

Summary of Medicaid Reform Proposals: Eligibility Provisions

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Preview of Presentation

- Brief review of current Medicaid eligibility rules
- Summary of eligibility portions of Medicaid reform proposals



Brief Review of Current Medicaid Eligibility Rules



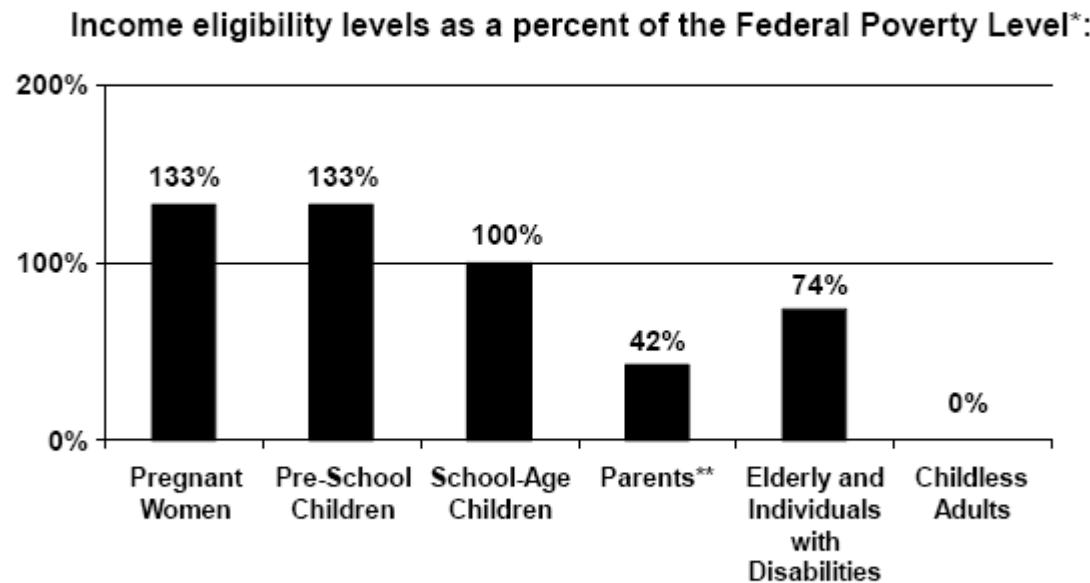
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Medicaid does not cover “the poor,” but instead requires states to cover targeted “categorical” eligibility groups . . .

Figure 1

Minimum Medicaid Eligibility Levels, 2004



Notes: *The federal poverty level was \$9,310 for a single person and \$15,670 for a family of three in 2004.

**The income eligibility level given for parents (42% FPL) is the national median income threshold for non-working parents based on a family of three as of July 2004.

SOURCE: Cohen Ross and Cox, 2004 and The Kaiser Commission on Medicaid and the Uninsured, Medicaid Resource Book, 2002.



Medicaid's patchwork quilt of eligibility pathways emerged over time to fulfill discreet policy goals, like . . .

- **Provide health benefits to accompany cash assistance**, akin to providing health benefits attached to a government-issued “paycheck”:
 - Aid to Families with Dependent Children (welfare), retained in 1996 welfare reform law
 - Supplemental Security Income (SSI) (federal benefits to aged, blind and disabled)
 - The eleven “209(b)” states use disability rules grandfathered in from 1972 (CT, HI, IL, IN, MN, MO, NH, ND, OH, OK, VA)



. . . and jump-starting care for children and pregnant women . . .

- Children below age six, to 133% of the federal poverty level (FPL)
- Children ages 6 to 18, to 100% FPL
- Pregnant women to 133% FPL

In 2005, for a family of four:
100% FPL = \$19,350
133% FPL = \$25,736



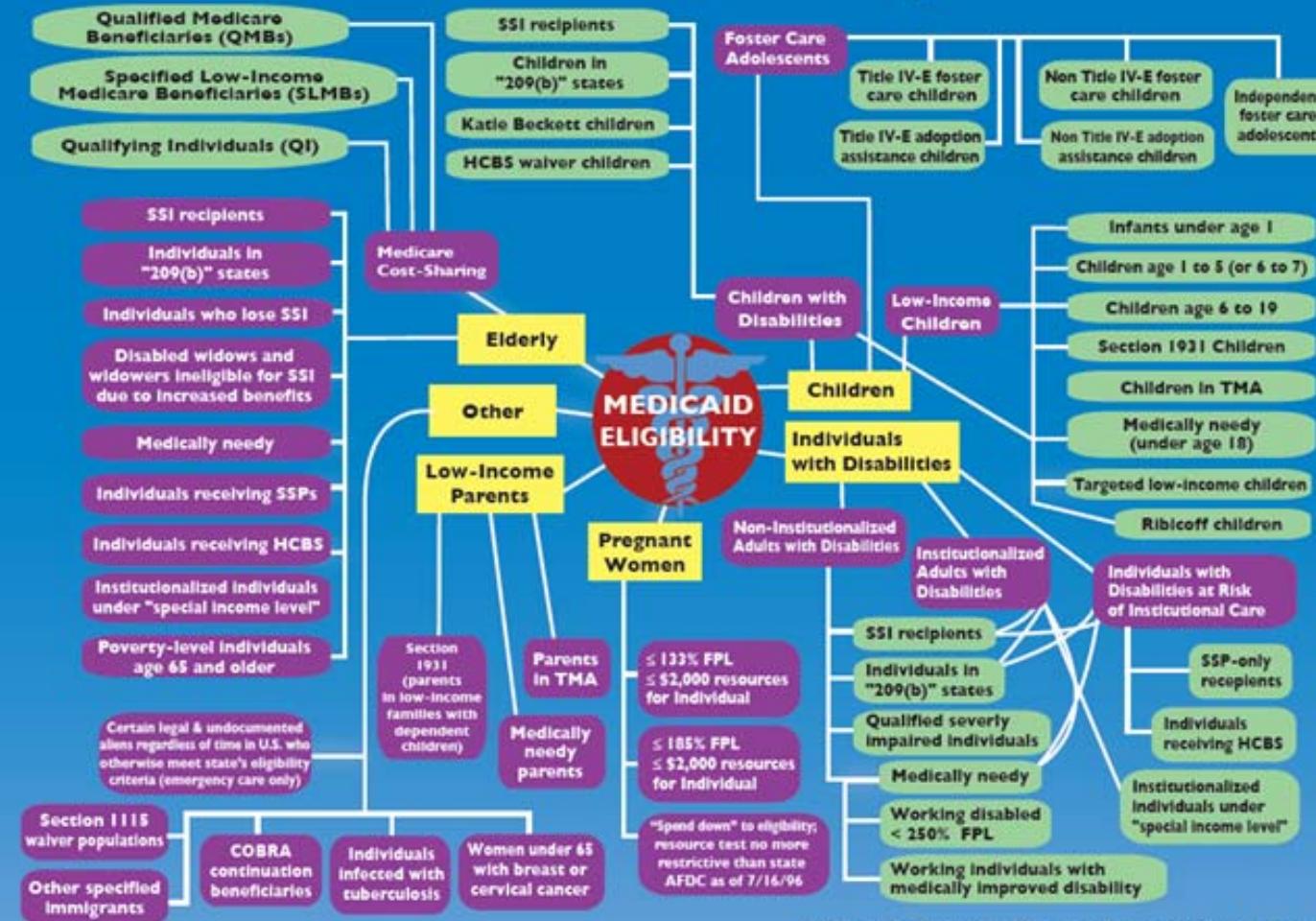
. . . and meeting other targeted objectives.

