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Background Paper

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As Medicaid Enrollment Has Surged, Composition of the Caseload Has Changed

SUMMARY

Although the 1996 welfare reform act separated public assistance eligibility from Medicaid eligibility, both programs shifted their policy direction to focus on work. As welfare recipients increasingly joined the workforce, new Medicaid policies centered on providing medical coverage for working families whose jobs did not offer employer-sponsored health insurance.

In 1996, just 26 percent of New York City's Medicaid beneficiaries were not receiving cash assistance from the welfare program. By 2002, 60 percent of Medicaid beneficiaries were not receiving cash assistance.

Along with this change in the composition of the Medicaid caseload there has been a surge in the number of people enrolled in Medicaid. Following the welfare reform act, Medicaid enrollment in the city fell from 1.95 million in 1996 to 1.77 million in 2000. As enrollment efforts began to focus on working families, the number of beneficiaries grew rapidly, reaching a monthly average of 2.10 million in 2002.

Some of the new programs driving this increase include:

- HealthStat, a city initiative started in 2000, enrolled 330,000 New Yorkers in Medicaid and Child Health Plus as of June 2002.
- Family Health Plus, a state program begun in January 2002, covers over 100,000 beneficiaries.
- Disaster Relief Medicaid, created following the September 11 tragedy, enrolled more than 340,000 individuals between September 2001 and January 2002.

While efforts to cap growing Medicaid costs may slow the pace of enrollment increases, the shift in the composition of the Medicaid caseload towards working parents is likely to continue.

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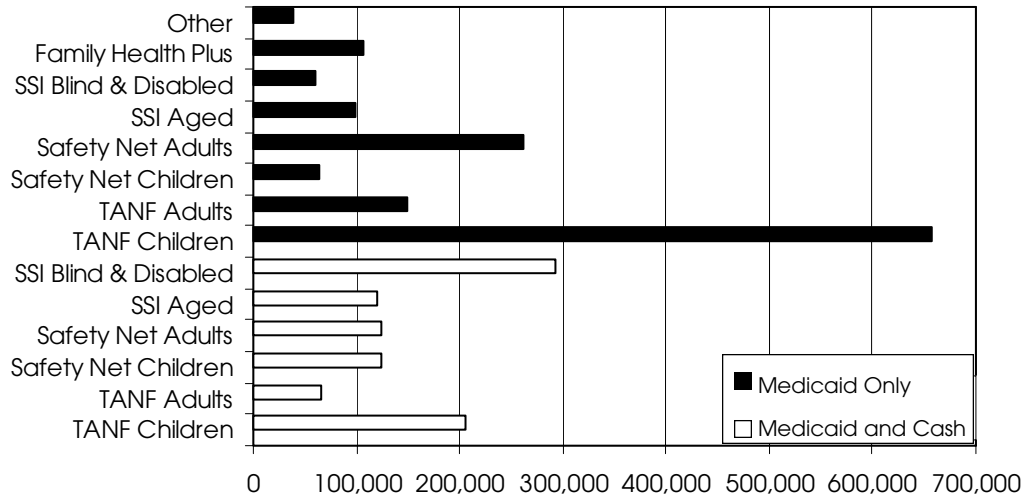
BACKGROUND

In the wake of the 1996 federal welfare reform act, which split eligibility for public assistance from eligibility for Medicaid, the number of New York City residents enrolled in the federal health care program for the poor declined. From 1996 through 2000, Medicaid enrollment in the city fell from 1.95 million people to 1.77 million. This trend has since reversed, with the Medicaid caseload surging to a monthly average of 2.10 million during 2002 and peaking at 2.4 million in December of that year.

Recent changes in state and local policies, as well as a state court decision in regard to legal immigrants, caused much of the spike in Medicaid enrollment. This increase has been coupled with a significant change in the composition of the caseload.

Medicaid Enrollment in New York City, November 2002



SOURCES: IBO; New York State Department of Health.

Prior to welfare reform, most Medicaid beneficiaries were in single-parent families living in poverty and receiving welfare benefits or disabled individuals receiving disability benefits through the Supplemental Security Income (SSI) program of Social Security. These groups now make up a much smaller share of the Medicaid enrollees. Adult Medicaid beneficiaries between the ages of 18 and 64 who were also receiving cash assistance fell from 22 percent to 9 percent of total enrollment, while the number of children also receiving cash assistance fell from 32 percent to 13 percent. As the number and percentage of individuals with cash assistance declined, those not receiving cash assistance increased—non-elderly adults not receiving cash assistance rose from 6 percent to 22 percent of total Medicaid enrollment and the number of children grew from 14 percent to 26 percent. The percentage of blind or disabled and elderly beneficiaries has remained fairly stable at about 30 percent of total enrollment during this period.

As welfare recipients increasingly found work, a new focus for Medicaid policy became the need to provide medical coverage for working parents. The program is evolving from a support system for individuals deemed financially dependent on the state and federal government to one with a goal of providing health insurance for workers who do not get employer-sponsored health insurance for themselves and their families. By 2002, 60 percent of Medicaid beneficiaries were not receiving cash assistance compared to 26 percent in 1996.

