Expanding Family Coverage: States' Medicaid Eligibility Policies for Working Families in the Year 2000

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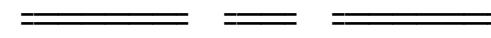

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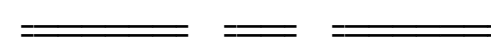

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Summary

Since 1996, changes in federal law and policy have given states new opportunities to expand publicly-financed health insurance coverage to members of low-income working families with children, including parents. Nonetheless, the percentage of low-income parents who are insured by Medicaid fell by almost one-quarter from 1995 to 2000, according to Census data, and the share who are uninsured rose by 7 percent. While 12 states have substantially expanded low-income working parents' eligibility for Medicaid since 1997, income eligibility limits for parents in most states remain well below the poverty line, and about one-third of low-income parents remain uninsured. In light of the current recession, it seems likely that uninsurance rates for low-income parents will rise even further unless states are able to expand publicly-funded coverage.

Insurance coverage for low-income children, on the other hand, has improved considerably in recent years. The State Children's Health Insurance Program (SCHIP), created in 1997, offers states federal matching funds — with matching rates considerably higher than standard Medicaid rates — to expand health care coverage for children using Medicaid, a separate state children's health program, or a combination of the two. In response to this new opportunity, all states have expanded coverage for children since 1997; most states have elected to cover children in families with incomes up to 200 percent of the poverty line or higher. Census data reveal that the proportion of low-income children with publicly-funded coverage under Medicaid or SCHIP rose in 1999 and 2000 and that this resulted in a reduction in the percentage of low-income children who lack insurance coverage.

States now have a number of options to expand coverage for parents of children covered by Medicaid or SCHIP. Prior to the passage of the 1996 federal welfare law, parents usually had to receive cash welfare assistance to be eligible for Medicaid. The 1996 law created an important new opportunity for states to expand coverage for low-income working parents. Since then, modifications to federal waiver policies have created even more avenues to broaden "family-based coverage", i.e. publicly-financed coverage available to both the children and parents in

low-income families. States now can cover low-income working parents who have no recent connection to cash welfare and can establish Medicaid income eligibility limits much higher than those that apply to welfare.

A growing number of states have adopted family-based expansion programs that cover parents, paralleling their coverage expansions for children under SCHIP. The expansions are designed to address the high rate of uninsurance among low-income working parents, as well as to strengthen the effectiveness of children's health initiatives. A growing body of research indicates that extending coverage to parents can increase the extent to which eligible children secure coverage and make use of needed services.

To better understand the actions states are taking to increase health insurance coverage for parents, the Center on Budget and Policy Priorities surveyed Medicaid eligibility staff in all 50 states and the District of Columbia to gather information about the eligibility rules that each state applies to families with children under Medicaid (and in a few cases, non-Medicaid public insurance programs). We asked the state officials to provide information on their policies for parents as of July 1, 2000. In some cases, the Center has learned of policy changes adopted by states since July 1, 2000; these changes are noted whenever possible. The tables in this report update and expand upon an earlier report issued by the Center on states' eligibility rules for parents as of the fall of 1999.[1]

- Prior to 1997, seven states had expanded Medicaid coverage for both parents and children to include families with incomes up to 100 percent of the federal poverty line or higher.[2] These states include Delaware, Hawaii, Minnesota, Oregon, Tennessee, Vermont, and Washington.

- Since 1997, an additional 12 states have raised income eligibility limits for parents up to or beyond 100 percent of the poverty line. These states include Arizona, California, Connecticut, the District of Columbia, Maine, Massachusetts, Missouri, New Jersey, New York, Ohio, Rhode Island, and Wisconsin.

Nevertheless, most states provide Medicaid coverage to low-income parents only if they have income far below the poverty line.

- More than half of the states provide coverage to a working parent with two children only if the parent's earnings fall below roughly $10,000 a year, an amount that leaves

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[1] Center for Law and Social Policy and Center on Budget and Policy Priorities, *State Policy Documentation Project: States' Implementation of Selected Medicaid Provisions of the Personal Responsibility and Work Opportunities Reconciliation Act of 1996*, January 2000. (available at www.spdp.org).

[2] Tennessee expanded eligibility in 1994 but has admitted relatively few low-income parents with incomes beyond the state's traditional Medicaid eligibility criteria in recent years.

the family nearly $5,000 below the poverty line. In the typical (or median) state, a working parent with two children becomes ineligible for coverage when her earnings reach 69 percent of the poverty line.

- In some states, the eligibility cutoff for parents is even lower. In Alabama, for example, a parent with two children is ineligible for Medicaid if her earnings exceed $3,048 a year, an amount more than $11,500 below the poverty line.

By contrast, 37 states (including the District of Columbia) now provide coverage to *children* in families with income up to at least 200 percent of the poverty line.

In most states, low-income parents thus face the prospect that if they or other family members earn enough to lift their family to the poverty line, they must forego publicly-funded health insurance coverage. Since the availability of employer-based coverage at low-wage jobs is limited, poor parents who work are more likely to be uninsured than poor parents who do not work. In 2000, for example, nearly half (46 percent) of poor parents who secured most of their income from earnings were uninsured. In comparison, a little more than one-fourth (28 percent) of poor parents who relied primarily on unearned income lacked coverage.

Many states that have not broadly expanded income eligibility for parents have adopted more modest, but still significant, improvements in their eligibility rules for parents. This suggests that these states are interested in simplifying the application process for parents (as they have done for children), as well as in reinforcing the efforts of low-income parents to find and retain jobs and in improving the treatment of two-parent families.

- Sixteen states no longer administer an asset test when evaluating the eligibility of parents for Medicaid. In addition, a significant number of other states have increased the asset limit for Medicaid eligibility and/or have elected to disregard (that is, not count) the value of one car when calculating a family's assets.

- Only 12 states continue to impose the "100-hour rule," under which parents in two-parent families are ineligible for Medicaid if the principal wage earner works 100 or more hours per month. The remaining 38 states and the District of Columbia have substantially eliminated the 100-hour rule and generally treat two-parent families the same as single-parent families.

- Sixteen states have devised strategies to effectively waive the "three-out-of-six months requirement," under which families must have been eligible for Medicaid for at least three of the preceding six months to qualify for Transitional Medical Assistance (TMA). This requirement can make families that find work quickly (as the result of TANF policies aimed at promoting rapid attachment to the work force or for other reasons) ineligible for TMA.

- Fourteen states make TMA available to families for more than the mandated 12 months.

- Thirty-seven states have adopted 12-month continuous eligibility, which guarantees ongoing Medicaid eligibility for families with children for 12 months regardless of changes in income or other family circumstances in the interim.

The data in this report show that a substantial number of low-income parents lack insurance. The recent economic downturn and accompanying state budgetary problems are likely to aggravate the problem of uninsurance *and* to make it harder for states to address that problem by expanding Medicaid or SCHIP coverage for low-income parents.

Policy Changes in Public Coverage of Families and Children

The enactment of the State Children's Health Insurance Program (SCHIP) in 1997 gave states the opportunity to expand coverage to children in low-income families through Medicaid, a separate state children's health program, or a combination of both approaches. To give states a fiscal incentive to expand coverage for children, SCHIP increases the generosity of the federal government's contribution to the cost of covering children (i.e., the federal matching rate) relative to Medicaid.

In response to SCHIP, all states have adopted some kind of expansion in coverage for children, and 37 states (including the District of Columbia) have expanded coverage to 200 percent of the poverty level or higher.[3] As a result, nearly 95 percent of uninsured children in low-income families (defined as families with income below 200 percent of the poverty line, or $29,260 for a family of three in 2001) are income-eligible for publicly-funded coverage.[4]

Less widely recognized opportunities for states to expand coverage were created by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). While previously, families with children generally had to enroll in cash assistance in order to become eligible for Medicaid in most states, the 1996 welfare law "delinked" the two programs. It also gave states broad flexibility to raise the Medicaid income eligibility limits for low-income families with children (including parents) beyond old welfare levels to whatever level they consider appropriate, as well as to make other improvements in the coverage available to families with children. Even before 1996, states were required to expanded Medicaid eligibility for the

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[3] Donna Cohen Ross and Laura Cox, *Making It Simple: Medicaid for Children and CHIP Income Eligibility Guidelines and Enrollment Procedures,* Center on Budget and Policy Priorities and Kaiser Commission on Medicaid and the Uninsured, October 2000.

[4] Leighton Ku and Matthew Broaddus, *Nearly 95 Percent of All Low-income, Uninsured Children Now Are Eligible for Medicaid or SCHIP*, Center on Budget and Policy Priorities, September 2000. (Center reports are available at www.cbpp.org).

children in low-income families beyond welfare levels.[5] Thus, the opportunity created by the welfare law primarily affects the extent to which the *parents* in low-income families with children can qualify for Medicaid.

As indicated by the tables in this report, a modest but growing number of states have expanded coverage for low-income working parents, along with their children. In most states, however, a wide disparity still exists between the eligibility rules for children and those for parents. This disparity has created a growing number of "split families," in which children may secure coverage but their parents may not. As a result of the failure to expand parent coverage along with children's coverage, the proportion of low-income working parents without insurance has remained high. In addition, new research indicates children are more likely to be enrolled in Medicaid and SCHIP if their parents also qualify, which suggests that leaving parents out of recent child health expansions may have impeded the effectiveness of these expansions in reaching uninsured children.

Insurance Coverage of Low-income Children Has Improved, While Parents' Coverage Has Worsened

Analyses of recent data from the Census Bureau's Current Population Survey show that state efforts to expand coverage for low-income children using SCHIP funds have helped reduce the number of low-income uninsured children. However, low-income parents have lost health insurance coverage in recent years, and Medicaid coverage for parents in most states has remained quite restrictive.

Figure 1 shows that the percentage of low-income children who were uninsured rose from 1995 to 1998 but has declined since then. The primary reason for this recent improvement is the growth of Medicaid and SCHIP participation since 1998 due to SCHIP-funded expansions. The gains in coverage were concentrated among children with incomes between 100 and 200 percent of the poverty line, the income range in which children's eligibility expansions were concentrated.[6] These results demonstrate the success of state efforts to reduce the number of uninsured low-income children.

