

Legislative Analysis



EPIC REVISIONS

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House Bill 4179 as enrolled
Public Act 57 of 2004
Sponsor: Rep. Scott Shackleton

House Committee: Health Policy
Senate Committee: Health Policy

Second Analysis (4-12-04)

BRIEF SUMMARY: The bill would amend the Elder Prescription Insurance Coverage Act to change the nonrefundable administrative fee to a refundable fee and to clarify that residents of an adult foster care home, home for the aged, or assisted living facility would be eligible for the EPIC program.

FISCAL IMPACT: The bill has the potential to increase costs to the state, but would not increase expenditures above the appropriated level at the present time.

THE APPARENT PROBLEM:

Public Act 499 of 2000 replaced the senior prescription drug tax credit and the Michigan Emergency Pharmaceutical Program for Seniors (MEPPS) with the Elder Prescription Insurance Coverage program (EPIC). The EPIC program provides prescription drug coverage, including related supplies, to eligible seniors. Though not open for general enrollment at the present time, applications are being accepted for those needing help in an emergency; for example, when the medication needs for a sudden illness or injury exceeds the financial resources of low-income seniors.

Currently, a \$25 administration fee must accompany an application for the EPIC program. At the time the legislation that became PA 499 was being discussed, concerns were raised over the legislation's requirement that the fee be nonrefundable. Since many senior citizens are living on fixed incomes, the loss of the application fee was argued as being a hardship for those who were determined to be over the income eligibility threshold. Some people still believe that the application fee should be refunded if the applicant is determined to be ineligible.

In a separate matter, residents of "institutions" are not eligible for the EPIC program; however, that term is not defined in the Elder Prescription Insurance Act. Many seniors are residents in adult foster care homes, homes for the aged, or assisted living facilities. Though these facilities provide supervision and help with life activities such as dressing and bathing, they do not provide skilled nursing care. In fact, many of these facilities serve a very mobile population who prefer to purchase their own medications at their favorite pharmacy rather than have the medications supplied through the home or facility.

However, currently, residents of foster care homes, homes for the aged, and assisted living facilities are considered ineligible for participation in EPIC. Advocates for the elderly believe that the EPIC statute should be amended to allow residents of such facilities to qualify for EPIC.

MCL 550.2003

THE CONTENT OF THE BILL:

The bill would amend Section 3 of the Elder Prescription Insurance Act to specify that a refundable (instead of nonrefundable) administrative fee must be included with an application. Currently, the administrative fee is \$25. The bill would require that the fee be returned to an applicant who the Department of Community Health determined to be ineligible for the EPIC program.

In addition, to be eligible for the EPIC program, a person must, among other things, be a “noninstitutionalized Michigan resident” 65 years of age or older. The bill would clarify that for the purpose of determining eligibility for the program, an “institution” would be a facility in which an individual resided and received medical care through that facility, including prescription drugs. An institution could include a hospital; nursing home; convalescent center; mental health or psychiatric facility; or a jail, prison, or other correctional facility. However, an adult foster care home, home for the aged, or assisted living facility would not be an institution for purposes of determining eligibility for the EPIC program.

Further, the bill would specify that household income for the purpose of determining income eligibility for EPIC would be determined after excluding the business or farm expenses that are deductible for federal tax purposes. However, this would only apply to an owner of a sole proprietorship whose business had no more than one employee and less than \$200,000 in assets or the owner of a family-owned farm with less than \$200,000 in assets.

BACKGROUND INFORMATION:

The provisions of House Bill 4670 as passed by the House were rolled into enrolled House Bill 4179.

House Bill 4670 would have excluded an adult foster care home, home for the aged, or assisted living facility from being treated as an “institution” for purposes of determining eligibility for the EPIC program and would have excluded farm and business losses deducted under federal tax laws when determining income eligibility.

FISCAL INFORMATION:

The bill would potentially result in a small decrease in revenue available to finance the EPIC program due to the mandatory refunding of application fees to persons who are not

eligible for the program. According to the Department of Community Health, its current policy is to refund the \$25 fee to applicants who do not qualify for EPIC. Since the Department is currently refunding the fees, there would be no immediate fiscal impact.

In addition, the bill increases the number of persons who may qualify for EPIC by extending eligibility to senior citizens in adult foster care, home for the aged, and assisted living facilities who otherwise meet the program criteria. By excluding farm and business losses from consideration for financial eligibility purposes, some individuals may qualify for EPIC who otherwise would be ineligible. These changes would add to the potential number of seniors who could become eligible for the program and increase in expenditures. EPIC is not open for general enrollment at the present time, and only emergency applications are being accepted. As a result, program costs would not increase unless enrollment in EPIC is open to all persons who meet the program's eligibility requirements.

Thirty million of tobacco settlement revenue is appropriated for the EPIC program in FY 2003-04. In June of 2003, there were 13,368 persons enrolled in the EPIC program.

ARGUMENTS:

For:

The bill would amend the EPIC law so that the administrative fee submitted with an application would be refundable instead of nonrefundable. This is important because many seniors who apply to the EPIC program but are determined to be ineligible based on income are nonetheless living on fixed incomes and may not be able to afford high-priced medications. For seniors with low or moderate incomes, even \$25 can seem like a lot of money and therefore may discourage some from applying for fear of losing it.

Response:

The Department of Community Health is already refunding these administrative fees, even though it is statutorily required to retain them. Besides, each application must be reviewed by department staff and then checks returned to ineligible seniors, resulting in administrative costs. Even retaining \$5 of the administrative fee may help to offset costs associated with screening applicants for the program without causing undue financial hardship to seniors.

For:

The bill would appropriately exclude adult foster care homes, homes for the aged, and assisted living facilities from being considered as "institutions", thereby expanding eligibility for the EPIC program to residents of those facilities. Residents of adult foster care homes, homes for the aged, and assisted living facilities, which include many low-income individuals, often are highly mobile and need only low to moderate amounts of assistance with daily activities. Many of them still purchase the medications themselves from their local pharmacies. This is usually cheaper for the resident and easier for the facility. It is only appropriate, therefore, to include these low-income individuals in the eligibility pool.

Against:

Adult foster care homes, homes for the aged, and assisted living facilities should not be classified as “institutions”. However, as eligibility increases for the EPIC program, so do demands on the program. The program has never been fully funded as envisioned due to recent economic conditions and currently only provides aid on an emergency basis. Before eligibility is expanded, the level of funding should be examined to see if program revenues could be increased.

Response:

It is true that the program can only support a limited number of participants at this time. However, the current emphasis is to provide relief to those with the greatest need. The bill would only increase the pool from which to identify those with the greatest need.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.