

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2481 Session of
1996

INTRODUCED BY SAYLOR, GODSHALL, LYNCH, GEIST, PETTIT, STISH,
ARMSTRONG, LEH, FLICK, CLARK, MERRY, ROHRER, WAUGH AND
E. Z. TAYLOR, MARCH 15, 1996

REFERRED TO COMMITTEE ON HEALTH AND HUMAN SERVICES,
MARCH 15, 1996

AN ACT

1 Amending the act of June 13, 1967 (P.L.31, No.21), entitled "An
2 act to consolidate, editorially revise, and codify the public
3 welfare laws of the Commonwealth," providing for a publicly
4 financed consolidated assistance demonstration program;
5 creating the Consolidated Assistance Program Fund; and
6 providing for a medical assistance voucher demonstration
7 program.

8 The General Assembly of the Commonwealth of Pennsylvania
9 hereby enacts as follows:

10 Section 1. Article IV of the act of June 13, 1967 (P.L.31,
11 No.21), known as the Public Welfare Code, is amended by adding
12 subarticles to read:

13 ARTICLE IV

14 PUBLIC ASSISTANCE

15 * * *

16 (n) Consolidated Assistance Program

17 Section 494. Definitions.--As used in this subarticle:

18 "Annual minimum income" is, except in the instances covered
19 under section 494.5, forty percent of the product of fifty-two

1 multiplied by the Statewide average weekly wage rate under
2 section 404(e)(2) of the act of December 5, 1936 (2nd Sp.Sess.,
3 1937 P.L.2897, No.1), known as the "Unemployment Compensation
4 Law." The result shall be rounded to the nearest thousand.

5 "Demonstration program" means the consolidated demonstration
6 assistance program established under this subarticle.

7 "Dependent child" means a child or grandchild, by
8 consanguinity, affinity or adoption, for whom a recipient of aid
9 to families with dependent children benefits provides support
10 during the tax year in which the income supplement is claimed,
11 and who is under nineteen years of age or is enrolled in school
12 for at least five months.

13 "Fund" means the Consolidated Assistance Program Fund created
14 under this subarticle.

15 "Maximum income supplement adjuster" is the product of the
16 phaseout percentage multiplied by the result of the
17 participant's total income minus the annual minimum income.

18 "Participant" means either a single individual or a couple of
19 which one of the individuals qualifies for aid to families with
20 dependent children benefits. In the instance where the
21 "participant" is a couple, the work requirements of this
22 subarticle shall apply to only one of the individuals.

23 "Phaseout percentage" is:

24 (1) fifty-nine and twenty-three one hundredth percent for a
25 participant with one dependent child;

26 (2) fifty-five percent for a participant with two dependent
27 children;

28 (3) sixty-one and eighty-eight one hundredth percent for a
29 participant with three dependent children; or

30 (4) sixty-eight and seventy-five one hundredth percent for a

1 participant with four or more dependent children.
2 If the number of dependent children within the household
3 increases after the participant has become enrolled in the
4 demonstration program, those additional dependents shall not be
5 counted toward the total number of dependent children when
6 determining the phaseout percentage for the participant.

7 "Support" has the meaning given to it in section 152 of the
8 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
9 152).

10 "Total income" includes all classes of income under section
11 303 of act of March 4, 1971 (P.L.6, No.2), known as the "Tax
12 Reform Code of 1971," for the household of a participant in the
13 consolidated assistance demonstration program. Income earned by
14 a minor dependent child of the participant shall not be counted
15 toward the income of the participant's household.

16 "Work-related activity" shall be defined as follows:

- 17 (1) unsubsidized employment;
- 18 (2) work experience;
- 19 (3) on-the-job training;
- 20 (4) community service;
- 21 (5) workfare;
- 22 (6) job search and job readiness activities, but only for a
23 maximum of four weeks;
- 24 (7) vocational education training or job skills training,
25 but only for a maximum of twelve months;
- 26 (8) in the case of a recipient eighteen years of age or
27 older and less than twenty-two years of age, education which is
28 necessary for the recipient to obtain employment or which leads
29 to the recipient receiving a high school diploma or a
30 certificate of high school equivalency if the recipient is

making satisfactory progress as defined by the school or educational program, but only for a maximum of twelve months;

(9) any employment and training program funded or approved by the Department of Public Welfare which provides intensive case management, one-stop access to training or education, job readiness training, job search or individual job development, all leading to job placement, but only for a maximum of twelve months with an exception for the job search and job readiness activities which are allowed for no more than four weeks;

(10) any employment and training program funded or approved by the department which provides activities for a cash assistance applicant or participant to achieve rapid attachment to the work force, but only for a maximum of three months; and

(11) participation in any combination of education or training activities is limited to a maximum of twelve months, except as specified above.

