

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 954 (Delegate Mizeur, *et al.*)
 Health and Government Operations

Medicaid Streamlined Eligibility Act of 2014

This emergency bill requires the Department of Health and Mental Hygiene (DHMH), subject to the limitations of the State budget, to (1) extend the Medicaid renewal period so that renewals that otherwise would occur during the period of January 1 through March 31, 2014, occur later; (2) enroll individuals into Medicaid based on eligibility for the federal Supplemental Nutrition Assistance Program (SNAP); (3) enroll parents into Medicaid based on the income eligibility of their children; (4) adopt 12-month continuous eligibility for parents and other adults; and (5) adopt 12-month continuous eligibility for children.

Fiscal Summary

State Effect: Medicaid expenditures increase by at least \$12.9 million in FY 2014, including \$0.4 million in general funds and \$12.5 million in federal funds, to implement enrollment of parents into Medicaid based on their children’s eligibility only for the last quarter of FY 2014. Medicaid expenditures increase by at least \$227.4 million in FY 2015, including \$21.5 million in general funds and \$205.9 million in federal funds. Administrative expenses are not included. Federal fund revenues increase accordingly. Generally, future years reflect enrollment growth, inflation, and a reduced federal matching rate.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
FF Revenue	\$12.5	\$205.9	\$189.4	\$133.2	\$135.8
GF Expenditure	\$.4	\$21.5	\$27.6	\$28.3	\$34.2
FF Expenditure	\$12.5	\$205.9	\$189.4	\$133.2	\$135.8
Net Effect	(\$.4)	(\$21.5)	(\$27.6)	(\$28.3)	(\$34.2)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Meaningful. To the extent Medicaid enrollment increases, small business Medicaid providers receive additional reimbursement.

Analysis

Bill Summary: In implementing the bill, DHMH must follow guidance provided by the federal Centers for Medicare and Medicaid Services (CMS) in a May 17, 2013 letter to state health officials and Medicaid directors.

Current Law/Background: Generally, Medicaid enrollees are redetermined as to their continued eligibility for Medicaid benefits every 12 months. If circumstances such as household income change, an individual must report such changes and may lose his or her eligibility. Medicaid does not provide continuous eligibility for children or adults.

The federal Patient Protection and Affordable Care Act (ACA) instituted new policies and procedures for income eligibility determinations based on a modified adjusted gross income (MAGI) methodology for most (but not all) eligibility groups effective January 1, 2014. Medicaid will be using the new Health Insurance Exchange (HIX), the eligibility portal developed for the Maryland Health Benefit Exchange, for income-based determinations under the new MAGI methodology.

However, HIX remains incapable of handling Medicaid redeterminations as it is unable to convert income data from the existing Medicaid enrollment system (the Client Automated Resource and Eligibility System, or CARES) into the MAGI calculation. To address this issue, Medicaid applied to CMS for a six-month delay in eligibility redeterminations. Thus, an individual who would have been redetermined in January 2014 will now be redetermined in July 2014 (together with the July redetermination cohort), an individual due for redetermination in February will be redetermined in August (together with the August redetermination cohort) and so forth, with the aim that, by the end of calendar 2014, all redeterminations will be completed. CMS granted Maryland the authority to extend the redetermination period by six months in January 2014. The general fund cost of this six-month delay is estimated at \$17.8 million in fiscal 2014 and \$12.7 million in fiscal 2015 (a total State cost of \$30.5 million).

In May 2013, CMS issued a letter to state health officials and Medicaid directors offering optional enrollment strategies to reduce the number of uninsured and help states manage the transition to their new eligibility and enrollment systems. The letter describes five specific enrollment strategies: (1) implementing early adoption of MAGI-based rules; (2) extending the Medicaid renewal period so that renewals that would otherwise occur during the first quarter of calendar 2014 occur later; (3) enrolling individuals into

Medicaid based on SNAP eligibility; (4) enrolling parents into Medicaid based on their children's income eligibility; and (5) adopting 12-month continuous eligibility for parents and other adults. The bill proposes adoption of four of these strategies, as well as adoption of 12-month continuous eligibility for children.

Enrolling Individuals into Medicaid Based on SNAP Eligibility

Generally, to qualify for SNAP, a household's gross income cannot exceed 130% of federal poverty guidelines (FPG). The household income data used to determine SNAP eligibility must be rigorously verified and is often no more than six months old. Many Medicaid programs already consider income data from SNAP to be reliable and use it to renew Medicaid eligibility. In addition, some states use SNAP data to make initial Medicaid determinations for children under the Express Lane Eligibility option. Recent studies found that, despite the differences in household composition and income-counting rules, the vast majority of nonelderly, nondisabled individuals who receive SNAP are very likely to be eligible for Medicaid. Based on these analyses, CMS is offering states the opportunity to streamline the enrollment into Medicaid of nonelderly, nondisabled SNAP participants. A state can request to use such streamlined enrollment procedures through the end of calendar 2015. A state interested in implementing this strategy will need to request a waiver under § 1902(e)(14)(A).

