Changes in Medicaid and SCHIP and the Impact on Coverage

Jennifer Tolbert
Principal Policy Analyst
Kaiser Commission on Medicaid and the Uninsured
Kaiser Family Foundation

for

National Conference of State Legislatures
December 2008
Atlanta, GA
Medicaid and SCHIP Play Key Roles in Promoting Access and Coverage

• Important components of efforts to expand coverage and access
  – Effective for expanding coverage to low-income children and some adults
  – Source of federal assistance through matching funds for increased coverage and provider payments
  – Delivery system on which to build

• Critical sources of coverage during economic downturns
  – Health care safety net for millions who lose jobs and health coverage
Figure 2
Health Insurance Coverage of Low-Income Adults and Children, 2007

<table>
<thead>
<tr>
<th>Category</th>
<th>Poor (&lt;100% Poverty)</th>
<th>Near-Poor (100-199% Poverty)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children</td>
<td>64%</td>
<td>16%</td>
</tr>
<tr>
<td>Parents</td>
<td>39%</td>
<td>18%</td>
</tr>
<tr>
<td>Adults without</td>
<td>29%</td>
<td>25%</td>
</tr>
<tr>
<td>Children</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>Parents</td>
<td>17%</td>
<td>50%</td>
</tr>
<tr>
<td>Adults without</td>
<td>19%</td>
<td>44%</td>
</tr>
</tbody>
</table>

SOURCE: KCMU/Urban Institute analysis of March 2008 CPS.
Figure 3


Percent of Poverty

- Children: 200%
- Pregnant Women: 185%
- Parents: 63%

Federal Poverty Line for a family of three ($17,170 per year in 2007)

Note: Eligibility levels for parents based on the income threshold applied to a working parent in a family of three.

SOURCE: Based on a national survey conducted by the Center on Budget and Policy Priorities for KCMU, 2008.

Total: 32
Eligibility Increases: 26
Enrollment Procedure Simplifications: 11
Reduced Children’s Premiums: 7

SOURCE: Based on a national survey conducted by the Center on Budget and Policy Priorities for KCMU, 2008.
Figure 5

Medicaid and SCHIP Expansions for Children

- 25 states plus DC expanded eligibility for children
  - Several states expanded eligibility up to 300% FPL
  - Focus on outreach and simplifying enrollment processes

- Ten states enacted universal coverage for children
  - Universal coverage builds on Medicaid/SCHIP coverage
  - Full buy-in for families with higher incomes

- Connecticut: automatic enrollment of all uninsured newborns
Figure 6

Leveraging Medicaid to Expand Coverage for Adults

• Raising eligibility levels for parents (Maryland, New Jersey)

• Expanding waivers to cover childless adults (Wisconsin, Minnesota)

• Using Medicaid funding to purchase private insurance (Indiana, Vermont)

• Targeting small businesses (Oklahoma, New Mexico)
  – New group insurance options for small employers
  – Premium subsidies for low-income workers
  – Financed with Medicaid funds
Innovative Medicaid Waivers

• Wisconsin: BadgerCare Plus
  – Universal coverage for children
  – Parent eligibility expanded to 200% FPL
  – CMS approval to cover childless adults to 200% FPL; implementation will be phased-in
  – Partially financed with redirected Medicaid DSH funds
  – Enrollment: 85,460 (September 2008)

• Indiana: Healthy Indiana Plan
  – Expanded coverage to all adults up to 200% FPL; buy-in option for those above 200% FPL
  – Consumer-directed care model: POWER accounts funded jointly by enrollee and state
  – Financed with tobacco tax increase
  – Enrollment: 21,186 (July 2008)
Barriers to Expanding Coverage

- Federal policies
  - Citizenship documentation
  - August 17th Directive
- New Medicaid regulations
- Failure to reauthorize SCHIP
- Economic recession
Figure 9

Federal Policies Impeding State Expansions

• DRA Citizenship documentation requirements
  – Requirement that U.S. citizens document citizenship and identity when they apply for or renew Medicaid
  – Complicates state efforts to streamline enrollment procedures
  – Many states report delays and denials of coverage

• August 17th Directive
  – Issued during SCHIP reauthorization debate in August 2007
  – Prohibits states from expanding SCHIP coverage to children above 250% FPL unless they meet certain requirements
  – Despite CMS decision not to enforce directive, some state efforts to expand coverage stalled
Figure 10