Section 494.1. Consolidated Assistance Program.--Following Federal approval where necessary, the department shall establish a five-year consolidated assistance demonstration program within three separate counties in different geographical regions representing rural, suburban and urban populations to provide, in a cost-effective manner, financial assistance for residents of this Commonwealth who qualify for aid to families with dependent children benefits and who are not aged, blind, disabled or under the age of nineteen within three separate counties which represent the following:

(1) a first or second class county;

(2) a second class A, third, fourth or fifth class county;

and

(3) a sixth, seventh or eighth class county.

1 Section 494.2. Fund.--There is hereby created the
2 Consolidated Assistance Program Fund. All moneys received under
3 section 494.3 shall be transmitted to this fund.

4 Section 494.3. Financial Resources.--The demonstration
5 program shall be funded by the aid to families with dependent
6 children, food stamp, day care and women, infants and children
7 financial resources currently available to the participants
8 within the demonstration program areas.

9 Section 494.4. Waiver of Program Criteria and
10 Requirements.--(a) After becoming enrolled in the demonstration
11 program, all current eligibility requirements for aid to
12 families with dependent children, food stamps, subsidized day
13 care and women, infants and children services shall no longer
14 apply to participants.

15 (b) Exceptions will be made with regard to:

16 (i) program criteria and eligibility requirements that
17 mandate that the recipient participate in a work-related
18 activity;

19 (ii) residency requirements for anyone who moves into the
20 demonstration areas after the demonstration program has been
21 implemented;

22 (iii) any welfare fraud provisions relating to the aid to
23 families with dependent children program; and

24 (iv) any criteria or requirements created by this
25 subarticle.

26 In the case of work-related activity requirements, the
27 requirement will be for one adult residing in the household, and
28 the adult shall be the participant in the Consolidated
29 Assistance Program.

30 Section 494.5. Work-Related Activity.--For the purpose of

this subarticle, a participant in a demonstration program who enrolls in a work-related activity for a minimum of twenty hours per week shall be considered to be employed. This classification of employment shall be limited to one year of the five-year demonstration program, except where the definition of work-related activity specifies a different time limit. The time period used for work-related activity shall be applied to the time limit prescribed in section 494.12(2). If the work-related activity produces no income for the participant and the participant household has no other income as defined in this subarticle, the participant shall be determined to have an annual minimum income equal to fifty-seven percent of the product of fifty-two multiplied by the Statewide average weekly wage rate under section 404(e)(2) of the act of December 5, 1936 (2nd Sp.Sess., 1937 P.L.2897, No.1), known as the "Unemployment Compensation Law." The result shall be rounded to the nearest thousand.

Section 494.6. Earned Income Tax Credit Application.--All participants in the demonstration program shall be required to file an application for an earned income tax credit under section 32 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 32).

Section 494.7. Estimated Maximum Income Supplement.--(a) An estimated maximum income supplement shall be calculated by the Department of Revenue for a tax year as follows:

(1) If the participant has one dependent child and:

(i) if the participant's total income is less than or equal to the annual minimum income, seventy percent of the total income of the participant's household; or

(ii) if the participant's total income is greater than the

1 annual minimum income, seventy percent of the annual minimum
2 income.

3 (2) If the participant has two dependent children and:

4 (i) if the participant's total income is less than or equal
5 to the annual minimum income, eighty percent of the total income
6 of the participant's household; or

7 (ii) if the participant's total income is greater than the
8 annual minimum income, eighty percent of the annual minimum
9 income.