CHANGING POLICIES, RISING ROLLS

The creation of several new programs on the state and local levels has contributed to the rise in the Medicaid rolls and the growing enrollment of working families:

HealthStat. Beginning in 2000, HealthStat, a citywide initiative within the Mayor's Office of Health Insurance Access, joined with 20 city agencies and private organizations to provide eligibility information and to help enroll uninsured New Yorkers in public health insurance programs. In addition, a state initiative funded local nonprofit organizations to provide assistance to applicants in completing forms and gathering required documentation. As of June 2002, the HealthStat program enrolled 330,000 adults and children in Medicaid and Child Health Plus, the state and federally funded program for uninsured children in families with incomes above the Medicaid eligibility cutoff.

Family Health Plus. The Health Care Reform Act (HCRA) of 1996, which has been renewed and amended twice, serves as the framework for health care financing in New York State, including mechanisms for hospital reimbursement, graduate medical education financing, and subsidies for care provided to the uninsured. In 2000, the HCRA renewal legislation created Family Health Plus (FHP) to cover low-income

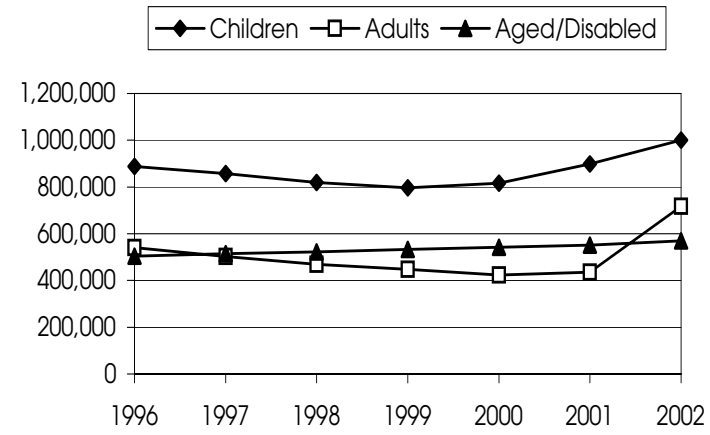
working adults as an expansion of Medicaid with the required 25 percent local share. The program provides managed care coverage for working parents and individuals with incomes above regular Medicaid eligibility levels. Since its start-up in January 2002, the program has grown to cover over 100,000 beneficiaries.

Disaster Relief Medicaid. The state's Medicaid computer system was rendered inoperable by the World Trade Center disaster and the federal government subsequently allowed New York State to implement the Disaster Relief Medicaid (DRM) program, featuring a simplified one-page application with minimal eligibility documentation. More than 340,000 individuals enrolled between September 2001 and January 2002. The Health and Hospitals Corporation (HHC) reported that as of January 2003 it treated over 39,000 DRM enrollees who made more than 100,000 visits to HHC outpatient clinics and accounted for over 2,700 discharges from its acute care facilities. Since many of the city's other health care providers honored DRM, use of services through the program must have been considerable. The annual recertification of eligibility for those enrolled in regular Medicaid also was put on hold during the DRM period. Historically, 50 percent of enrollees are lost to the program at recertification. The recertification cycle was reinstated for those with a January 2003 renewal date and total enrollment may fall if beneficiaries are unable to successfully complete the process.

As of December 2002 (the most recent official available data), some DRM enrollees were still in the process of shifting to regular Medicaid. We will not know how many ultimately switch to a public health insurance program and the effect on total Medicaid spending until data are available for the first quarter of 2003. By then, the vast majority of DRM enrollees will have transitioned to regular Medicaid, the higher income FHP, or CHP; decided not to reapply for coverage; or been found ineligible. Reports show only 38 percent of DRM enrollees have kept their Medicaid application appointments, although indications are that of those who were processed through December 2002, 110,000 individuals have been shifted to "regular" Medicaid.[1]

Eligibility for Legal Immigrants. In 2001, the state Court of Appeals ruled in the case of *Aliessa v. Novello* that the state must provide full Medicaid benefits to legal immigrants who entered the United States after 1996 when federal welfare reform legislation withdrew coverage for newly arrived immigrants. Because these individuals remain ineligible for federal benefits, the state and localities must fund the entire cost of coverage.

New York City Average Monthly Medicaid Enrollment by Category 1996 - 2002



SOURCES: IBO; New York State Department of Health.

In 2001, the Commonwealth Fund estimated that by 2003 the number of post-1996 non-citizen adults in New York State with incomes below Medicaid eligibility limits would exceed 238,000, with about three-quarters living in the city. It is unclear at this time how many newly eligible immigrants are currently in public health insurance programs. The city estimates that only 33,000 will be enrolled by 2004 at a cost to the city of $28 million.

ENROLLMENT OUTLOOK

Despite the implementation of new programs and policies to boost Medicaid enrollment, some 1.7 million New York City residents remain uninsured. Of that number, about 900,000—including over 270,000 children—are believed to be eligible but not enrolled for existing public programs. Efforts to expand enrollment are now taking a back seat to concerns over rapidly rising Medicaid costs. While changes aimed at capping costs may slow the pace of enrollment increases, the shift in the composition of the Medicaid caseload towards working parents is likely to continue.

Written by James Doyle

END NOTES

[1]Testimony by Iris Jimenez-Hernandez, NYC Human Resources Administration at a Joint Hearing of the Committee on Health, Committee on General Welfare and the Committee on Oversight and Investigation with the State Assembly Committee on Health. Evaluating Disaster Relief Medicaid and Family Health Plus. January 10, 2003.