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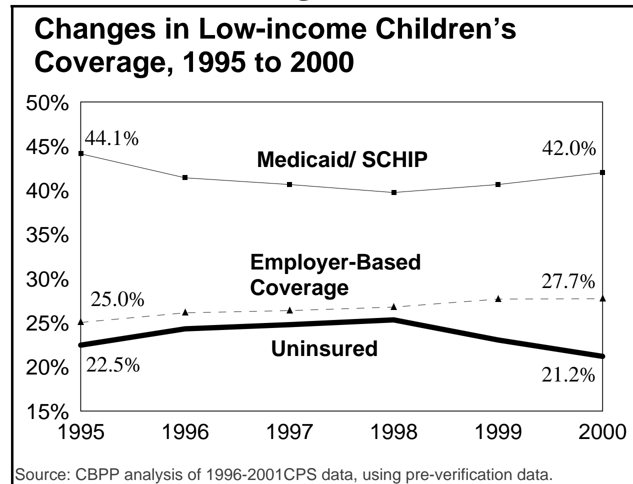
[5] Even before PRWORA, states could provide Medicaid to a limited number of low-income families with children not receiving cash welfare. Most notably, states could establish a "medically needy" eligibility category for families with children. However, a state's income standards under this category could not exceed 133 percent of the state's AFDC income standards. Despite this constraint, in about a quarter of the states the medically needy eligibility category currently offers the most generous income standard for families with children.

[6] The Census Bureau recently changed its method for counting the uninsured by adding a "verification question," which lowers the number of uninsured people. To measure insurance trends consistently from 1995 to 2000, we used the "pre-verification" version of the questions. The differences in insurance coverage patterns between 1995 and 2000 are statistically significant with 90 percent confidence. If we use the "post-verification" data, the share of low-income children who are uninsured in 2000 is slightly less, 20.1 percent.

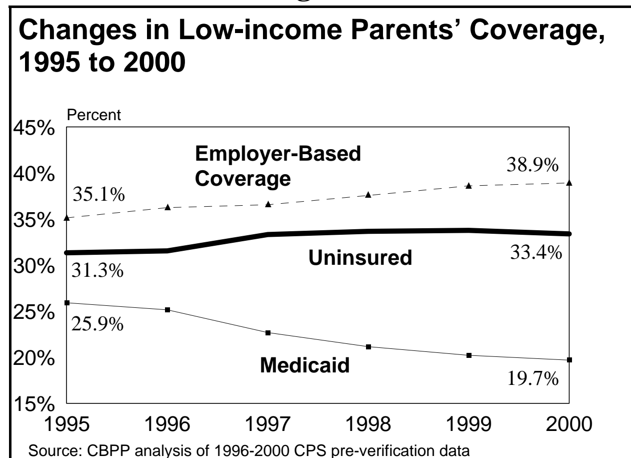
Unfortunately, public coverage of low-income parents has fallen sharply since 1995. As shown in Figure 2, the share of these parents receiving Medicaid fell from 26 percent in 1995 to 20 percent in 2000. Because of the loss of Medicaid coverage, low-income parents were significantly more likely to be uninsured in 2000 than they were in 1995 on average, despite the increase in employer-based coverage during this period.[7] About one-third of low-income parents lack health insurance coverage, a level considerably greater than the uninsurance rate for low-income children, one in five lack health insurance coverage. If the Medicaid eligibility of low-income parents had grown as extensively as that of children, it seems very likely that low-income parents' uninsurance rates would have fallen in the past couple of years instead of increasing.

Figure 1



The recent drop in the percentage of low-income parents enrolled in Medicaid probably has retarded efforts to enroll children in public insurance. Several analyses have demonstrated that efforts to expand parents' eligibility can stimulate greater enrollment of children.[8] These analyses also indicate that improved parent coverage can improve children's use of preventive health services.

Figure 2



The decline in Medicaid enrollment by low-income parents was not caused by a tightening of Medicaid eligibility criteria; states generally kept their Medicaid income and resource thresholds for parents steady during this period, and sometimes increased them. The cause, rather, was a decline in participation among eligible parents, either because of heightened administrative barriers or because parents mistakenly

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[7] As with the Census data for children, we used "pre-verification" responses to tabulate insurance trends consistently from 1995 to 2000 for parents. When the "post-verification" definitions of insurance are used, the percentage of low-income parents who were uninsured in 2000 is a little lower, 32.3 percent.

[8] Leighton Ku and Matthew Broaddus, *The Importance of Family-Based Insurance Expansions: New Research Findings About State Health Reforms*, Center on Budget and Policy Priorities, September 5, 2000.

believe they are not eligible for Medicaid if they are not getting a welfare check. Thus, the slippage in Medicaid coverage that began in the wake of welfare reform has continued.

Sources of State Flexibility to Improve Coverage for Families with Children

As noted above, the delinking of welfare and Medicaid eligibility gave states broad new authority to expand coverage for families with children. In addition, many states have found ways to use waivers to expand coverage for families with children using Medicaid and SCHIP funds. The sources of states' flexibility are described below.

The Family Coverage Category

When it delinked welfare and Medicaid eligibility, Congress replaced the link with a new family coverage category for families with children. The category was created by Section 1931 of the Medicaid statute and thus is sometimes known as the "Section 1931" eligibility category. In this report, the category is described as the "family coverage" category.

Under the family coverage category, states must, at a minimum, extend Medicaid to families with children who meet the income, resource, and family composition rules that they had in place on May 18, 1988 under the Aid to Families with Dependent Children (AFDC) program, regardless of whether they are receiving cash assistance. We are not aware of any state electing this option and instead states use their AFDC eligibility standards in place on July 16, 1996 as the minimum.[9]

Federal law gives states broad flexibility to set the rules for their family coverage categories, enabling them to expand coverage for families with children beyond the basic requirements:[10]

- States may raise their family income and asset standards for Medicaid above the July 1996 levels to reflect changes in the cost of living since then. States also may lower their income standards below July 1996 levels but may not go below May 1988 levels. (We are not aware of any states that lowered their income standards, however.)

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[9] As it is the case that no state elected to retract eligibility standards in their family coverage category to those used in their AFDC program in *May 1988*, we will refer in the remainder of the document to the eligibility standards in states' AFDC programs in *July 1996* as the minimum standards.

[10] For a detailed explanation of the flexibility that states have to establish rules for their family coverage categories, see Jocelyn Guyer and Cindy Mann, *Taking the Next Step: States Can Now Take Advantage of Federal Medicaid Matching Funds to Expand Health Care Coverage to Low-income Working Parents,* Center on Budget and Policy Priorities, August 1998.

- More significantly, states have broad flexibility to define what counts as income and assets when evaluating Medicaid eligibility. States may use the rules they had in their AFDC programs on July 16, 1996 for how to count a family's income and assets, or they may adopt "less restrictive methodologies" for counting income and assets. For example, a state that disregarded $90 per month in earnings for families applying for or receiving welfare under its AFDC program on July 16, 1996 could use the "less restrictive methodologies" option to disregard $180 a month, or more.

  Many states have modified their Medicaid earned income disregards to match the changes they made in their TANF programs. Some states have elected to disregard the difference between their old AFDC income standard and 100 percent of the poverty line or some multiple of the poverty line.

- States may use income, asset, and family composition rules that differ from the ones in their AFDC plans as of July 16, 1996 if they had an AFDC waiver that allowed them to adopt alternative rules. The waiver had to have been submitted to HHS before August 22, 1996, and approved on or before July 1, 1997.

- As a result of a regulation issued by HHS on August 7, 1998, states may ease or eliminate the "100-hour rule," a requirement that the principal wage earner in a two-parent family work fewer than 100 hours a month if a family is to qualify for Medicaid coverage. This requirement effectively limits Medicaid coverage under the family coverage category to single-parent families and a small number of two-parent families. Eliminating the 100-hour rule allows two-parent families to qualify for Medicaid on the same grounds as single-parent families.

- When it delinked welfare and Medicaid eligibility, Congress also continued in a modified form Transitional Medical Assistance (TMA), a component of Medicaid designed to provide continued health insurance coverage for a limited time to families leaving welfare for work. TMA extends coverage for these families for six months regardless of their income. If the family's income remains under 185 percent of poverty, TMA eligibility is extended an additional 6 months.
  To be eligible for TMA, families must have been eligible for Medicaid in three of the previous six months. This may create a barrier for parents who find work shortly after gaining Medicaid eligibility. However, states have the option under the welfare law effectively to eliminate this requirement by disregarding all income for a series of months so the family does meet the Medicaid income-eligibility requirements in three of the most recent six months.

As recorded in the tables in this report, a number of states have used the flexibility granted to them under the family coverage category to increase the effective income-eligibility threshold for parents to 100 percent or more of the federal poverty line. Other states have used the flexibility in less dramatic ways to increase income-eligibility levels modestly, sometimes paralleling changes in their TANF programs, as well as to ease asset requirements or to make it

easier for families to retain Medicaid when their earnings increase beyond the limits imposed by their TANF programs.

Section 1115 Medicaid Waivers

Before the 1996 federal welfare law, states' primary avenue for expanding Medicaid eligibility for parents was a research and demonstration project (or "Section 1115") waiver. To secure a Section 1115 waiver, a state must demonstrate that the project as a whole is "budget neutral" to the federal government — in other words, that the cost to the federal government of any expansions the state adopts as part of its demonstration project has been offset by savings generated under other aspects of the project.

In many cases, the terms of the Medicaid coverage available to parents under a waiver are less generous than those offered under the state's regular Medicaid program. For example, parents covered under a Section 1115 waiver expansion may pay premiums or other cost-sharing charges, may receive a somewhat narrower set of benefits, and may face requirements that they be uninsured at the time they seek Medicaid or for a period of time prior to seeking coverage. They also typically will not be eligible for up to a year of Transitional Medical Assistance when they lose eligibility for Medicaid.

Even though states now can provide expanded Medicaid coverage for parents without a Section 1115 waiver, many states continue to rely on them, both because states have become accustomed to operating their parent expansion under such waivers and because the waivers allow states to impose restrictions on Medicaid coverage that otherwise would not be allowed under federal law.