10 (3) If the participant has three dependent children and:

11 (i) if the participant's total income is less than or equal
12 to the annual minimum income, ninety percent of the total income
13 of the participant's household; or

14 (ii) if the participant's total income is greater than the
15 annual minimum income, ninety percent of the annual minimum
16 income.

17 (4) If the participant has more than three dependent
18 children:

19 (i) if the participant's total income is less than or equal
20 to the annual minimum income, one hundred percent of the total
21 income of the participant's household; or

22 (ii) if the participant's total income is greater than the
23 annual minimum income, one hundred percent of the annual minimum
24 income.

25 If the number of dependent children within the household
26 increases after the participant has become enrolled in the
27 demonstration program, those additional dependents shall not be
28 counted toward the total number of dependent children when
29 determining the estimated maximum income supplement of the
30 participant.

Section 494.8. Maximum Income Supplement.--The estimated maximum income supplement shall be modified by subtracting the maximum income supplement adjuster from the estimated maximum income supplement. The result will be the maximum income supplement available to the participant. Any maximum income supplement calculation that is less than zero shall be considered to be zero.

Section 494.9. Earned Income Supplement.--After calculating the maximum income supplement available to the participant, the amount of the earned income tax credit, under section 32 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 32), to which the participant is eligible shall be subtracted from the maximum income supplement. The remainder will be the earned income supplement. Any earned income supplement that is less than zero shall be considered to be zero.

Section 494.10. Disbursement of the Earned Income Supplement.--The following apply to the disbursement of the earned income supplement:

(1) The earned income supplement shall be disbursed to the participant from the financial resources available within the fund.

(2) The earned income supplement shall be taken for the current tax year and may not be carried over to another tax year.

(3) The participant shall receive the earned income supplement in advance throughout the tax year by filing with the Department of Revenue an estimated tax return form promulgated by the Department of Revenue. The department and the Department of Revenue shall create a mechanism that will allow the participant's employer to disburse the participant's earned

1 income supplement as part of or at the same time as the
2 participant's regular payroll checks. In the case of more than
3 one adult wage earner in the household, the former aid to
4 families with dependent children recipient shall be designated
5 as the recipient of the supplement. The department and
6 Department of Revenue shall work together to reconcile
7 discrepancies between the estimated tax return and the actual
8 tax return for purposes of the earned income supplement.

9 Section 494.11. Employer Notification.--Any employer of aid
10 to families with dependent children recipients within the
11 demonstration program area shall notify each employe that he or
12 she may be eligible for an earned income supplement.

13 Section 494.12. Time Limit.--The following are time limits
14 for the receipt of an earned supplemental income payment:

15 (1) A participant shall be allowed to receive an earned
16 supplemental income payment while unemployed for not more than
17 two years. The time period during which a participant, who is
18 unemployed, receives an earned supplemental income payment shall
19 be deducted from the two-year maximum time limit. If a
20 participant so chooses, he or she may trade a portion or all of
21 their two-year unemployed benefit time period to add to their
22 three-year employed supplemental income payment time period. The
23 trade shall be on a one-month-for-one-month basis.

24 (2) A participant shall be allowed to receive an earned
25 supplemental income payment while employed for not more than
26 three years except as provided for in this clause. The time
27 period during which a participant, who is employed, receives an
28 earned supplemental income payment shall be deducted from the
29 three-year maximum time limit, which can be greater than three
30 years only in the instance where the participant trades in a

1 portion or all of his or her two-year unemployed benefit time
2 period.

3 (3) Under no circumstances shall the unemployed time period
4 be applied to the three-year time limit for employed recipients,
5 and under no circumstances shall the employed time period be
6 applied to the two-year time limit for unemployed recipients,
7 with exception given to the instance where the participant
8 trades in a portion or all of his or her two-year unemployed
9 benefit time period to increase his or her employed benefit time
10 period.

11 Section 494.13. Program Reassessment.--If at any time during
12 the operation of the demonstration program the earned income tax
13 credit under section 32 of the Internal Revenue Code of 1986
14 (Public Law 99-514, 26 U.S.C. § 32) undergoes revision, the
15 method of determining the earned income supplement shall also be
16 reassessed to take into consideration the changes to the earned
17 income tax credit under section 32 of the Internal Revenue Code
18 of 1986.

