

Testimony on:
Enrollment in the Kansas HealthWave and Medicaid Programs

presented to:
Senate Health Care Task Force

by:
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Enrollment in Kansas HealthWave and Medicaid Programs

Good morning. I am Andy Allison, Deputy Director of the Kansas Health Policy Authority (KHPA) and Acting Medicaid Director. I appreciate the opportunity to talk to you today about changes we've seen in the number of Kansans enrolled in Medicaid, SCHIP, and HealthWave in recent years, and in the last few months. After sustained growth in enrollment since 1999, the state has seen a very rapid decline totaling over 20,000 Kansans – roughly the population of Derby or Hays. I'd like to provide some historical background on insurance coverage in this state before I address the long-run trends and more recent enrollment challenges in our programs, especially the impact of Federal requirements to verify citizenship and identity.

Health Insurance for Low-Income Kansans

Background. Health insurance plays an important role in the U.S. health care system, spreading costs to ensure access to care and prevent catastrophic financial loss. However, affordable private health insurance is not available to all Americans, especially the poor and those with predictable health costs, such as the elderly and disabled, for whom private insurance markets are both expensive and unstable. To address these chronic gaps in private insurance markets, states and the Federal government have invested in at least three major health insurance programs since the 1960s: Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP). Medicare provides traditional health insurance services for the nation's elderly and disabled. Medicaid supplements Medicare for low-income seniors and insures low-income women and children. SCHIP provides health insurance to an additional group of low-income children. Today Medicare covers about 13% of the Kansas population, while Medicaid and SCHIP cover about 10%. About 65% of Kansas' population is privately insured, and 11% remain uninsured. Most of the uninsured in Kansas live in households with at least one worker. As the cost of health insurance continues to rise, an increasing number of working Kansas families cannot afford health insurance. Those working in small businesses are less apt to be offered insurance, and those with low and modest incomes often have difficulty affording health insurance.

Federal Funding. Medicaid and the State Children's Health Insurance Program (SCHIP) are Federal programs that provide matching funds for state-run insurance programs. Both Medicaid and SCHIP are contained in the Social Security Act of 1965 (SSA): Medicaid was authorized as a part of the original SSA legislation and can be found in Title XIX of the Act; SCHIP was added as Title XXI of the SSA in 1997. The Federal match rate for SCHIP is slightly higher than Medicaid (72% v. 60% in Kansas), but unlike Medicaid, SCHIP matching funds are subject to a state-specific cap, or allotment. In Kansas, SCHIP is available state-wide to children who are Kansas residents from birth to age 19 who are not eligible for Medicaid and who live in families with incomes up to 200 percent of FPL (\$33,200 annually for a family of three). Medicaid covers children at lower levels of income.

State Programs. Medicaid and SCHIP are funding sources tied to specific Federally-determined populations. The state uses those funding sources to purchase health care through both managed care and fee-for-service programs. The managed care program is called "HealthWave," KHPA's best-known and most widely advertised product line. Both Medicaid- and SCHIP-eligible children and families have been enrolled in HealthWave since FY 2002. By state law, all 34,791 SCHIP children must be enrolled in managed care, which means all are enrolled in HealthWave. As of January 2007, about 145,000 Medicaid beneficiaries – mothers and children – are also eligible to be enrolled in HealthWave. To distinguish the Medicaid and SCHIP

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populations within HealthWave, KHPA often refers to the HealthWave-XIX and HealthWave-XXI populations, a direct indication of the SSA funding rules and eligibility criteria that apply to the HealthWave program.

Background on Stairstep Income Thresholds Distinguish Medicaid and SCHIP Eligibility. Eligibility for public health insurance in Kansas can be based on family income, disability, or other specific health care needs, e.g., long-term care or community-based support. Most Medicaid - and all SCHIP - enrollees are eligible solely because of their family's low income. These populations also comprise the vast majority of our HealthWave program. Income-based eligibility in Medicaid and SCHIP is tied to Federal Poverty Levels (FPL). Medicaid covers the poorest Kansas children, while SCHIP covers children with incomes that exceed Medicaid limits but are less than 200% of the FPL. Because Medicaid income thresholds decline with age, the dividing line between Medicaid and SCHIP poverty-related eligibility is commonly referred to as a "stairstep."