Section 1115 SCHIP Waivers

In July 2000, the Centers for Medicare and Medicaid Services (CMS, then known as the Health Care Financing Administration) issued a letter to state officials advising them that they could apply for Section 1115 waivers to use unspent SCHIP funds to expand coverage for parents. Before doing so, however, states must expand coverage for children to 200 percent of the poverty line or higher and demonstrate that they have adopted effective outreach and enrollment techniques for children's health insurance.

States that meet these and other conditions may use their unspent SCHIP funds for parent expansions and secure the enhanced matching rate SCHIP offers. States that use their unspent SCHIP allotments for parent expansions are considered to be meeting their budget neutrality requirements, so no offsetting budget savings are required. Since announcement of the policy, CMS has approved waiver requests to use SCHIP funds to cover parents in Wisconsin, Rhode Island, New Jersey, and Minnesota.

Waivers Under the Bush Administration

In August 2001, CMS announced the Health Insurance Flexibility and Accountability Initiative, which creates a new type of waiver that can be applied under either Medicaid or SCHIP. The new framework would let states offset the cost of eligibility expansions by reducing the cost of Medicaid coverage for current enrollees, particularly those served under "optional" eligibility categories (which states are not required to cover). Medicaid coverage of optional enrollees may be pared back either by reducing benefits or by increasing cost-sharing.[11] In December 2001, Arizona was approved for a waiver under the new guidelines; the state will cover parents and childless adults using SCHIP funding and will later increase eligibility for parents from 100 to 200 percent of the poverty line.

Income-eligibility Determinations

A family applying for Medicaid coverage must have income at or below the state standard for the applicable eligibility category. If a state has multiple eligibility categories applicable to families with children, a family's income must be compared to the income-eligibility standard used in each separate category before eligibility can be denied. Comparing states' income-eligibility standards is a common way to evaluate which states provide adequate health insurance coverage for low-income parents and children.

Several of the tables in this report include information regarding the income-eligibility standards states use to determine Medicaid eligibility for families with children. Below, we describe the income-eligibility determination process in broad strokes for eligibility in the family coverage category, though it should be noted that the process is tailored somewhat to the individual family applying. We also describe the specific kinds of information that can be found in the tables.

Determining Income Eligibility

Each state establishes an upper-income limit, or *income standard,* that a family's income must not exceed for the family to be eligible for Medicaid. In most of the states that have created a family coverage category, the income standard for this category is equal to the state's welfare income-eligibility limit as of July 1996. (This reflects the former linkage between the Medicaid and AFDC programs.) Some states have increased their income standard, as allowed by PRWORA, to reflect the change in the cost of living over the years.

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[11] Edwin Park and Leighton Ku, *Administration Medicaid and SCHIP Waiver Policy Encourages States to Scale Back Benefits Significantly and Increase Cost-sharing Significantly for Low-income Beneficiaries,* Center on Budget and Policy Priorities, August 2001.

In certain states, families may be eligible for Medicaid under the family coverage category despite having income that exceeds the income standard. One reason is that several states, including California, Maine, and Rhode Island, disregard all income between their AFDC-related income standard and some higher limit, often a certain percentage of the federal poverty line. This policy is termed an "income disregard." All families with income at or below the income level *after* the disregard is applied are eligible for Medicaid.

States may employ several other disregards that cause families with income above the income standard to be eligible for coverage. These include disregards of earnings, of child support payments received, or of child care expenses. While an income disregard can be applied to all families with children, specific disregards, like those for earnings or child support, target specific populations (namely families with working parents and single-parent families).

The following example illustrates the determination of income-eligibility in the Medicaid family coverage category. In July 1996, the income-eligibility standard for a family of three to receive AFDC in California was $730 per month and the medically needy standard for a family of three was $1,024. Through a general income disregard, California as of July 2000 extended Medicaid eligibility to families of three with income up to the poverty line ($1,219 per month in fiscal year 2000); this is the income-eligibility standard. In addition, the state disregards $90 in earnings. Thus, a family consisting of a single working mother with two children who is receiving child support may have income up to $1,309 ($1,219 + $90) each month and be eligible for Medicaid. Although the *net* or *countable* income limit in California is 100 percent of the poverty line, the total or *gross* amount of income that is permitted reaches 107 percent of the poverty line because of the earnings disregard. (In addition, the family may also qualify for a disregard of up to $50 in child support payments received and $175 to $200 in child care expenses per child, so maximum gross income level may be well above 100 percent of poverty.)

In states that have created a "medically needy" eligibility category or that have expanded coverage to families with children under a Section 1115 waiver, a similar process exists for evaluating a family's income-eligibility for coverage. A family's income, after applying appropriate disregards, is compared to the income standard appropriate to that family under that eligibility category.

Income-eligibility as Represented in Succeeding Tables

In several tables of this report, we present information on states' *income-eligibility thresholds* for families with children. The income-eligibility threshold represents the *highest* amount of earnings that a family could have and still retain eligibility for health insurance coverage under the eligibility category being described. The income-eligibility threshold differs from the income standard and in fact is the sum of the income standard and the earnings disregard. The thresholds presented are based on a three-person family with only one wage earner. They assume that the family's only source of income is from earnings; if a family has income from other sources, it may not be eligible at the earnings thresholds presented in the

tables. The standards take into account states' treatment of earnings, but not other disregards or deductions (such as those for child support or child care expenses). Since child care and child support disregards depend on the amount of the expense and are only applied if the family has that type of expense, the maximum earnings level is more broadly applicable, provided one recognizes that some families can use additional disregards.

Survey Methodology

To better understand the actions states are taking to increase health insurance coverage for parents using the flexibility created by the family coverage category and Medicaid and SCHIP waivers, the Center on Budget and Policy Priorities has prepared the tables contained in this report, which list the eligibility rules that each state applies to families with children. The tables primarily provide information on the rules that states apply under Medicaid, but in the small number of cases where states also provide publicly-funded coverage to parents outside of Medicaid, such as through SCHIP waivers or state-only funded programs, we include information on these non-Medicaid programs.

In nearly all states, eligibility standards for children under Medicaid and SCHIP are higher than those presented here for families with children. Thus, the tables primarily represent the eligibility rules that determine the extent to which *parents* in families with children can secure coverage. Information about children's eligibility rules has been provided in earlier reports by our colleagues.[12]

This report updates information gathered in an earlier survey of states' implementation of the family coverage category. The original survey was conducted in collaboration with the Center on Law and Social Policy and published as part of the State Policy Documentation Project in January 2000. The results of that survey, which reflects policies used in the states in the fall of 1999, can be found at www.spdp.org.

The information in these tables was gathered from state officials with expertise in their state's Medicaid eligibility rules using a written survey instrument. The survey asked the state officials to provide information on the eligibility rules and selected enrollment policies used in their state for families with children as of July 1, 2000. In some cases, the Center has learned of policy changes adopted by states since July 1, 2000. Whenever possible, these changes are indicated by a check (✓) in the table itself and explained in the state-specific notes accompanying the table. The only exception is Table 1, which provides information that is current through December 2001.

The tables in this report generally can be divided into two categories. The first set of tables provides information on selected eligibility policies in the "most generous eligibility

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[12] Donna Cohen Ross and Laura Cox, *op cit.*

category" applicable to families with children. This is the category with the highest income-eligibility threshold; it may be the family coverage category, a medically needy category, or a waiver-related category. (It should be noted that the category that is least restrictive with regard to income may not be the least restrictive with regard to other eligibility policies, such as asset test rules or TMA policies.) The second set of tables provides information on selected eligibility policies in the family coverage category in each state.

Key Findings

The data in this report indicate that most states have taken at least some steps to expand and improve the coverage provided to families with children. In some cases, the improvements have been quite dramatic.

- Seventeen states currently enroll families, including parents, with incomes of 100 percent of the poverty line or higher. A few more states are considering waivers to further expand income eligibility for parents.

- As of July 2000, the income eligibility limit for a working family of three was 66 percent of poverty in a median state.

- Sixteen states no longer administer an asset test when evaluating the eligibility of parents for Medicaid. In addition, a significant number of other states have increased the asset limit for Medicaid eligibility and/or have elected to disregard (that is, not count) the value of one car when calculating a family's assets.

- Only 12 states continue to impose the "100-hour rule," under which parents in two-parent families are ineligible for Medicaid if the principal wage earner works 100 or more hours per month. The remaining 38 states and the District of Columbia have substantially eliminated the 100-hour rule and largely treat two-parent families the same as single-parent families.

- Sixteen states have devised strategies to effectively waive the "three-out-of-six months requirement," under which families must have been eligible for Medicaid for at least three of the preceding six months to qualify for Transitional Medical Assistance (TMA). This requirement can make families that find work quickly (as the result of TANF policies aimed at promoting rapid attachment to the work force or for other reasons) ineligible for TMA.

- Fourteen states make TMA available to families for more than the mandated 12 months.

- Thirty-seven states have adopted 12-month continuous eligibility, which guarantees ongoing Medicaid eligibility for families with children for 12 months regardless of changes in income or other family circumstances in the interim.

Policy Implications

While many states have taken steps to make Medicaid available to more low-income parents, much more needs to be done. The most recent Census data reveal that between 1995 and 2000, Medicaid coverage of low-income parents fell, while the proportion of these parents who lack insurance rose. About one-third of low-income parents were uninsured in 2000, during a period of economic prosperity.

State expansions of coverage for parents have not been as large or widespread as those for children. Significant parent expansions have been concentrated in the Northeast, West, and Upper Midwest. As a result, sharp disparities exist among states in the extent to which low-income working parents can qualify for coverage.

As states' experience with SCHIP illustrates, these disparities are likely to persist unless states secure an enhanced fiscal incentive to expand coverage for parents. States were permitted to expand Medicaid coverage for children beyond the federal minimum eligibility limits long before SCHIP was established, but a number of states did so only after SCHIP provided enhanced fiscal incentives for such expansions. Prior to enactment of SCHIP, only eight states had expanded coverage for children to 200 percent of poverty. Now, 37 states (including the District of Columbia) have done so. Moreover, all of the remaining states have adopted some lesser children's expansion beyond the federal minimum levels as a result of SCHIP.

