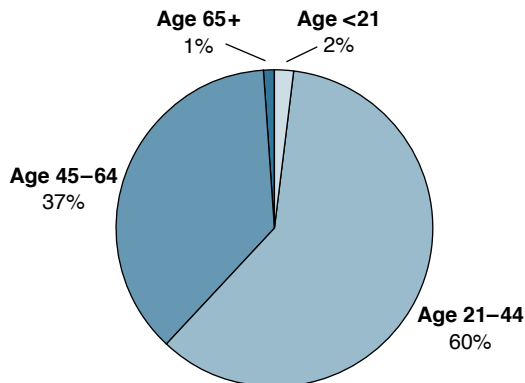
earners, and what, if anything, does this variation say about program design? For policymakers, the answers to these questions will help to shape the future of the Buy-In program and may enable modifications that broaden its reach to more workers with disabilities.

### **Age and Race Characteristics**

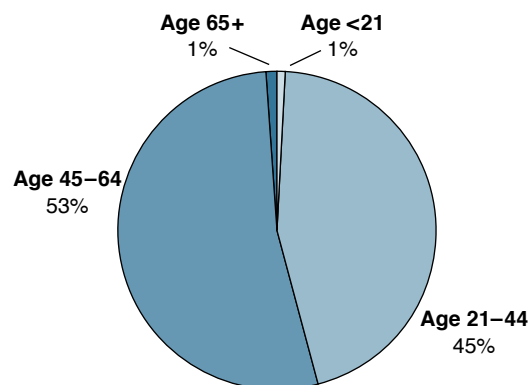
In 2004, top earners were typically younger than Buy-In participants overall (Figure 1a, 1b). Sixty percent of top earners were 21 to 44 years old, whereas just 37 percent were 45 to 64 years old. The younger group, however, accounts for only 45 percent of all participants, while the older group accounts for 53 percent of all participants. Some of this variation may be explained by such factors as severity of disability, prevalence of co-morbidities, or personal expectations and attitudes toward work.

<sup>1</sup>The top 10 percent of the earnings distribution is applicable to Buy-In participants with positive earnings only.

**Figure 1a. Age Distribution of Top Earners, 2004 (n=6,254)**



**Figure 1b. Age Distribution of All Buy-In Participants, 2004 (n=94,963)**



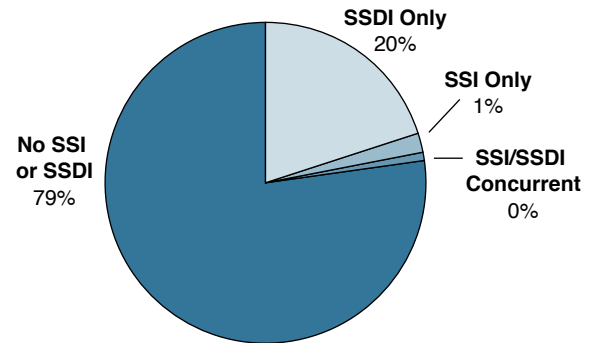
Source: Buy-In enrollment information from 27 states

Although nonwhites accounted for about 20 percent of Buy-In participants overall, they made up almost twice that share among top earners (38 percent). This is similar to the percent of nonwhites in the Medicaid population overall. Thirty-nine percent of nonwhites are enrolled in Medicaid, compared to 25 percent of whites (Rosenbaum 2003).

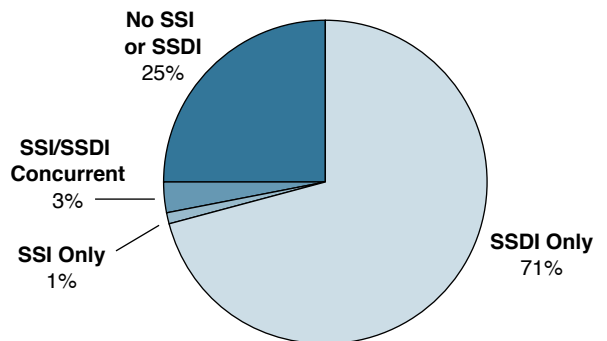
### Prior SSDI and SSI Participation and Type of Impairment

Compared with all Buy-In participants, top earners were less likely to have received payments from the Supplemental Security Income (SSI) or Social Security Disability Income (SSDI) programs in the year before enrolling in the Buy-In program. In fact, nearly 79 percent of top earners did not receive federal disability benefits in the year before they enrolled (Figure 2a, 2b).