- The highest Medicaid income threshold is 150% of the FPL and applies to infants less than one and their pre- and post-partum mothers.
- The next highest Medicaid income threshold is 133% of the FPL applies to children ages 1 through five.
- The lowest eligibility ceiling for children is 100% of FPL and applies to children ages 6 through 18.
- SCHIP funding is used to provide health coverage for children in each age group above the Medicaid eligibility levels up to 200% of FPL.

Long-run and short-run trends in enrollment

- There has been steady growth in the cash assistance-related (TAF), poverty-related, and disabled populations in Medicaid and SCHIP since July 2003. Most of the increase is comprised of children in Medicaid and SCHIP.
- The drop in enrollment in Medicaid after July 2006 is due primarily to the new federal citizenship and identification requirements. New applications are not being processed as quickly as before, nor are reviews of existing beneficiaries being completed as quickly. A KHPA Fact Sheet is attached that describes the impact of the citizenship verification requirements on beneficiaries and KHPA operations in more detail.
- SCHIP has generally had smaller and steadier growth than Medicaid. Since the citizenship and identification requirements to not have to be applied to this program, there has been lower decline in enrollment since July 2006. Some decline did occur because of the volume of documents and phone calls the Clearinghouse began receiving in July.

Healthy Kansas First Five Proposal

Despite those availability of public programs, and years of outreach effort, there are still today about 48,000 Kansas children under the age of 18 without health insurance. Of those children, about 15,000 are under the age of five, the most formative years when access to prevention-oriented health care is most critical. These estimates pre-date the implementation of the citizenship verification requirements and do not reflect the decline in HealthWave enrollment, and likely increase in the number of uninsured children, associated with those requirements. KHPA is addressing the impact of the citizenship verification requirements in its budget proposal.

Enrollment in the Kansas HealthWave and Medicaid Programs

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As the leading agency on health and health care services, the Kansas Health Policy Authority is committed to providing access to care, especially care that is cost effective for the state in the long term. To help give our children the critical healthy start in life, KHPA proposes expanding access to care for children through the creation of the Healthy Kansas First Five Program. This program would expand health care coverage to children age five and under from low and moderate income families who lack health care insurance by expanding affordable options through the HealthWave program.

This program was introduced last year by Governor Sebelius but not funded by the Legislature. The KHPA Board considers access to care for Kansans a critical component of a coordinated health agenda for Kansas, and this program in particular a high priority this upcoming legislative session.