The survey results in this report also suggest that even the states that have not yet expanded parents' coverage to 100 percent of the poverty line could make incremental improvements in eligibility rules and enrollment procedures. For example, 35 states still use an asset test when evaluating low-income parents' eligibility for Medicaid. Eliminating the asset test would reduce the administrative complexity of applying for Medicaid and make it easier to coordinate enrollment of parents and children, since most states have eliminated asset tests in determining child eligibility. The administrative savings that accrue through the elimination or simplification of asset tests could help offset the costs of higher enrollment among those families with assets. Eliminating or easing asset limits could be particularly helpful to families of recently unemployed workers, who have lost their job-related health insurance and have very limited income, but might be disqualified from Medicaid because of the value of their assets, like the family car. Finally, economic research suggests that eliminating assets tests may encourage low-income families to save, which may have broader economic benefits.[13]

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[13] Vernon Smith, Eileen Ellis, and Christina Chang, *Eliminating the Medicaid Asset Test for Families: A*
(continued...)

Another incremental step that may be desirable is to improve Transitional Medical Assistance (TMA); 29 states have an opportunity to improve TMA beyond the minimum standards required by federal law. States may extend TMA beyond the mandated 12 months and also may make it easier for families that find employment quickly to secure eligibility for TMA by easing the requirement that a family must have been eligible for Medicaid for three of the six preceding months.

Most analysts expect the number of uninsured parents to climb during the current recession, as more workers become unemployed and lose employer-funded insurance. The recession also has squeezed state budgets, hampering their ability to finance coverage expansions. While a handful of states are expressing interest in expansions, more are struggling to decide how to reduce projected Medicaid expenditures because of state budget deficits. In a majority of states, the short-term priority may be simply to preserve current Medicaid eligibility and benefit standards. Yet given the erosion of coverage for low-income parents in recent years, efforts to improve coverage should remain on the longer-term agendas of both states and the federal government.

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[13] (...continued)
Review of State Experiences, Kaiser Commission on Medicaid and the Uninsured, April 2001. Other data suggest that low-income uninsured families typically have few assets; see Martha Starr-McCluer, “Health Insurance and Precautionary Savings,” *American Economic Review* 86(1): 285-95, 1996. On the relationship of asset tests and savings, see Jonathan Gruber and Aaron Yelowitz, "Public Health Insurance and Private Savings," *Journal of Political Economy*, 105(6), 1999.

Table 1
States That Have Expanded Medicaid Coverage to Parents With Incomes of 100 Percent of Poverty or Higher

A growing number of states have expanded eligibility for publicly-funded health insurance coverage — in the form of Medicaid, SCHIP, or a separate state program — to low-income families with children, including parents. As of November 2001, 18 states make coverage available to parents in families at 100 percent of poverty or higher. In addition, Tennessee has an expansion that covers low-income parents, but the state has ceased enrolling most new "uninsured" adults since 1995. A few states (Arkansas, Arizona, Illinois, Indiana, Oregon, and Utah) are considering expansions or augmenting their current expansions using waivers.

States have expanded coverage to parents through one of four approaches:

(a) *Medicaid Section 1115 waiver:* These are demonstration project waivers that permit states to modify program eligibility rules, provided that the overall project does not lead to additional federal expenditures. States have great flexibility in eligibility rules under Section 1115 projects and can cover parents or childless adults. They may require cost-sharing in the form of monthly premiums or co-payments for higher-income recipients.

(b) *Medicaid 1931 expansion:* The 1996 federal welfare law delinked Medicaid eligibility from welfare eligibility and required the establishment of separate Medicaid income standards for families with dependent children (also called the "family coverage category"). Moreover, the law allowed states to expand eligibility for families by using "less restrictive" methods of counting income or assets, enabling them to substantially increase income-eligibility thresholds and to increase or eliminate asset limits through the use of disregards.

(c) *SCHIP 1115 waiver*: In July 2000, HCFA announced that states could seek Section 1115 waiver authority to cover parents using SCHIP funds that states had left over after paying for the expanded eligibility of children. Since these expansions use SCHIP funds, the federal match rate is higher than the standard Medicaid match rate. In January 2001, Wisconsin, New Jersey, and Rhode Island received HCFA approval for their SCHIP expansions, which they previously had operated as Medicaid Section 1115 or 1931 type expansions. California and Minnesota also have applied for SCHIP waivers.

(d) *State-funded expansions:* In the early 1990s, Washington and Minnesota began separate state expansion programs that also served parents and childless adults, using state funds. Since these do not involved federal matching funds, the state programs may set their own eligibility criteria, benefit packages, and so on.

Table 1 identifies the states that have elected to expand coverage to families with children, as well as the method of expansion. The data in this table are current through November 2001. (The other tables in this report are based on policies implemented as of July 1, 2000. We have added a column to this table that notes whether the expansion was effective as of July 2000 so this table can be compared with other data in the report.) The income level shown is the maximum earnings possible for a family of three. The computation of this income level is described in the explanation for Table 2.

Possible Future Expansions. Several states have initiated efforts to expand parents' eligibility beyond the levels shown in Table 1, either through state legislation or through plans to undertake expansions using Medicaid or SCHIP waivers. However, these initiatives have not yet been implemented and may be substantially modified before implementation.

In 2001, three states enacted legislation for eligibility expansions for parents: Indiana passed legislation to increase parents' coverage up to 100 percent of poverty, Arkansas passed legislation to use its tobacco settlement for adult coverage expansions, and Louisiana passed legislation that permits expansions if the state agency can develop a funding plan. None of these have been implemented yet. California has a pending waiver to expand coverage to parents to 200 or 250 percent of poverty, but Governor Davis announced in November 2001 that this would be postponed until July 2003 because of state budget problems. Arizona has submitted a waiver application to expand parent coverage under a waiver. Oregon, Illinois, and Utah are reported to be planning waivers for expansions.

States marked with a check (✓) are discussed further in the "State-specific Notes" immediately following the table.

Table 1
States That Have Expanded Medicaid Coverage
for Families with Children to 100 Percent of Poverty or Higher*

State	Method of Expansion	Income-eligibility Threshold for Parents as a Percent of Poverty Line#	Expansion Implemented After July 1, 2000?
Arizona ✓	Medicaid 1115	107%	Y
California	Medicaid 1931	107%	N
Connecticut ✓	Medicaid 1931	157%	Y
DC	Medicaid 1931	200%	N
Delaware	Medicaid 1115	107%	N
Hawaii	Medicaid 1115	100%	N
Maine ✓	Medicaid 1931	157%	Y
Massachusetts	Medicaid 1115	133%	N
Minnesota ✓	Medicaid and SCHIP 1115	275%	N
Missouri	Medicaid 1115	107%	N
New Jersey ✓	SCHIP 1931	200%	Y
New York ✓	Medicaid 1115	150%	Y
Ohio	Medicaid 1931	100%	N
Oregon	Medicaid 1115	100%	N
Rhode Island ✓	SCHIP 1931	192%	N
Vermont	Medicaid 1115	192%	N
Washington	Separate State Program	200%	N
Wisconsin ✓	SCHIP 1115	185%	N

Note: Tennessee operates a Medicaid 1115 waiver program known as "TennCare," which was designed to provide near-universal coverage. At present, however, the state is not admitting additional parents unless they qualify for coverage under the state's Medicaid 1931 eligibility category, they are uninsurable, or they meet other specified conditions, although higher-income parents who are already enrolled continue to be served. In general, this report presents information on Tennessee's 1931 eligibility category, since it is the category open for new applicants. Indiana enacted legislation in early 2001 to expand coverage to parents up to 100 percent of poverty, but has suspended this expansion because of the issuance of a proposed regulation constraining Medicaid upper payment limits, which may limit federal funding in the future. Other states, including Oregon, Illinois and Utah, are considering submitting waivers to expand eligibility for families beyond their current limits.

Income-eligibility threshold includes earnings disregards used by states in determining eligibility. The threshold is evaluated against the applicable fiscal year 2001 federal poverty guideline.

State-specific Notes

Arizona – In January 2001, HCFA approved a waiver proposal permitting Arizona to expand Medicaid to cover all eligibility categories up to 107 percent of poverty. The state implemented this program in the summer of 2001. In December 2001, the Centers for Medicare and Medicaid Services (CMS) approved Arizona's Health Insurance Flexibility and Accounting (HIFA) waiver to expand health insurance coverage to parents with net income up to 200 percent of poverty. This was the first HIFA waiver approved by CMS. The state expects to implement the expansion in the latter half of 2002.

Connecticut – The state implemented an expansion of Medicaid coverage to low-income parents in January 2001.

Maine – Although the state already had expanded coverage to working parents up to 107 percent of poverty, it implemented a further expansion in September 2000 to provide Medicaid coverage to working parents up to 157 percent of poverty.

Minnesota – Expanded coverage for parents with incomes up to 275 percent of poverty was originally supported under the state-funded MinnesotaCare program. In 2000, the state received approval under a Medicaid Section 1115 waiver to cover expanded eligibility for parents under its Medicaid program, earning the regular Medicaid match. In June 2001, the state received approval of an SCHIP Section 1115 waiver that permits the use of enhanced SCHIP funding for parents with incomes between 100 and 200 percent of poverty.

New Jersey – The state implemented an expansion of coverage to parents in January 2001 up to 200 percent of poverty. Working parents are covered up to 133 percent of poverty under a Section 1931 expansion, and from 133 to 200 percent of poverty under an SCHIP waiver. In addition, parents without earnings are covered from the state's old AFDC income level (approximately 71 percent of poverty) to 200 percent of poverty under an SCHIP waiver.

New York – The state recently received approval from HCFA to implement Family Health Plus, which eventually will expand coverage for parents up to 150 percent of poverty (and cover childless adults to 100 percent of poverty). Phase-in of the expansion began in September 2001.

Rhode Island – The parent expansion was originally a Medicaid 1931expansion. In January 2001, the state received approval from HCFA to convert its expansion to an SCHIP1115 waiver for parents with incomes above 100 percent of poverty.