19 Section 494.14. Program Evaluation.--The department shall be
20 required to analyze the demonstration program, measuring the
21 program results against the goal of securing economic self-
22 sufficiency for the program participants as well as comparing
23 the demonstration program to Federal and State welfare programs.
24 A report on the evaluation shall be submitted annually to the
25 Governor and the General Assembly, detailing the findings of the
26 evaluation following the implementation of the demonstration
27 program. A final evaluation detailing the accumulated findings
28 and recommendations of the evaluation shall be prepared at the
29 end of the five-year demonstration program. All reports shall
30 include, but not be limited to:

1 (1) Cost effectiveness in the use of welfare program
2 resources.

3 (2) Rate of welfare recipients securing employment.

4 (3) Comparison of benefits received by the participant from
5 the demonstration program and those benefits the participant
6 would have received if enrolled in the welfare programs
7 displaced by the demonstration program.

8 (4) Rate of in-migration and out-migration in the
9 demonstration program areas.

10 Section 494.15. Rules and Regulations.--The department and
11 the Department of Revenue shall promulgate rules and regulations
12 to carry out this subarticle. These shall include, but not be
13 limited to, provisions relating to the development of the
14 demonstration program, procedures for determining eligibility
15 under the demonstration program, procedures for the
16 determination of the earned income supplement and provisions for
17 the disbursement of the earned income supplement and provisions
18 for notification of possible eligibility for the earned income
19 supplement. These regulations shall be promulgated within six
20 months of the effective date of the subarticle.

21 (o) Voucher Program

22 Section 495. Definitions.--As used in this subarticle:

23 "Insurer" means:

24 (1) Any insurance company, association or reciprocal,
25 nonprofit hospital plan corporation.

26 (2) A nonprofit professional health service plan.

27 (3) A health maintenance organization organized and
28 regulated under the act of December 29, 1972 (P.L.1701, No.364),
29 known as the "Health Maintenance Organization Act."

30 (4) A risk-assuming preferred provider organization

organized and regulated under the act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921."

(5) A preferred provider with a "health management gatekeeper" role for primary care physicians organized and regulated as a health services corporation or a preferred provider organization subject to the provisions of section 630 of "The Insurance Company Law of 1921."

(6) A fraternal benefit society subject to the provisions of the act of December 14, 1992 (P.L.835, No.134), known as the "Fraternal Benefit Societies Code."

"Program" means a publicly financed voucher program providing access to privately delivered health insurance coverage for eligible medical assistance recipients.

Section 495.1. Voucher Program.--(a) Following Federal approval where necessary, the department shall establish a five-year demonstration voucher program within the same three geographic regions chosen by the department for the consolidated assistance demonstration program established under subarticle (n) to provide, in a cost-effective manner, access to privately delivered health insurance coverage for residents of this Commonwealth who qualify for aid to families with dependent children benefits and who are not aged, blind, disabled or under nineteen years of age. All health care services shall, when available, be provided within the designated region.

(b) Once enrolled in the program, the participant shall be eligible for the program as long as total income, as defined under subarticle (n), is less than the level of earned income which no longer results in an income supplement provided under subarticle (n). All other eligibility requirements shall be waived.

1 (c) The department through a competitive bidding process in
2 each region shall select the following insurance providers to
3 participate in the program:

4 (1) at least two insurers offering an individual or group
5 policy of health insurance;

6 (2) at least two insurers offering individual or group
7 policy health insurance with a high deductible; and

8 (3) at least two health maintenance organizations offering
9 prepaid health care delivery plans.

10 (d) The contracts or agreements entered into by the
11 department pursuant to subsection (c) shall provide that:

12 (1) the department shall pay any deductible charged pursuant
13 to the policy or plan directly to the health care provider; and

14 (2) the total of deductibles and coinsurance charged for a
15 calendar year may not exceed three thousand dollars (\$3,000) for
16 a participant in a family medical assistance account as
17 established in section 495.5.

18 (e) A contract or agreement entered into by the department
19 pursuant to this section shall provide coverage for all services
20 outlined in section 495.4.