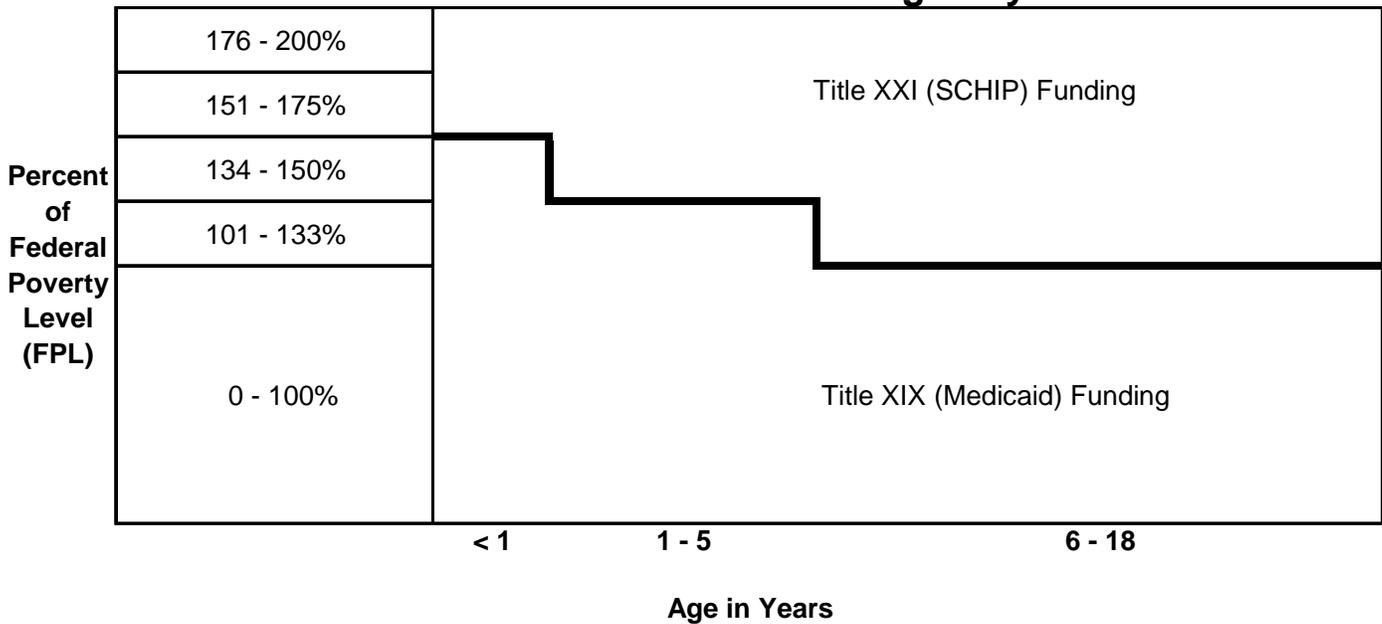
Healthy Kansas First Five is designed to significantly reduce the number of uninsured children below the age of five. It is estimated that 2,000 children would be served in the first year of operation (2008), with additional enrollment expected thereafter.

Healthy Kansas First Five Plan to Expand Thresholds. To provide coverage options for Kansas children under the age of five, KHPA proposes to expand the stairstep income eligibility thresholds in these age ranges.

The upper income limit for the HealthWave program would increase from the current level of 200% of the poverty level (yearly income of approximately \$33,200 for a family of three) to 235% of the poverty level, and to create a state-only funded HealthWave buy-in option for young children in families up to 300% of the poverty level. Both components require families to pay a premium related to their level of income. Above 300% of poverty, families would be allowed to enroll their children at the full actuarial cost of the HealthWave benefit. To remain within Federal spending limits for the HealthWave program, this proposal may require some families with incomes between 133% and 200% of poverty be transferred from HealthWave Title XXI to HealthWave Title XIX coverage. Medicaid eligibility for pregnant women would also be increased to approximately 185% of poverty, increasing expectant mothers' access to prenatal care.

ATTACHMENT 1

HealthWave Income Eligibility



Federal Poverty Level (FPL) for a Household of Three (3)

Percent of Federal Poverty Level (FPL)	Income Thresholds
200%	\$33,200
175%	\$29,050
150%	\$24,900
133%	\$22,078
100%	\$16,600

Fact sheet on Deficit Reduction Act requirements for citizenship and identity

Kansans of all ages need health coverage. Unfortunately, in the past six months, between 18,000 and 20,000 Kansans have lost their Medicaid benefits due to the state's compliance with a new federal law, which became effective July 1, 2006, that requires many Medicaid applicants to provide documentation verifying their citizenship and identity. These new requirements, additional work now required for both applicants and state eligibility workers, and the abbreviated implementation timeframe dictated by the Federal government have created a barrier to coverage for both Medicaid and State Children's Health Insurance Program (SCHIP) eligible individuals. KHPA staff have re-engineered enrollment and utilized electronic verification where appropriate, but will not be able to address the new workload without additional resources. Even after resources are made available, the new requirements may have a negative impact on coverage for eligible Kansans. KHPA is recommending that Congress revisit the legislation to consider the impact on states and beneficiaries.

Impact on beneficiaries

How have beneficiaries been affected?