Wisconsin – The parent expansion was originally a Medicaid 1115 waiver. In January 2001, HCFA approved a proposal to convert this to an SCHIP 1115 waiver for parents with incomes above 100 percent of poverty.

Table 2
Income-eligibility Thresholds Under Medicaid for Families with Children, All Applicable Eligibility Categories

Table 2 presents the highest income level in each state at which a parent applying for publicly-funded health insurance coverage would still meet the income-eligibility requirement, as of July 1, 2000. This figure is presented in terms of monthly earnings, annual earnings, and as a percent of the 2001 federal poverty level (FPL). This table identifies the highest income level for applicants under any eligibility category.

Table 3 presents the countable (or net) income eligibility level, after accounting for all income disregards, and describes the earnings disregards used in that state in the eligibility category with the highest income-threshold.

The thresholds are based on a three-person family with only one wage earner. They assume that the family's only source of income is from earnings; if a family has income from other sources, it may not be eligible at the earnings thresholds presented in the table. The thresholds take net income and earnings disregards into account but not other disregards or deductions, such as those for child care or child support. Many states have child care disregards — for example, up to $200 per month for child care expenses for younger children and up to $175 per month for child care for older children — and permit child support disregards, such as $50 per month. (Since child care and child support disregards are applied only if the family has that type of expense, and since the size of these disregards depends on the amount of the expense, the maximum earnings level is more broadly applicable, provided that one recognizes that some families can use additional disregards.)

For example, Alabama's net income standard for a family of three is $164 per month. However, applicants are permitted a standard earnings disregard of $90 per month, which means that a family can still qualify if it earns as much as $254 per month. A working family with an infant whose child care expenses are $200 or more per month would qualify for a child care disregard of $200, so it could qualify if its gross income were $454 per month.

The income thresholds shown in this table reflect different Medicaid eligibility categories in different states. (As of July 2000, no states had SCHIP Section 1115 waivers, so this category is not included in the table.) The categories include:

- *Medicaid Section 1931:* This is the family coverage category, created after the delinking of Medicaid and welfare. It includes many states that expanded eligibility using "less restrictive" methods (as shown in Table 1) and others that simply converted their AFDC or TANF eligibility standards into Medicaid family coverage.

- *Medically needy:* Many states have medically needy programs, with income-eligibility or asset standards that are more generous than their Section 1931 standards. Families whose income is below the "protected income level" or whose net income is below that level after deducting medical expenses ("spending down") will qualify for

Medicaid. In this table, we do not assume that there is any spend down, so it depicts states whose medically needy eligibility categories are more generous simply because they have higher income limits than those used in other eligibility categories applicable to families with children.

States have more flexibility in determining Medicaid benefits for medically needy recipients, so their benefits may be less comprehensive than other, categorically needy recipients. Families eligible under medically needy programs may not be eligible for transitional medical benefits, for example.

- *Medicaid Section 1115*: This category consists of state demonstration project waivers. In some cases, the state requires higher-income enrollees to pay monthly premiums or provide some level of co-payments. Also, benefits under Section 1115 programs may be more or less generous than standard Medicaid benefits. In 2001 a few states also began to offer expansions through SCHIP Section 1115 waivers, but none existed in July 2000.

- *State-funded expansions*: These are expansions funded entirely with state funds, without federal matching support. In Washington and Minnesota, some families face higher cost- sharing and less-comprehensive benefits than are permitted under Medicaid.

States marked with a check (✓) are discussed further in the "State-specific Notes" immediately following the table.

Table 2
How Much Can a Working Parent with Two Children Who Is Applying for Publicly-funded Coverage Earn and Still Be Eligible (as of July 1, 2000)?

State	Monthly Income-eligibility Threshold	Annual Income-eligibility Threshold	Percent of 2001 Federal Poverty Line	Category Described
Alabama	$254	$3,048	21%	1931
Alaska	$1,208	$14,496	79%	1931
Arizona ✓	$437	$5,244	36%	1931
Arkansas	$365	$4,380	30%	Medically Needy
California ✓	$1,309	$15,708	107%	1931
Colorado	$511	$6,132	42%	1931
Connecticut ✓	$866	$10,392	71%	Medically Needy
Delaware	$1,309	$15,708	107%	1115
District of Columbia	$2,438	$29,256	200%	1931
Florida	$806	$9,672	66%	1931 & Medically Needy
Georgia	$514	$6,168	42%	1931
Hawaii	$1,403	$16,836	100%	1115
Idaho	$407	$4,884	33%	1931
Illinois ✓	$882	$10,584	72%	Medically Needy
Indiana	$378	$4,536	31%	1931
Iowa	$1,065	$12,780	87%	1931
Kansas	$493	$5,916	40%	1931
Kentucky	$909	$10,908	75%	1931
Louisiana	$323	$3,876	26%	Medically Needy
Maine ✓	$1,309	$15,708	107%	1931
Maryland	$524	$6,288	43%	Medically Needy
Massachusetts ✓	$1,621	$19,452	133%	1115
Michigan ✓	$622	$7,464	51%	Medically Needy
Minnesota ✓	$3,352	$40,224	275%	1115/State
Mississippi	$458	$5,496	38%	1931
Missouri	$1,309	$15,708	107%	1115
Montana	$836	$10,032	69%	1931
Nebraska	$535	$6,420	44%	Medically Needy
Nevada	$1,055	$12,660	87%	1931
New Hampshire ✓	$815	$9,780	67%	Medically Needy
New Jersey ✓	$533	$6,396	44%	1931
New Mexico	$704	$8,448	58%	1931
New York ✓	$974	$11,688	80%	Medically Needy
North Carolina	$750	$9,000	62%	1931
North Dakota ✓	$988	$11,856	81%	1931
Ohio ✓	$1,219	$14,628	100%	1931
Oklahoma	$591	$7,092	48%	1931
Oregon	$1,219	$14,628	100%	1115
Pennsylvania	$557	$6,684	46%	Medically Needy
Rhode Island ✓	$2,345	$28,140	192%	1931
South Carolina	$668	$8,016	55%	1931
South Dakota	$796	$9,552	65%	1931
Tennessee ✓	$930	$11,160	76%	1931
Texas	$395	$4,740	32%	Medically Needy
Utah ✓	$673	$8,076	55%	1931 & Medically Needy
Vermont	$2,345	$28,140	192%	1115
Virginia ✓	$448	$5,376	37%	Medically Needy
Washington ✓	$2,438	$29,256	200%	State
West Virginia	$380	$4,560	31%	Medically Needy
Wisconsin	$2,255	$27,060	185%	1115
Wyoming	$790	$9,480	65%	1931
US Median	**$806**	**$9,672**	***66%***	

State-specific Notes

Arizona – In January 2001, the state received a Medicaid 1115 waiver to expand coverage of parents and adults without children up to 107 percent of poverty. This corresponds to a monthly earnings threshold of $1,309, and a yearly earnings threshold of $15,708, for a family of three, based on the 2001 federal poverty standard. Implementation began in mid-2001, with parent coverage expansions initiated before expansions for childless adults. Additionally, Arizona plans to expand coverage in the latter half of 2002 under a HIFA waiver to parents with net income up to 200 percent of poverty.

California – In addition to the expansion shown in Table 1, legislation has been enacted in California that would allow parents with family incomes up to 200 percent of the poverty line to enroll in the state's SCHIP program. The state applied for a waiver in December 2000, but this has not been approved as of November 2001. In November, Gov. Davis announced that the waiver – if approved – would be postponed until July 2003 because of budget problems.

Connecticut – In January 2001, the state implemented a Medicaid expansion for parents up to 157 percent of poverty. This corresponds to a monthly earnings threshold of $1,919, and an annual earnings threshold of $23,025, for a family of three.

Illinois – Although Illinois had not established a family coverage category as of July 1, 2000, the state reports that it did so in the fall of 2000. Under this category, parents in families with children who are applying for Medicaid are eligible up to 56 percent of poverty (a monthly earnings threshold of $686 and an annual earnings threshold of $8,227). Those parents already receiving Medicaid remain eligible up to 93 percent of poverty (a monthly earnings threshold of $1,131 and an annual earnings threshold of $13,572).

Maine – In September 2000, the state expanded Medicaid coverage from 107 percent of poverty to 157 percent of poverty. This corresponds to a monthly earnings threshold of $1,919, and an annual earnings threshold of $23,025, for a family three.

Massachusetts – In July 2000, the state expanded Medicaid coverage under the family coverage category to 133 percent of poverty. This corresponds to a monthly earnings threshold of $1,621, and an annual earnings threshold of $19,455, for a family of three. Prior to this change, families with children in Massachusetts were eligible up to 133 percent of poverty through a Section 1115 Medicaid waiver.

Michigan – In February 2001, the state expanded coverage to applicants who had not received Medicaid benefits through Michigan's LIF program in one of the previous four months up to 63 percent of poverty. This corresponds to a monthly earnings threshold of $774 per month, and an annual earnings threshold of $9,288, for a family of three.

Minnesota – Under the state's 1115 waiver program, MinnesotaCare, uninsured parents and other caretaker relatives with gross monthly income at or below $3,352 (275 percent of poverty) qualify for subsidized health care coverage. In mid-2001, the state received a waiver to cover parents using SCHIP funding.

New Hampshire – In September 2000, the state expanded coverage to families with children up to 98 percent of poverty. This corresponds to a monthly earnings threshold of $1,200, and an annual earnings threshold of $14,400, for a family of three.

New Jersey – In September 2000, the state implemented a Medicaid expansion for parents up to 141 percent of poverty (a monthly earnings threshold of $1,711, and an annual earnings threshold of $20,530, for a family of three). In addition, New Jersey uses state funds to cover parents with gross incomes between 133 percent and 200 percent of poverty (up to $2,438 a month and $29,256 a year) under its SCHIP/1115 waiver program.

New York – Under a 1115 waiver pending HCFA approval, the state has begun an expansion of coverage for parents up to 150 percent of poverty (a monthly earnings threshold of $1,829, and an annual earnings threshold of $21,945, for a family of three) under the Family Health Plus program.