- Assist Medicare beneficiaries with their Medicare cost-sharing:
 - Qualified Medicare Beneficiaries (QMB) from 74% to 100% FPL
 - No Medicaid benefits, but all Medicare cost sharing
 - Specified Low-Income Medicare Beneficiaries (SLMB) and Qualified Individuals (QI), from 100-135% FPL
 - Limited to Medicare Part B premium payments only
- Reduce disincentive for welfare recipients to work:
 - Transitional Medical Assistance, on a time-limited basis



The result is a complex roadmap of pathways to Medicaid eligibility (prepared by Sen. Frist's staff).

There Must Be 50 Ways To Qualify for Medicaid



Prepared by the Office of Majority Leader William H. Frist, M.D.

Summary of the Eligibility Portions of Medicaid Reform Proposals



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Reform Proposals: Four Major Themes (which are not mutually exclusive)

- States should have more flexibility
- The eligibility pathways and rules should be simplified
- New mandatory coverage groups should be created in Medicaid (related to simplification)
- Federal “coverage expansion” funds should be invested outside Medicaid



1. State Flexibility: Who to Cover

Some proposals seek federal funds for “expansion” groups without a waiver.

- State flexibility to target higher income children, parents, pregnant woman, or childless adults
- New “buy-in” programs
- New “spend-down” programs
- Legal immigrants



. . . other proposals link coverage rules to flexibility in benefit delivery . . .

- The groups a state may choose to cover are related to the benefits a state must deliver to those groups: more flexibility with “tiered” benefits may lead to more coverage inside Medicaid

- The groups a state may choose to cover are related to how the benefits may be delivered to those groups: “consumer-directed” health care



. . . and “complete” flexibility is found in one of the reform proposals.

- Medicaid Block Grants, proposed by the Cato Institute



Proposals also recommend flexibility regarding other eligibility rules

- Eliminate disincentives for work
- Allow states to set minimum work requirements as a condition of eligibility for individuals at higher income levels



2. Simplify Eligibility

- Collapse and streamline the eligibility categories
- Simplify the paperwork requirements of qualifying for Medicaid



Collapse and streamline the eligibility categories

- Presently there are 28 mandatory and 21 optional eligibility categories
- Some eligibility groups include resource (asset) tests, and some are based only on income
- Most reforms urge collapsing eligibility groups to focus on **uniform income tests** – e.g., all adults would be treated the same
- One major issue is whether a simplified income-based test should create a federal floor, or whether that should be discretionary to states (discussed later)



Simplify the paperwork requirements of qualifying for Medicaid

- Reduce required documentation; provide “real time” determinations; allow self-declaration for residency and income requirements
- Allow Native American tribes to provide program enrollment and eligibility determination on-site



Permit Changes in Income and Asset Rules

- Simplify the methodology for counting income
- Eliminate (or allow states to eliminate) the resource (assets) test for all populations
 - Provide a federal model for those states who choose to implement an asset test
 - Encourage states to allow self-reporting of assets
 - Require states to update assets limits to reflect changes in the cost-of-living



3. New Mandatory Coverage Groups Should Be Enrolled in Medicaid

- Collapsing Medicaid categories to a few, income-based categories, may result in new mandatory coverage
 - E.g. the NASHP group urged phased-in mandatory coverage to 100% FPL for adults, 133% for children – this is an expansion for childless adults, SSI groups, and the TANF population



4. Federal “coverage expansion” funds should be invested outside Medicaid

- Related Medicaid eligibility reform proposals seek to use federal funds not to expand Medicaid to low income adults, but to offer:
 - Individual tax credits (akin to earned income tax credits) to subsidize the purchase of private coverage
 - Employer tax credits, especially for small employers (supplementing existing tax preferences related to the tax treatment of employer deductions)
 - Federal subsidies to state or affiliate purchasing pools



Questions

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