21 (f) After taking competitive bids for contracts or
22 agreements, the department may elect to:

23 (1) accept no bid;

24 (2) rebid the contract; or

25 (3) discontinue the program after reasonable notice to all
26 affected parties.

27 (g) If the department elects to interrupt or discontinue the
28 program under subsection (f), payment of claims shall be made
29 pursuant to the method authorized for nonparticipation in the
30 program. This section shall not relieve any insurer of any

contractual obligation incurred under this subarticle.

Section 495.2. Issuance of Proof of Eligibility.--If the department determines that a person meets the eligibility requirements set forth for the program, the department shall issue that person proof of eligibility, which entitles the person to coverage under any health insurance or health care policy or contract offered in accordance with this subarticle.

Section 495.3. Offering of Policies and Contracts.--If coverage is issued to the individual, policyholder or contract holder, the insurer shall submit the proof of eligibility and a request for reimbursement of premium to the department.

Section 495.4. Standards Applicable to the Policies and Contracts.--The health insurance or health care policies and contracts for which insurers are eligible shall be provided in accordance with the following conditions:

(1) The policies and contracts are not subject to any previous State mandatory benefits.

(2) Each policy and contract shall include, but not be limited to, the following benefits:

(i) Inpatient/outpatient hospital services.

(ii) Certified registered nurse practitioners' services.

(iii) Family planning services and supplies.

(iv) Rural health clinic services.

(v) Laboratory and X-ray services, including mammography.

(vi) Home health services for individuals twenty-one years of age and older.

(vii) Physicians' services.

(viii) Nurse-midwife services.

(ix) Thirty days inpatient care coverage for mental health, mental retardation and substance abuse. Intermediate care

coverage may be substituted for inpatient care on a four-days-
for-each-inpatient-day basis.

(x) Coverage for prescription drugs, including all medically
necessary childhood immunizations.

(xi) Prenatal care coverage, including early and periodic
screening, diagnosis and treatment (EPSDT) services, limited to
individuals under twenty-one years of age.

Section 495.5. Establishment of Medical Assistant

Accounts.--(a) The department shall establish a family medical
assistance account for any group of two or more participants who
are related to each other by blood or marriage. One adult
participant in a family medical assistance account or a parent
or guardian of a participant shall be designated as responsible
for the account.

(b) On January 1 of each calendar year, or on the day the
medical assistance recipient is enrolled, the department shall
deposit in a family medical assistance account the sum of three-
thousand dollars (\$3,000).

(c) The department may expend money deposited in medical
assistance accounts to pay deductible payments required under
the applicable policy or plan.

(d) The department shall terminate an account whenever a
person dies or no longer qualifies as a participant of the
demonstration program. Any sums remaining in the account shall
be paid as follows:

(1) If a person dies, the remaining funds shall go into the
General Fund to be credited to the department.

(2) If a person no longer qualifies as a participant, the
remaining amount, prorated on a daily basis, shall be divided
between the account holder and the department with fifty percent

1 of the remaining balance going to the account holder and fifty
2 percent going to the General Fund to be credited to the
3 department.

4 (e) The department may consolidate all sums in all medical
5 assistance accounts established under this section into one
6 account for investment purposes. Interest from the investments
7 of sums in the account shall be paid into the General Fund to be
8 credited to the department.

9 (f) Account holders shall be given debit cards which will
10 automatically debit from their accounts when health care
11 services are rendered. Alternatively, health care providers
12 shall submit for reimbursement to the department, and the
13 department shall debit the sum from the account holder's account
14 and send reimbursement to the health care provider.

15 (g) On December 31 of the year in which sums are deposited
16 into the medical assistance account, if any sums remain in the
17 account, and if the account holder has met the holder's
18 preventative health care requirements as stipulated in
19 subsection (i), the department shall give fifty percent of the
20 balance remaining in the account to each participant or person
21 designated as responsible for a family medical assistance
22 account. The remaining fifty percent shall be paid into the
23 General Fund to be credited to the department.

24 (h) A participant or person designated as responsible for a
25 family medical assistant account may decline the reimbursement
26 provided under subsection (g) and elect to leave any excess sums
27 in the medical assistance account to carry over for the next
28 year.