Enrolling Parents into Medicaid Based on Children's Income Eligibility

In states implementing the Medicaid eligibility expansion, a large number of parents whose children are already enrolled in Medicaid likely meet MAGI-based income-eligibility standards. CMS is offering states the opportunity to facilitate the enrollment of parents whose children are currently enrolled in Medicaid. States would identify all families with incomes below 138% FPG who are likely to be Medicaid-eligible. A state interested in implementing this strategy will need to request a waiver under § 1902(e)(14)(A) to allow the state to enroll parents whose children are financially eligible for Medicaid at levels indicating likely parental eligibility, and who meet other nonfinancial Medicaid requirements (such as citizenship documentation).

Implementing 12-month Continuous Eligibility for Parents and Other Adults

Since 1997, states have had the option to guarantee a full year of coverage to children in Medicaid and the Children's Health Insurance Program (CHIP) by providing 12 months of continuous eligibility. Under this option, children retain coverage for 12 months regardless of changes in family circumstances, such as income or household size. For children, 12-month continuous eligibility means a stable source of health insurance with no disruptions in necessary ongoing care. For states, the option can mitigate the

problems associated with “churning,” the enrollment and reenrollment of eligible people when they lose coverage due to procedural reasons or slight fluctuations in income.

As of January 2013, 32 states had adopted 12-month continuous eligibility in their Medicaid or CHIP programs for children, with 23 states implementing the option in both programs. CMS is offering states the opportunity to adopt 12-month continuous eligibility for parents and other adults. To implement this approach, § 1115 demonstration authority is needed.

State Fiscal Effect: DHMH advises that, although the bill is an emergency bill, only one of the required provisions could be implemented immediately – enrollment of parents into Medicaid based on the income eligibility of their children. Other provisions are not implemented until July 1, 2014. Thus, in fiscal 2014, DHMH expenditures increase by at least \$12.9 million, including \$437,177 in general funds and \$12.5 million in federal funds to enroll parents based on the income eligibility of their children. This estimate is based on 25% of the cost of this provision in fiscal 2015 as described later in this analysis.

Medicaid expenditures increase by \$227.4 million in fiscal 2015, including \$21.5 million in general funds and \$205.9 million in federal funds. The estimate reflects the cost of (1) enrolling individuals into Medicaid based on their eligibility for SNAP; (2) enrolling parents into Medicaid based on the income eligibility of their children; (3) adopting 12-month continuous eligibility for parents and other adults; and (4) adopting 12-month continuous eligibility for children. Some individuals may be found eligible for Medicaid under two of the bill’s provisions (SNAP and the income eligibility of their children). However, given the conservative assumptions regarding the number of potentially eligible and the estimated take-up rates, it is unlikely that individuals are double counted.

DHMH has already extended the Medicaid renewal period so that renewals that otherwise would occur during the period of January 1 through March 31, 2014, occur later; therefore, there is no additional impact anticipated for that provision. The estimate does not include any additional administrative costs nor any potential fiscal or operational impact on the Department of Human Resources. The information and assumptions used in calculating each component of the estimate are described below.

The fiscal 2015 cost of each specific provision is shown in **Exhibit 1**.

Exhibit 1
Total Estimated Expenditures by Provision and Fund Type
Fiscal 2015
(\$ in Millions)

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Enrolling Individuals Based on SNAP Eligibility	\$4.1	\$118.2	\$122.4
Enrolling Parents Based on Income of Children	1.7	49.9	51.6
12-Month Continuous Eligibility for Adults	10.5	31.9	42.4
12-Month Continuous Eligibility for Children	5.1	5.9	11.1
Total	\$21.5	\$205.9	\$227.4

Note: Numbers may not sum to total due to rounding.

Source: Department of Health and Mental Hygiene

Enrolling Individuals into Medicaid Based on SNAP Eligibility

Medicaid expenditures increase by \$122.4 million (\$4.1 million in general funds, \$118.2 million in federal funds) in fiscal 2015 due to enrollment of individuals into Medicaid using SNAP eligibility. This estimate is based on the following information and assumptions.