Number of States with Children’s Health Coverage Eligibility at 300% FPL or Higher

SOURCE: Based on a national survey conducted by the Center on Budget and Policy Priorities for KCMU, 2008 and KCMU analysis 2008.
New Medicaid Regulations Create Fiscal Uncertainty

- CMS initiated several new Medicaid regulations intended to enhance fiscal integrity in Medicaid
  - Cost limit for government-operated providers
  - Graduate Medical Education
  - Rehabilitation Services Option
  - School-based Administration and Transportation Services
  - Case Management and Targeted Case Management
  - Allowable Provider Taxes (6 to 5.5% threshold)
  - Outpatient Services
- Rules would reduce federal spending for Medicaid and could shift costs to states
  - Rules could reduce federal Medicaid spending by $12 to $45 billion over the next five years
- All rules, except Outpatient Services, subject to moratoria until April 2009
  - Obama Administration may rescind rules that are not yet final
SCHIP Reauthorization

- Congress passed CHIPRA bills (HR 976 and HR 3963)
  - President vetoed both bills; Congress failed to override
  - Would have covered 4 million uninsured kids; $35 billion over 5 years funded with tobacco tax increase
  - Limits on coverage for children above 300% FPL
  - Prohibited new SCHIP waivers to cover parents

- Congress passes Extension Bill (S 2499)
  - Extends SCHIP through March 2009
  - Adds $1.6 billion in 2008 to maintain current coverage

- SCHIP reauthorization expected to be addressed early in Obama administration
Figure 13

Reduction in Uninsured Children in the Children’s Health Insurance Program Reauthorization Act – 2008 Update of H.R. 3963

4.4 Million Children

- 0.6 Million
  - Additional Enrollment Within Existing Eligibility Groups
  - Expansions of SCHIP to New Populations

- 2.6 Million
  - Currently Eligible Who Would Lose Coverage Under Baseline

- 3.8 Million Uninsured Currently Eligible for Coverage

Reduction in Uninsured Children in 2013

Figure 14

Economic Situation is Severe

• 43 states facing budget shortfalls in FY 2009 or 2010
  – 30 with budget shortfalls headed into FY 2009 of $48 billion
  – 31 states facing mid-year budget gaps of $24 billion
  – Total gaps of $72 billion = 12.2% of state general funds in 2009
  – At least 21 states already projecting FY 2010 gaps

• State revenues worsening
  – Preliminary data for July-Sept 2008 for 15 large states show -.9% fall
    in total revenues or -5.9% adjusted for inflation
  – Worsening revenue picture could mean additional budget shortfalls

• Unemployment rising
  – Since start of recession in December 2007, unemployment rate has
    increased 1.7 percentage points
  – Net job loss for this year at 1.2 million
  – 22.3% of 10.1 million unemployed not able to find a job after 27
    weeks
Figure 15

Impact of a 1% Growth in Unemployment

1% increase in unemployment also = a 3-4% decline in state revenues

Increase in National Unemployment Rate =

1.0 Increase in Medicaid and SCHIP Enrollment (million)

1.1 Increase in Uninsured (million)

$3.4 Increase in Medicaid and SCHIP Spending (billion)

$1.4 State

$2.0 Federal

Figure 16
Percent Change in Medicaid Spending and Enrollment, FY 1998- FY 2009

NOTE: Enrollment percentage changes from June to June of each year. Spending growth percentage changes in state fiscal year. Figures for 2009 do not include CA. The CA budget was adopted on 9/23/08 but caseload and spending projections for FY 2009 were not available.

Figure 17
How States Used Increased Federal Medicaid Matching Funds from Temporary Fiscal Relief in FY2004

- Helped Resolve a Medicaid Budget Shortfall: 42%
- Helped Avoid, Minimize or Postpone Additional Medicaid Cuts or Freezes: 27%
- Helped Resolve a Shortfall in the State General Fund Budget: 19%

Outlook

• How long will the economic recession last?
  – Impact on Medicaid caseloads and spending could be significant

• What actions will the new Administration take?
  – Economic stimulus
  – Medicaid policies and regulations
  – SCHIP reauthorization

• Will there be a debate over national health reform?
  – Role of Medicaid and SCHIP