North Dakota – As of July 2001, the state will expand coverage to families with children up to 88 percent of poverty. This corresponds to a monthly earnings threshold of $1,072, and an annual earnings threshold of $12,864, for a family of three.

Ohio – The state expands Medicaid coverage to parents for a two-year period if their countable income falls below 100 percent of poverty (a monthly earnings threshold of $1,219, and an annual earnings threshold of $14,630, for a family of three). After families have been eligible for a two-year period, they will continue to be eligible if their monthly earnings fall below 82 percent of poverty (a monthly earnings threshold of $996 and an annual earnings threshold of $11,952). After six months of qualifying for coverage under the other criteria, or six months without coverage, parents again may qualify for Medicaid under the 100 percent methodology or switch to Transitional Medical Assistance.

Rhode Island – Under legislation enacted in the summer of 2001, families with income above 150 percent of poverty may face additional restrictions on their eligibility for RIteCare. The legislation calls for cost-sharing, as well as some anti-crowd out eligibility restrictions for parents above 150 percent of poverty. It specifies that between August 1, 2000 and August 1, 2001, adults with income above "regular" section 1931 levels ($1,368 per month for a family of three) will be ineligible for RIte Care if they have access to "affordable" employer-based coverage (i.e., the employee's cost of health insurance from the employer is less than $100 per month for family coverage or the employer pays 80 percent of the family premium). After August 1, 2001, the legislation specifies that families will be ineligible if the parent refused or dropped employer-based coverage within the past six months if the employer paid more than 50 percent of the cost of family coverage.

Tennessee – The state operates a 1115 waiver program known as "TennCare," which is designed to provide near-universal coverage. At present, however, enrollment is closed to parents unless they qualify for coverage under the state's section 1931 eligibility category, they are uninsurable, or they meet other specified conditions.

Utah – The thresholds presented here are as of August 1, 2000. Similar information was not readily available for July 1, 2000.

Virginia – Parents who participate in a TANF work program have all earnings disregarded up to 100 percent of poverty.

Washington – Parents are eligible for coverage up to 200 percent of poverty under the state-funded Basic Health Plan. This corresponds to a monthly earnings threshold of $2,438, and an annual earnings threshold of $28,140, for a family of three. Enrollment in the program is capped, subject to the availability of funds.

Table 3
Countable Income-eligibility Thresholds and Earnings Disregards Policies, All Applicable Eligibility Categories

Table 3 presents separately the two components of the monthly income-eligibility threshold data given in Table 2 — in other words, the two factors that determine the highest income at which a parent applying for publicly-funded health insurance can be eligible. The first component is the monthly countable (or net) income threshold, before any earnings disregards are taken into account. The second component is the size of the earnings disregard for the state. This information is current as of July 1, 2000 and is based on the same eligibility categories used for Table 2.

The thresholds presented are based on a three-person family. In many cases, the disregards – or some portion of them – are time-conditioned and may apply for the first several months or year in which a family has earnings, but not afterward. The information in this table is for applicants; disregards might be different after the initial period.

Under the family coverage category (Section 1931), states may use "less restrictive" methods of counting income to increase income eligibility above the standards in effect in July 1996. For ease of understanding, we include "less restrictive" disregards as part of the countable income level. For example, if a state has a July 1996 AFDC countable income standard that is equivalent to 70 percent of poverty, but uses "less restrictive" methods to disregard income that is equivalent in amount to 30 percent of poverty, the effective countable income standard is increased to 100 percent of poverty. The state also might permit an additional earnings disregard of $90. In this table, we present 100 percent of poverty as the countable income standard and $90 as the earnings disregard.

States marked with a check (✓) are discussed further in the "State-specific Notes" immediately following the table.

Unless otherwise noted, Table 3 presents information on the Medicaid eligibility rules used by a state under its family coverage category. For states marked with an asterisk (*), the asset rules presented apply to the states' medically needy eligibility category. For states marked with two asterisks (**), the asset rules presented apply to the states' Medicaid 1115 waiver program. For states marked with three asterisks (***), the asset rules presented apply to the states' separate state program.

Table 3
Countable Income Test and Earnings Disregard Policies Used to Determine the Medicaid Eligibility of Families with Children, Most Generous Income-eligibility Category (as of July 1, 2001)

State	Monthly Countable Income Standard	As Percent of 2001 Federal Poverty Line	How are applicants' earnings treated when determining countable income?
Alabama	$164	13%	Disregard $90
Alaska	$1,118	73%	Disregard $90
Arizona	$347	28%	Disregard $90
Arkansas*	$275	23%	Disregard $90
California	$1,219	100%	Disregard $90
Colorado	$421	35%	Disregard $90
Connecticut* ✓	$776	64%	Disregard $90
Delaware**	$1,219	100%	Disregard $90
District of Columbia	$2,438	200%	No further earnings disregards
Florida	$303	25%	Disregard $200 + 50% of remainder
Georgia	$424	35%	Disregard $90
Hawaii** ✓	$1,403	100%	No earnings disregard
Idaho	$317	26%	Disregard $90
Illinois* ✓	$508	42%	Disregard $90 + $30 + 1/3 of remainder
Indiana	$288	24%	Disregard $90
Iowa	$426	35%	Disregard 20% of earnings and 50% of remainder
Kansas	$403	33%	Disregard $90
Kentucky	$526	43%	Disregard $120 + 1/3 of remainder
Louisiana* ✓	$233	19%	Disregard $90
Maine	$1,219	100%	Disregard $90
Maryland*	$434	36%	Disregard $90
Massachusetts**	$1,621	133%	No earnings disregard
Michigan*	$532	44%	Disregard $90
Minnesota**	$3,352	275%	No earnings disregard
Mississippi	$368	30%	Disregard $90
Missouri**	$1,219	100%	Disregard $90
Montana	$477	39%	Disregard $200 + 25% of remainder
Nebraska*✓	$535	44%	Disregard 20% of earnings
Nevada	$844	69%	Disregard 20%, or $90, whichever is more advantageous to the family
New Hampshire*	$652	53%	Disregard 20% of earnings
New Jersey	$443	36%	Disregard $90
New Mexico	$389	32%	Disregard $120 + 1/3 of remainder
New York*	$884	73%	Disregard $90
North Carolina	$544	45%	Disregard 27.5% or $90, whichever is more advantageous to the family
North Dakota	$461	38%	Disregard $120 + 1/3 of remainder, or 27% + $30 + 1/3 of remainder, whichever is more advantageous to the family
Ohio	$1,219	100%	No earnings disregard
Oklahoma	$471	39%	Disregard $120
Oregon**	$1,219	100%	No earnings disregard

State	Monthly Countable Income Standard	As Percent of 2001 Federal Poverty Line	How are applicants' earnings treated when determining countable income?
Pennsylvania* ✓	$467	38%	Disregard $90
Rhode Island	$2,255	185%	Disregard $90
South Carolina	$568	47%	Disregard $100
South Dakota	$796	65%	No earnings disregard
Tennessee	$840	69%	Disregard $90
Texas*	$275	23%	Disregard $120
Utah	$583	48%	Disregard $90
Vermont**	$2,255	185%	Disregard $90
Virginia*	$358	29%	Disregard $90
Washington***	$2,438	200%	No earnings disregard
West Virginia*	$290	24%	Disregard $90
Wisconsin**	$2,255	185%	No earnings disregard
Wyoming	$590	48%	Disregard $20

State-specific Notes

In general, state-specific notes applicable to countable income standards and earnings disregards policies in states' *family coverage category* can be found in Table 8. They are not duplicated here even in the event that the eligibility category with the highest income-eligibility threshold for a particular state is the family coverage category.

Connecticut – The countable income standard varies among regions within the state. The table provides the standard used in the area with the greatest number of Medicaid enrollees.

Hawaii – For pregnant women and children under 19 born after 9/30/83 only, disregard $90.

Illinois – In the event that the family's earnings after a $90 disregard are above the standard of need ($1,049), an additional $30 and 1/3 of the remaining earnings disregard are *not* applied.

Louisiana – The countable income standard varies among regions within the state. The table provides the standard used in the area with the greatest number of Medicaid enrollees.

Nebraska – The countable income standard for the state is based on the TANF standard of need.

Pennsylvania – The countable income standard varies among regions within the state. The table provides the standard used in the area with the greatest number of Medicaid enrollees.

Table 4
States' Asset Rules Under the Medicaid Eligibility Category with the Highest Income-eligibility Threshold for Families with Children

Table 4 provides information on the asset limit that a family of three must meet in order to qualify for Medicaid in each state. The table presents for each state the asset rules used in the Medicaid eligibility category with the highest income threshold for families. This is the same eligibility category shown in Table 2.

States have complete flexibility in determining asset limits for the medically needy and Section 1115 eligibility categories. Under the family coverage category however, states' asset limits may not be lower than $1,000, which was the standard asset test under the AFDC program prior to passage of the 1996 federal welfare law. In addition, states may use "less restrictive" methods of accounting for assets under the family coverage category (Section 1931), which enables them to liberalize or entirely eliminate the asset requirements through disregards. Sixteen states have eliminated asset tests because they are burdensome to administer and create an enrollment barrier.[14] Many other states have liberalized asset tests in TANF and have changed their Medicaid standards to match the new TANF asset tests, while some states have liberalized asset tests for Medicaid alone.

States also have flexibility in determining what to include when counting assets. Typically, states count liquid assets (such as savings accounts) but exclude the value of the family's home and some portion of the value of the family's first automobile. Often, a portion of the value of a vehicle may count toward the overall asset limit. For example, if a state has a $1,000 asset limit and disregards the equity value of one vehicle up to $1,500, a family with savings of $500 and a car with equity value of $2,100 would be ineligible: the family's $500 in savings, combined with its $600 in car equity ($2,100 - $1,500), produce total assets of $1,100, which exceeds the overall asset limit of $1,000.

Column 1: Column 1 displays the asset limit the state uses for a family of three under the eligibility category listed. If a state uses asset disregards, this column displays the effective asset limit in the state for a family of three *after* taking the disregard into account. For example, if a state with a $1,000 asset limit disregards the first $9,000 of a family's assets, this column would read $10,000.