- Significantly increased time and other costs of applying for Medicaid benefits have affected beneficiaries. Although KHPA has made arrangements to electronically "match" with Kansas state birth certificate records, many applicants who were born out of state report the need to purchase and wait for their birth records to be sent.
- Those denied coverage or who are waiting for their applications to be reviewed may experience increased out-of-pocket health costs and reduced access to service.
 - Research clearly indicates that the uninsured have a harder time accessing health care services than those with Medicaid coverage.
 - Those who are uninsured as a result of the new laws may be required to purchase medical services using grocery money or other scarce resources, or to incur medical debt that could otherwise have been avoided.
- Since the verification requirements took effect, individuals have had difficulties contacting state eligibility workers. Due to the marked increase in phone inquiries, the phone lines have been over-capacity, not allowing individuals to get to leave a voice message or talk to a customer service representative. This has resulted in a number of individuals not receiving necessary medical attention.
 - One mother has not yet heard back from the Clearinghouse if she and her pregnant daughter are eligible for benefits after sending identification and citizenship documents four months ago.
 - A high-risk child applied for benefits but has not yet received her HealthWave card, even though her birth-mother is eligible and has a card. How can a child's citizenship documentation not be processed and verified when her mother's has?
 - A woman applied for HealthWave and has not yet heard back. She is pregnant and has a doctor appointment next week. It is important for her to have coverage to keep her and her child healthy.
- Beneficiaries are having difficulties maintaining access to pharmaceutical drugs.

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- A woman thought she had HealthWave insurance for the kids. However, the card was denied when she tried to use it at the pharmacy. The pharmacy gave her a 30-day fill period in which the prescription is filled and she has 30 days to pay the bill. Unfortunately, due to the backlog at the Clearinghouse, she had only one day to get insurance before the 30-day float period ended. She needed the money and the prescriptions.
- A woman called because she needs to add her baby to her Medicaid case. The Pharmacy confirmed with the Clearinghouse that her Medicaid card is not valid. However, the case worker knows she is eligible. Unfortunately, without a valid card, she cannot afford the medication.
- Those needing medical benefits are not receiving timely care, and in the end, they are sick, need immediate care and cannot afford it.
 - A woman who applied for benefits for her and her child two months ago, has still not heard back on whether they are insured. Now, her child is sick.
 - After applying for Medicaid several months ago, a pregnant mother has not yet received her Medicaid card. The baby is due soon and her doctor is now billing her. She has attempted to call the Clearinghouse 18 times and has not received a response on her application.
 - A woman had a baby a month ago. Despite sending in application information to HealthWave a while ago, the mother has now received a bill from the hospital. This occurred because there is a large delay in processing their enrollment information.
- These new requirements have also affected how beneficiaries receive care in other states.
 - One person, whose children were born in different states, was asked for proof of citizenship and identification and cannot get the Birth Certificate from Colorado for the daughter. She has tried for the last month and information is due soon. She has the documents for one child, but not the other. Thus, one child and the mother are receiving benefits, but not the other child.
 - An individual needs to have a case closed in Kansas for a child who is now living in Missouri. They cannot get their services in Missouri without closing the case in Kansas. The backlog has caused a delay in coordinating with Missouri.
 - One family moved from Iowa and is struggling to get their son medication for his extreme case of ADHD. An Iowa doctor sent the prescription twice and asked a pharmacy to pay, but he will no longer fill the prescription and the family cannot get the son into a doctor without HealthWave coverage. The school reports that the son is spending more time in the principal's office than in the classroom because he is not getting his medication.

How has caseload been affected?

- The number of individuals enrolled in Kansas Medicaid or SCHIP has fallen significantly since the requirements went into effect. Caseload in the two programs combined was 308,994 in June 2006 and 285,134 in January 2006. We estimate that 18,000-20,000 of this decline is a direct result of the new verification requirements.
- Of this drop, 2,381 individuals are those whose applications or renewal cases have been closed because they could not provide the newly required documents in a timely fashion.
- Another 16,000 or more are waiting to enroll in the program, or have fallen off the program while waiting to be re-enrolled, as a result of the large backlog of cases the new requirements have created.
- Many of those waiting to be enrolled are eligible citizens. Recent experience indicates that the majority of children and families with pending applications will qualify for coverage under the new requirements when we are able to complete processing.

How have other states been affected by these new requirements?