29 (i) In order to qualify for the reimbursement under
30 subsections (g) and (h), the account holder shall demonstrate

1 with a physician's letter that the account holder received an
2 annual examination and that all dependents have received proper
3 immunizations.

4 Section 495.6. Reimbursement of Insurers.--Within thirty
5 days after receipt of a valid proof of eligibility and request
6 for reimbursement from an insurer, the department shall issue
7 payment to the insurer in the amount of the premium.

8 Section 495.7. Duties of Department.--The department shall:

9 (1) Administer and implement the program.

10 (2) Monitor the operation of the program.

11 (3) Disseminate to the insurer and to the public information
12 concerning the program and the persons eligible to receive
13 benefits under the program.

14 (4) Implement a system to provide information and guidance
15 to all persons eligible under the program relative to the
16 program's procedures and the selection of the most appropriate
17 benefits under a health insurance or health care policy or
18 contract.

19 (5) Continuously evaluate the program. The department shall
20 contract for and complete an analysis of the program, measuring
21 its delivery of and access to quality health care in a cost-
22 effective manner.

23 Section 495.8. Report.--A report on the program shall be
24 submitted to the Governor and the General Assembly, detailing
25 the findings and recommendations of the evaluation at the close
26 of the five-year program. The report shall include, but not be
27 limited to, the following:

28 (1) Cost-effectiveness of the program compared to the
29 current medical assistance program for both cost of care and
30 administration.

1 (2) Improvement in access to the health care delivery
2 system.

3 (3) Maintenance or improvement of the standard of quality
4 care.

5 Section 495.9. Employer Buy-In.--If an employer already
6 offers health care coverage to employees and the employer hires a
7 current medical assistance voucher recipient, the employer shall
8 be permitted as part of the options outlined in section 495.10
9 to provide health care coverage for the employee by buying into
10 the remaining term, or a portion of the remaining term as
11 negotiated between the department and the employer, of the
12 medical assistance recipient's health plan, if the employer so
13 chooses. The amount of the plan shall be prorated for the number
14 of months remaining in the current year of coverage. Subsequent
15 to a voucher recipient's employment, an employer shall negotiate
16 with the department to determine an appropriate percentage of
17 the voucher cost, which shall be paid by the employer to the
18 department. This percentage shall be no more than sixty-five
19 percent of the voucher cost and no less than thirty-five percent
20 of the voucher cost. An employer who does not already offer
21 health care coverage to employees does have the option to buy
22 into a medical assistance voucher recipient employee's health
23 care coverage as provided in this section, but the employer is
24 not required to do so.

25 Section 495.10. Employer Responsibility.--If an employer
26 offers health care coverage to employees, the employer shall
27 extend coverage to, or continue coverage of, an employee or an
28 employee's dependents who are eligible to receive benefits
29 provided under this subarticle by either enrolling the employee
30 and the employee's dependents, if applicable, in the employer's

1 health coverage plan or buying into the voucher program health
2 care coverage as prescribed under section 495.9.

3 Section 495.11. Rules and Regulations.--The department shall
4 promulgate rules and regulations to carry out this subarticle.
5 These shall include, but not be limited to, provisions relating
6 to the development of the program, procedures for determining
7 eligibility under the program, the specific geographic regions
8 chosen, issuance of proof of eligibility, determinations of
9 reimbursable premium amount and procedures for the reimbursement
10 of insurers. These regulations shall be promulgated within six
11 months of the effective date of this subarticle.

12 Section 495.12. Confidentiality of Medical Information.--All
13 information pertaining to an individual's medical care shall be
14 confidential, except that the department shall have access to
15 information necessary to carry out its duties.

16 Section 2. No later than the effective date of this act, the
17 Department of Public Welfare and the Department of Revenue shall
18 submit to the appropriate Federal agency a request for any and
19 all waivers of Federal law and regulations and for any other
20 approvals by the Federal Government necessary for the
21 implementation of the program established under this act. It
22 shall be the obligation of the Department of Public Welfare and
23 the Department of Revenue to enter into good faith negotiations
24 with the appropriate Federal authorities and to make every
25 effort to obtain the necessary Federal waivers and approvals.

26 Section 3. This act shall take effect in 90 days.