Column 2: Column 2 describes how states with asset limits treat a family's first vehicle. Note that these policies may not apply to a family's second vehicle. Some states base the value of the vehicle on its total value (typically the "Blue Book" value), regardless of whether there are auto loans. Other states base it on the equity value, or the value of the vehicle minus any outstanding loan balance.

States marked with a check (✓) are discussed further in the "State-specific Notes" immediately following the table.

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[14] For more discussion, see Vernon Smith, Eileen Ellis, and Christina Chang, *Eliminating the Medicaid Asset Test for Families: A Review of State Experiences*, Kaiser Commission on Medicaid and the Uninsured, April 2001.

Unless otherwise noted, Table 4 presents information on the Medicaid eligibility rules used by a state under its family coverage category. For states marked with an asterisk (*), the asset rules presented apply to the states' medically needy eligibility category. For states marked with two asterisks (**), the asset rules presented apply to the states' Medicaid 1115 waiver program. For states marked with three asterisks (***), the asset rules presented apply to the states' separate state program.

Table 4
States' Asset Rules Under the Medicaid Eligibility Category with the Highest Income-eligibility Threshold for Families with Children (as of July 1, 2000)

State	Asset Limit	Treatment of First Vehicle
Alabama	$2,000	Disregard value of one vehicle per licensed household member
Alaska	$1,000	Disregard value of one vehicle
Arizona ✓	$2,000	Disregard value of one vehicle
Arkansas*	$3,100	Disregard value of one vehicle up to $1,500
California	$3,150	Disregard fair market value up to $4,650 for each vehicle
Colorado	$2,000	Disregard value of one vehicle
Connecticut* ✓	$3,000	Disregard equity value of one vehicle up to $1,500
Delaware**	No asset test	n/a
District of Columbia	No asset test	n/a
Florida ✓	$6,000	Disregard vehicle with value up to $8,500
Georgia	$1,000	Disregard equity value of one vehicle up to $4,650
Hawaii**	$3,250	Disregard value of one vehicle up to $4,500
Idaho	$1,000	Disregard equity value of one vehicle up to $1,500
Illinois*	No asset test	n/a
Indiana	$1,000	Disregard equity value of one vehicle up to $5,000
Iowa ✓	$2,000	Disregard equity value of one vehicle up to $3,959
Kansas	$2,000	Disregard value of one vehicle
Kentucky	$2,000	Disregard value of one vehicle
Louisiana*	$3,025	Disregard equity value of one vehicle up to $10,000
Maine	$2,000	Disregard value of one vehicle
Maryland*	$3,100	Disregard value of one vehicle up to $1,500
Massachusetts **	No asset test	n/a
Michigan*	No asset test	n/a
Minnesota** ✓	No asset test	n/a
Mississippi	No asset test	n/a
Missouri**	No asset test	n/a
Montana	$3,000	Disregard value of vehicle with highest equity value
Nebraska*	$6,000	Disregard value of one vehicle
Nevada	$2,000	Disregard value of one vehicle
New Hampshire* ✓	$4,100	Disregard value of one vehicle for each parent/caretaker
New Jersey ✓	$2,000	Disregard fair market value of one vehicle up to $9,500
New Mexico	No asset test	n/a
New York*	$5,300	Disregard value of one vehicle
North Carolina	$3,000	Disregard value of one vehicle for each adult in household
North Dakota	$8,000	Disregard value of one vehicle
Ohio	No asset test	n/a
Oklahoma	No asset test	n/a
Oregon**	$2,000	Disregard equity value of one vehicle
Pennsylvania*	No asset test	n/a
Rhode Island	No asset test	n/a
South Carolina ✓	$2,500	Disregard value of one vehicle per licensed driver
South Dakota	$2,000	Disregard value of one vehicle
Tennessee	$2,000	Disregard equity value of one vehicle up to $4,600
Texas*	$2,000	Disregard fair market value of any vehicle up to $4,650
Utah	$3,025	Disregard equity value of one vehicle up to $1,500
Vermont**	No asset test	n/a
Virginia*	$3,100	Disregard equity value of one vehicle
Washington *** ✓	No asset test	n/a
West Virginia*	$3,000	Disregard equity value of one vehicle up to $1,500
Wisconsin**	No asset test	n/a
Wyoming	$2,500	Disregard value of one vehicle

State-specific Notes

Arizona – In October 2000, the state eliminated its asset test for families with children.

Connecticut – In January 2001, the state eliminated its asset test for families with children.

Florida – For families with children subject to work requirements, the state disregards vehicles with a combined income of up to $8,500.

Iowa – The asset limit listed in the table is for applicants. Recipients may have up to $5,000 in assets and retain eligibility for Medicaid.

Minnesota – Minnesota began using an asset test in MinnesotaCare, the state's section 1115 waiver program, in March 2001. The asset test applies only to adults; the asset limit for a household of two or more is $30,000. The value of a car used for employment is excluded from the evaluation.

New Hampshire – In September 2000, the state imposed a $1,000 asset limit on *both* applicants and recipients in its Medicaid program for families with children.

New Jersey – In September 2000, the state eliminated its asset test for families with children.

South Carolina – In October 2000, the state eliminated its asset test for families with children.

Washington – Recipients also may have up to $3,000 in a savings account.

Table 5
States' Treatment of Two-Parent Families Under the Medicaid Eligibility Category With the Highest Income-eligibility Threshold for Families with Children

Table 5 indicates whether states cover two-parent families to the same extent as single-parent families. The table refers to policies used in the Medicaid eligibility category with the highest income threshold for families. This is the same eligibility category shown in Table 2.

Until recently, states could not cover parents in two-parent families to the same extent they covered parents in single-parent families unless they had a waiver of standard federal rules allowing them to do so. Under rules that relate back to the AFDC program, parents in two-parent families can qualify for Medicaid only if one of the two parents is incapacitated or "unemployed" (defined as working fewer than 100 hours a month). In August 1998, the U.S. Department of Health and Human Services issued a regulation allowing states effectively to drop the 100-hour rule for two-parent families — in other words, a two-parent family that meets the income and asset requirements may be served even if both parents work more than 100 hours a month. In addition, states may serve two-parent families more broadly under Section 1115 waivers or state-funded programs.

Currently, all states at least partially serve two-parent families in Medicaid. However, not all states cover two-parent families to the same extent as single-parent families in the Medicaid coverage category with the highest income-eligibility threshold for families with children.

States marked with a check (✓) are discussed further in the "State-specific Notes" immediately following the table.

Unless otherwise noted, Table 5 presents information on the Medicaid eligibility rules used by a state under its family coverage category (Section 1931). States marked with an asterisk (*) have not yet established such a category, but instead cover families with children not on welfare through a medically needy category. States marked with two asterisks (**) also have not established such a category, but instead cover such families under a Section 1115 waiver expansion. Finally, Washington state covers families with children under a separate state program, as indicated by three asterisks (***). In these cases, Table 5 reflects the policies used by the state to determine the eligibility of families with children under its medically needy program, Medicaid waiver program, or separate state program.

Table 5
Treatment of Two-Parent Families Under the Medicaid Eligibility Category with the Highest Income-eligibility Threshold for Families with Children (as of July 1, 2000)

	Does the state cover two-parent families to the same extent as single-parent families?
Alabama	Yes
Alaska	Yes
Arizona	Yes
Arkansas*	No
California ✓	Yes
Colorado	Yes
Connecticut*	Yes
Delaware**	Yes
District of Columbia	Yes
Florida	Yes
Georgia	Yes
Hawaii**	Yes
Idaho	Yes
Illinois*	Yes
Indiana	Yes
Iowa	Yes
Kansas	Yes
Kentucky ✓	Applicants – No; Recipients – Yes
Louisiana*	No
Maine ✓	No
Maryland*	No
Massachusetts**	Yes
Michigan*	Yes
Minnesota**	Yes
Mississippi	Yes
Missouri**	Yes
Montana	Yes
Nebraska*	No
Nevada	Yes
New Hampshire*	No
New Jersey	Yes
New Mexico	Yes
New York*	Yes
North Carolina	Yes
North Dakota	No
Ohio	Yes
Oklahoma	Yes
Oregon**	Yes
Pennsylvania*	Yes
Rhode Island	Yes
South Carolina	Yes
South Dakota	Yes
Tennessee	No
Texas*	Yes
Utah	No
Vermont**	Yes
Virginia*	Yes
Washington***	Yes
West Virginia*	No
Wisconsin**	No
Wyoming	Yes

State-specific Notes

California – For recipients, the 100-hour rule is waived except in the case of a two-parent family that, although eligible for Medicaid after all earnings disregards are applied, has earnings above 100 percent of poverty after a $90 disregard is applied.

Kentucky – The 100-hour rule is waived for two-parent families receiving Medicaid but not for two-parent families applying for Medicaid.

Maine– As of September 1, 2000, the state no longer applies the 100-hour rule in evaluating the eligibility of parents for Medicaid.

Table 6
Income-eligibility Thresholds for Families with Children
Under the Medicaid Family Coverage Category, "Applicants"

Table 6 presents, for each state, the highest earnings an applicant may have and still be deemed eligible for Medicaid under the *family coverage category* (Section 1931). These are not necessarily the highest income eligibility standards that apply to a family; sometimes Section 1115 or medically needy standards might be higher (as shown in Table 2). But a number of Medicaid eligibility rules, like eligibility for transitional Medicaid benefits, are based on Section 1931 eligibility, so the family coverage category has special importance.

The 1996 federal welfare law eliminated the link between Medicaid and cash assistance, under which recipients of cash assistance were automatically eligible for Medicaid. States were required to develop a "family coverage" or "delinking" eligibility category in response — that is, a Section 1931 category. At a minimum, a state must use the same income, resource, and family composition rules in evaluating eligibility under this category as it used in its cash assistance program on May 1, 1988. Most states however, use as a minimum the same income, resource, and family composition rules in evaluating eligibility under this category as it used in its cash assistance program on July 16, 1996. States are permitted to use "less restrictive methodologies" to expand Medicaid further, such as to families with greater income or resources or to two-parent families.