**Figure 2a. Prior Participation in SSDI and SSI Among Top Earners, 2004**



**Figure 2b. Prior Participation in SSDI and SSI, All Buy-In Participants, 2004**



Source: Buy-In enrollment information from 27 states linked with SSA's Ticket Research File

While more than 70 percent of all Buy-In participants received an SSDI payment in the year before they enrolled, only 20 percent of top earners did so. This finding is consistent with expectations because SSDI is not open to individuals whose monthly earnings exceed the substantial gainful activity (SGA) level, defined in 2004 as \$9,720 per year for nonblind individuals (\$810 per month). SSI beneficiaries who want to work are less likely to use the Buy-In program because they are eligible for continued Medicaid coverage through Section 1619(b) even when their earnings exceed the SGA level.<sup>2</sup>

Since most top earners had no history of prior SSI or SSDI participation, we could not use SSA records to identify the specific disabling condition that made most of the top earners (62 percent) eligible for the Buy-In program. Thus, the information on impairment type for most top earners was not available.

<sup>2</sup>See Davis and Ireys (2006) for a description of the 1619(b) provision in relation to the Buy-In program.

### State-to-State Prevalence of Top Earners

States have some flexibility in designing their Buy-In programs, and their choices appear to have affected the prevalence of top earners. Figure 3 shows the percent of Buy-In participants with at least \$16,205 in annual earnings per state.

In only two states were more than 15 percent of participants classified as top earners in 2004. South Carolina and Massachusetts had the greatest share of top earners (30 percent and 23 percent, respectively), but they reached that point in different ways. South Carolina has routinely encouraged Buy-In applicants with low earnings (less than \$810 per month) to consider the SSI program instead (Ireys, Davis, and Andrews 2007), thus creating a pool of Buy-In participants with higher average earnings. Massachusetts also created a pool of participants with a relatively high income, but it did so by omitting an income and an asset limit from its program.<sup>3</sup> Thus, one state set the stage for top earners in its Buy-In program by establishing an “income floor,” and the other, by removing an “income ceiling.”

<sup>3</sup>Massachusetts implemented its program under an 1115 Medicaid demonstration waiver, which means that the BBA and the Ticket Act guidelines do not apply.