- Since Kansas first reported on the impact of the new requirements in November, other States across the country have reported similar difficulties.
- Virginia has seen about 12,000 children who have been dropped from the state's Medicaid caseload since July 1, 2006. Iowa, Louisiana, New Hampshire and Wisconsin have experienced similar decreases.
- Like Kansas, Iowa reports the impact of the requirements on eligible citizens who need Medicaid benefits

and are not able to obtain coverage.

Caused by new documentation requirements and overworked enrollment process

What are the new documentation requirements?

- The new Federal laws, effective July 1st, do not change eligibility rules but instead require applicants to provide certain documents verifying that they comply with rules governing citizenship and identity. States were notified of this new requirement on June 9, 2006 and the interim final rule was published in the federal register on July 12, 2006.
 - Citizenship: Medicaid eligibility has long been restricted to American citizens and certain legal immigrants such as refugee.
 - Identity: identity isn't an eligibility requirement, per se, but individuals and parents are required to apply on behalf of themselves and their children. In addition, applicants already must provide social security numbers and documentation of family income.
- The new laws require applicants, including those renewing their eligibility, to document citizenship and identity through one of the following criteria:
 - A *primary* document that verifies both citizenship and identity, such as a passport or certificate of naturalization; or
 - Separate *secondary* documents, one verifying citizenship, such as a birth certificate, and another verifying identity, such as a driver's license or school picture ID.

How have the new federal requirements impacted the enrollment process in Kansas?

- The Kansas Family Medical Clearinghouse, which handles about 85% of applications from children and families, receives about 9,500 applications or renewals each month representing about 35,000 individuals, each required to provide at least one new document.
- The number of customer service calls to the Clearinghouse has more than doubled from 23,000 to 49,000 per month.
- The number of voicemails received has increased tenfold from 1,200 to 11,000 per month.
- The number of faxes received has doubled to 6,000.
- Collecting, matching, and verifying these documents have increased the average amount of time required to complete an application.

Who is being affected by these new rules?

- The new rules apply to all Medicaid applicants and beneficiaries EXCEPT Medicare beneficiaries and those individuals receiving Supplemental Security Income (SSI). Recent federal law changes have also provided additional exemptions to those receiving Social Security Disability benefits and most youth in foster care or receiving adoption support.
- The primary impact of the new requirements is on children and families.
- To one extent or another, all Medicaid applicants may be affected.
 - Applicants who are unable to provide the required documentation in a timely manner are denied coverage.
 - Many applicants – especially children and families -- end up in the backlog that has developed since the new requirements were introduced. These applicants may or may not meet the documentation requirements, but in the meantime experience delays in the application process.
 - Disabled applicants who are not qualified for Medicare or SSI must comply with the new requirements, including children receiving home and community-based services, children needing institutional care, and adults applying for medical assistance through the Presumptive Medical Disability process, many of whom have a mental illness.
 - Because the vast majority of seniors age 65 and over receive Medicare, very few elderly are affected.

We anticipate hospital emergency rooms and other health care providers will bear some of the costs associated with uninsured applicants – especially for pregnant women who have been unable to enroll in Medicaid.

Steps being taken to mitigate the problem

What are the budgetary costs of the new requirements for the state of Kansas?

- In order to meet the new administrative burdens and mitigate the resulting impact on applicants, the KHPA is requesting an additional \$1 million in funding for FY 2007 and FY 2008 for the operation of its enrollment clearinghouse.
- These funds will be used by the enrollment contractor to hire 17 new contract staff to work through the backlog of pending applications, reduce waiting times and return eligible applicants to the program.
- KHPA is also requesting to hire an additional 4 state staff in FY 2007 and FY 2008 to address additional volume-related issues at the Clearinghouse, not related to the new citizenship requirements.

What measures are being taken to reduce the impact on beneficiaries?

- Resources at the Clearinghouse have been reallocated and enrollment processing has been adjusted to accommodate the new documentation requirements.
- KHPA is utilizing approved and reliable electronic sources of documentation, including the state's birth and immunization registries.
- KHPA will also be calling on our Congressional delegation to provide an update on the impact of these new laws, to suggest policy alternatives, and to recommend a Congressional review of the legislation.

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