- in December 2013, 43,205 households participating in SNAP had at least one household member eligible for but not enrolled in Medicaid;
- all Medicaid enrollees identified using SNAP eligibility will be adults;
- 30% of adults identified as Medicaid-eligible (12,962) using SNAP will enroll;
- 90% of enrollees (11,666) are newly eligible for Medicaid under the ACA expansion (*i.e.*, household incomes between 116% and 138% FPG) and qualify for a 100% federal matching rate;
- 10% of enrollees (1,296) would have been eligible for Medicaid prior to the expansion under ACA (*i.e.*, household incomes up to 116% FPG) and qualify for a 50% federal matching rate;
- the annual cost for enrollees who would have been eligible for Medicaid prior to the expansion under ACA is \$6,396 (the current parent rate);
- the annual cost for enrollees newly eligible for Medicaid under the ACA expansion is \$9,780 (the current childless adult rate);

- enrollment of individuals into Medicaid based on SNAP eligibility is only permitted by CMS through the end of calendar 2015; thus, costs are only assumed for July 1, 2014, through December 31, 2015; and
- no costs are assumed for this provision beyond fiscal 2016.

Enrolling Parents into Medicaid Based on Children's Income Eligibility

Medicaid expenditures increase by \$51.6 million (\$1.7 million in general funds, \$49.9 million in federal funds) in fiscal 2015 due to enrollment of parents based on the income eligibility of their children. This estimate is based on the following information and assumptions:

- 43,745 children enrolled in Medicaid have parents who may be eligible for Medicaid;
- assuming one parent is eligible for every two children in the household, up to 21,873 parents are eligible for Medicaid;
- 25% of parents identified as Medicaid-eligible (5,468) will enroll;
- 90% of enrollees (4,921) are newly eligible for Medicaid under the ACA expansion (*i.e.*, household incomes between 116% and 138% FPG) and qualify for a 100% federal matching rate;
- 10% of enrollees (547) would have been eligible for Medicaid prior to the expansion under ACA (*i.e.*, household incomes up to 116% FPG) and qualify for a 50% federal matching rate;
- the annual cost for enrollees who would have been eligible for Medicaid prior to the expansion under ACA is \$6,396 (the current parent rate); and
- the annual cost for enrollees newly eligible for Medicaid under the ACA expansion is \$9,780 (the current childless adult rate).

Future years reflect 1% enrollment growth, 3% inflation, and a reduced federal matching rate for those initially eligible for 100% federal matching.

Implementing 12-month Continuous Eligibility for Parents and Other Adults

Medicaid expenditures increase by \$42.4 million (\$10.5 million in general funds, \$31.9 million in federal funds) in fiscal 2015 due to adoption of 12-month continuous eligibility for parents and other adults. This estimate is based on the following information and assumptions:

- approximately 4.9% of all Medicaid enrollees ages 19 through 64 are enrolled in coverage for less than 12 months per year;

- Medicaid will cover an additional 39,261 member months for individuals who would have been eligible for Medicaid prior to the expansion under ACA at a per member per month cost of \$533, at a federal matching rate of 50%;
- Medicaid will cover an additional 26,305 member months for individuals newly eligible for Medicaid under the ACA expansion at a per member per month cost of \$815, at a federal matching rate of 100%; and
- as eligibility determinations are conducted on a rolling basis throughout the calendar year, continuous eligibility will not be extended to approximately one-third of enrollees until fiscal 2016.

Future years reflect 1% enrollment growth, 3% inflation, and a reduced federal matching rate for those initially eligible for 100% federal matching.

Implementing 12-month Continuous Eligibility for Children

Medicaid expenditures increase by \$11.1 million (\$5.1 million in general funds, \$5.9 million in federal funds) in fiscal 2015 due to adoption of 12-month continuous eligibility for children. This estimate is based on the following information and assumptions:

- approximately 2.2% of all Medicaid enrollees younger than age 18 are enrolled in coverage for less than 12 months per year;
- Medicaid will cover an additional 42,029 member months for children at a per member per month cost of \$263;
- 25% of these enrollees will be covered under the Maryland Children's Health Program at a 65% federal matching rate;
- 75% of these enrollees will be covered under Medicaid at a 50% federal matching rate; and
- as eligibility determinations are conducted on a rolling basis throughout the calendar year, continuous eligibility will not be extended to approximately one-third of enrollees until fiscal 2016.

Future years reflect 1% enrollment growth, 3% inflation, and a reduced federal matching rate for those initially eligible for 100% federal matching.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Centers for Medicare and Medicaid Services, Department of Human Resources, Department of Health and Mental Hygiene, Department of Legislative Services

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ncs/ljm

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