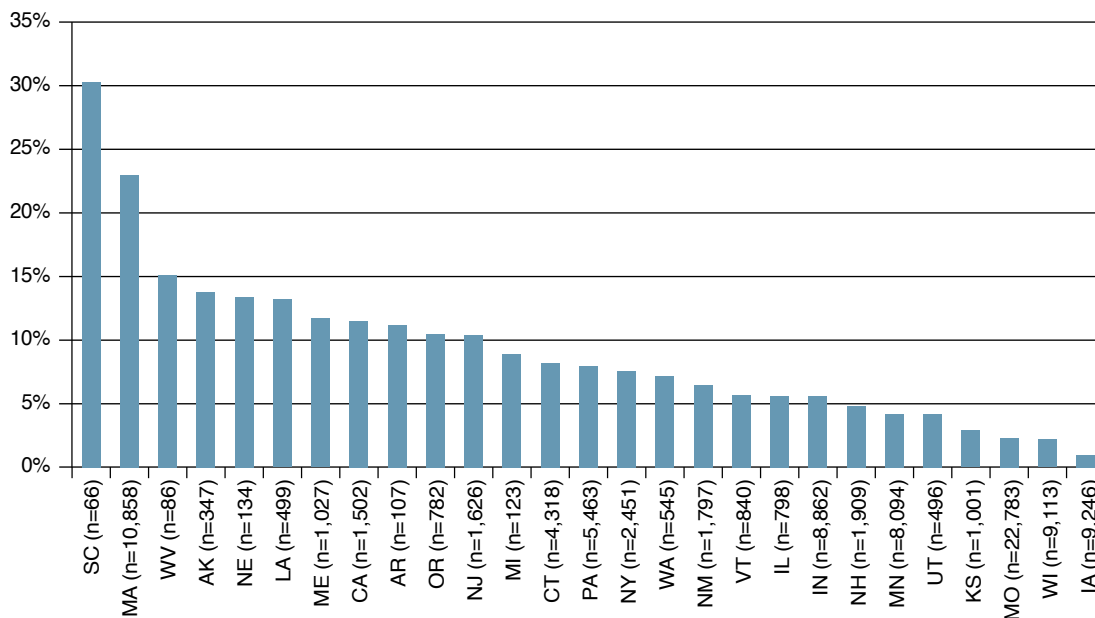
In addition to the income limit, other program features, such as asset limits, effectively reduce the pool of top earners. For example, Missouri (2 percent of top earners) had the most restrictive asset limit of any Buy-In program in the nation at \$1,000 per individual. In 2 of the 13 states with limits on combined income from individuals and spouses, no more than 4 percent of participants were top earners. Both Wisconsin (2 percent) and Iowa (1 percent) have a maximum limit at enrollment on individual and spousal income at 250 percent of the federal poverty level.

The impact of particular program features is most evident at the high and low ends of the spectrum presented in Figure 3, but in most states, many different factors work together to shape participant earnings. Although state income and asset limits as well as the treatment of spousal earnings affect the share of enrollees who are top earners, it appears that the interaction of these factors—not just one factor in particular—influences the number of top earners in state Medicaid Buy-In programs.

### Next Steps

As policymakers consider possible changes to the Buy-In program to help working-age adults with

**Figure 3. Top Earners as a Percent of Total Buy-In Enrollment per State, 2004**



Source: Buy-In enrollment information from 27 states linked with calendar-year earnings data from SSA’s Master Earnings File

## ABOUT THE DATA

Annual earnings data for this analysis are based on state enrollment records linked with the Social Security Administration's Master Earnings File (MEF), which contains information reported to the IRS on W-2 forms by all individuals ever enrolled in the Buy-In programs of 27 states in calendar year 2004. The database, constructed by MPR (Liu and Ireys 2006), was made possible through a broad interagency effort to build a comprehensive system for monitoring the employment, health care, and disability program participation of individuals with disabilities. In the analysis, 62,528 participants reported positive earnings, and 32,435 individuals reported zero earnings (34 percent). Individuals with disabilities who had zero earnings may not have filed a tax return.

disabilities enter or remain in the workforce, it is useful to understand the characteristics of top-earning participants in light of the state programs—including the combined influence of income limits, asset restrictions, and spousal income considerations. However, the complexities of the program and the varied experience of workers with disabilities suggest a broader discussion.

For instance, top earners in the Buy-In program in 2004 were more likely than participants overall to be young and nonwhite, and less likely to have participated in SSI or SSDI in the year before enrolling in the program. State policymakers should therefore examine what features of their particular program attract workers with these characteristics, and whether they wish to continue to focus their program—intentionally or not—on these individuals. Programs that attract younger workers with disabilities may have a greater long-term impact on employment than programs with a large proportion of older workers who may be retiring soon.

At the same time, policymakers should not lose sight of the program's broader goal: to promote employment opportunities for adults with disabilities who want to enter or increase their involvement in the workforce. For some individuals, working for even a limited number of hours can be a major step toward independence and can bring many non-financial benefits. Thus, the value of the Medicaid Buy-In program may extend far beyond the rewards spawned by earnings alone.

Upcoming issues in this series will focus on other strategies for monitoring the Buy-In program, including examining how earnings change over time in response to the program and Medicaid expenditures for selected groups of Buy-In participants.

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