Five states — Hawaii, Illinois, Nebraska, Massachusetts, and Texas — had not implemented a family coverage category at the time of the survey. Two of these states — Massachusetts and Illinois — have since created family coverage categories in their Medicaid program. In August 2000, Massachusetts began enrolling families with children with income below 133 percent of the federal poverty level in a newly created family coverage category. In September 2000, Illinois began to enroll families with children with income under 56 percent of the federal poverty level in a family coverage category. For details on how the five states covered parents in July 2000, please see Table 2.

The income-eligibility thresholds presented in this table are those used in states' family coverage category and apply to a three-person family that is not on welfare and that has one working parent. Technically, these thresholds are used to determine the eligibility of families with children. However, most children are eligible for Medicaid under other eligibility categories (e.g., poverty level eligibility categories for children) at higher income levels than are presented in these tables. Thus, the thresholds and rules noted in this table relate primarily to parents.

Table 6 presents income limits in terms of monthly earnings, annual earnings, and the percent of the poverty guideline for 2001. The income-eligibility thresholds in the table include the effects of earnings disregards states apply when evaluating a family's application for Medicaid. To account for expenses associated with working, for example, many states disregard $90 in earnings each month for a wage earner when determining a family's income. Thus, a state that covers a working parent in a three-person family with countable income below $600 a month would extend coverage to a parent with gross earnings of $690 a month.

The thresholds in the table do not take into account other possible disregards or deductions a family might receive, the most significant of which is the deduction for child care expenses. A parent who pays out-of-pocket for child care costs is likely to be eligible for Medicaid at somewhat higher gross earnings levels than are presented in this table. At the same time, a parent with income from sources other than earnings may be eligible for Medicaid at lower income levels than those identified in this table because the parent may not be able to take full advantage of a state's earnings disregard policy.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

Table 6
How Much Can a Working Parent with Two Children Who Is Applying for Medicaid Under the Family Coverage Category Earn and Still Be Eligible (as of July 1, 2000)?

State	Monthly Income-eligibility Threshold	Annual Income-eligibility Threshold	Percent of 2001 Federal Poverty Line
Alabama	$254	$3,048	21%
Alaska	$1,208	$14,496	79%
Arizona	$437	$5,244	36%
Arkansas	$255	$3,060	21%
California	$1,309	$15,710	107%
Colorado	$511	$6,132	42%
Connecticut ✓	$835	$10,020	68%
Delaware	$957	$11,484	78%
District of Columbia	$2,438	$29,260	200%
Florida	$806	$9,672	66%
Georgia	$514	$6,168	42%
Hawaii	—	—	—
Idaho	$407	$4,884	33%
Illinois ✓	—	—	—
Indiana	$378	$4,536	31%
Iowa	$1,065	$12,780	87%
Kansas	$493	$5,916	40%
Kentucky	$909	$10,908	75%
Louisiana	$264	$3,168	22%
Maine ✓	$1,309	$15,710	107%
Maryland	$523	$6,276	43%
Massachusetts ✓	—	—	—
Michigan ✓	$549	$6,588	45%
Minnesota	$943	$11,316	77%
Mississippi	$458	$5,496	38%
Missouri	$382	$4,584	31%
Montana	$836	$10,032	69%
Nebraska	—	—	—
Nevada	$1,055	$12,660	87%
New Hampshire	$750	$9,000	62%
New Jersey ✓	$2,438	$29,260	200%
New Mexico	$704	$8,448	58%
New York	$667	$8,004	55%
North Carolina	$750	$9,000	62%
North Dakota ✓	$988	$11,856	81%
Ohio ✓	$1,219	$14,630	100%
Oklahoma	$591	$7,092	48%
Oregon	$616	$7,392	51%
Pennsylvania	$493	$5,916	40%
Rhode Island	$2,345	$28,146	192%
South Carolina	$668	$8,016	55%
South Dakota	$796	$9,552	65%
Tennessee	$930	$11,160	76%
Texas	—	—	—
Utah ✓	$673	$8,076	55%
Vermont	$882	$10,584	72%
Virginia ✓	$381	$4,572	31%
Washington	$1,092	$13,104	90%
West Virginia	$343	$4,116	28%
Wisconsin	$607	$7,284	50%
Wyoming	$790	$9,480	65%
US Median	**$688**	**$8,256**	**56%**

State-specific Notes

Connecticut — In January 2001, the state implemented a Medicaid expansion in its family coverage category for parents up to 157 percent of the poverty line by expanding coverage to 150 percent of poverty and disregarding $90 of earned income per month.

Illinois— The state established a family coverage category in its Medicaid program in September 2000. Parents up to 56 percent of the poverty line are eligible for Medicaid under this category.

Maine — In September 2000, the state expanded Medicaid coverage to 157 percent of poverty for parents in its family coverage category. It accomplished the expansion by disregarding countable income up to 150 percent of poverty and disregarding $90 of earned income per month.

Massachusetts— The state established a family coverage category in its Medicaid program in August 2000. Parents up to 133 percent of the poverty line are eligible for Medicaid under the family coverage category.

Michigan — As of February 2001, the state implemented a disregard of $200 and 20 percent of earned income for applicants that had not received Medicaid benefits under Michigan's LIF program in at least one of the previous four months. As a result of this disregard, applicants are eligible up to 63 percent of the poverty line.

New Jersey — As of September 1, 2000, the state implemented a Medicaid expansion for parents up to 140 percent of the poverty line by expanding coverage up to 133 percent of poverty and disregarding $90 of earned income per month (a monthly earnings threshold of $1,711, and an annual earnings threshold of $20,535, for a family of three) in its family coverage category. In addition, New Jersey uses state funds to cover parents with gross incomes between 133 percent and 200 percent of poverty (up to $2,438 a month, and $29,260 a year) under its SCHIP/1115 waiver program.

North Dakota— Effective July 1, 2001, the state disregards $150 and half of the remainder of earnings for new applicants, thus expanding coverage to 88 percent of poverty. This disregard is limited to three months.

Ohio — Families are eligible for coverage for a two-year period if their countable income falls below 100 percent of poverty. After families have been eligible for a two-year period, they will continue to be eligible for regular Medicaid if their monthly earnings fall below 82 percent of poverty. After six months of qualifying for coverage under the other criteria or six months without coverage, parents again may qualify for Medicaid if their countable income falls below 100 percent of poverty.

Utah – The state implemented these thresholds as of August 1, 2000, and did not readily have information available on its July 1, 2000 eligibility rules.

Virginia — Parents who participate in a TANF work program have all earnings disregarded up to 100 percent of poverty.

Table 7
Income-eligibility Thresholds for Families with Children Under the Medicaid Family Coverage Category, "Recipients"

Table 7 presents the earnings eligibility thresholds that apply to a parent already enrolled in Medicaid who has been working for 12 months or more. This figure is presented in terms of monthly earnings, annual earnings, and as a percent of the 2001 federal poverty guideline.

As with Table 6, the thresholds presented in this table reflect a state's earnings disregards policies, as well as the countable income threshold for parents already enrolled in Medicaid under the family coverage category. They do not take into account other disregards or deductions that parents can receive, and they assume that all income is from earnings.

It should be noted that parents who are enrolled in Medicaid but have been working for fewer than 12 months may be eligible for regular Medicaid at different gross earnings levels than those displayed in Tables 6 and 7 because some states offer Medicaid beneficiaries a different earnings disregard for a time-limited period. For example, many states disregard $30 plus one-third of remaining earnings for the first four months that a parent works but discontinue this disregard after that period.

Also note that Table 7 displays how much a parent can earn and retain ongoing Medicaid coverage as opposed to time-limited coverage under Transitional Medical Assistance (TMA). Under federal law, families who lose their eligibility for regular Medicaid under the family coverage category because of an increase in earnings or the lapse of an earnings disregard policy are eligible for Medicaid for a time-limited period under TMA. This is discussed further in Table 11.

Five states — Hawaii, Illinois, Nebraska, Massachusetts, and Texas — had not implemented a family coverage category at the time of the survey. Two of these states — Massachusetts and Illinois — have since created family coverage categories in their Medicaid program. In August 2000, Massachusetts began enrolling families with children with income below 133 percent of the federal poverty level in a newly created family coverage category. In September 2000, Illinois began to enroll families with children with income under 56 percent of the federal poverty level in a family coverage category. Enrolled families retain Medicaid coverage until their gross earnings exceed 133 percent of the federal poverty level.

The income-eligibility thresholds presented in this table are those used in states' family coverage category and apply to a three-person family that is not on welfare and that has one working parent. Technically, these thresholds are used to determine the eligibility of families with children. However, most children are eligible for Medicaid under other eligibility categories (e.g., poverty level eligibility categories for children) at higher income levels than are presented in these tables. Thus, the thresholds and rules noted in this table relate primarily to parents.

The income-eligibility thresholds in the table include the effects of earnings disregards states apply when evaluating a family's application for Medicaid. To account for expenses

associated with working, for example, many states disregard $90 in earnings each month for a wage earner when determining a family's income. Thus, a state that covers a working parent in a three-person family with countable income below $600 a month would extend coverage to a parent with gross earnings of $690 a month.

The income thresholds presented in this table do not take into account other possible disregards or deductions a family might receive, the most significant of which is the deduction for child care expenses. A parent who pays out-of-pocket for child care costs is likely to be eligible for Medicaid at somewhat higher gross earnings levels than are presented in this table. At the same time, a parent with income from sources other than earnings may be eligible for Medicaid at lower income levels than those identified in this table because the parent may not be able to take full advantage of a state's earnings disregard policy.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

Table 7
How Much Can a Working Parent with Two Children Who Is Receiving Medicaid Coverage Under the Family Coverage Category Earn and Still Be Eligible (as of July 1, 2000)?

State	Monthly Income-eligibility Threshold	Annual Income-eligibility Threshold	Percent of 2001 Federal Poverty Level
Alabama	$254	$3,048	21%
Alaska	$1,827	$21,924	120%
Arizona	$641	$7,692	53%
Arkansas	$638	$7,656	52%
California	$1,826	$21,912	150%
Colorado	$511	$6,132	42%
Connecticut	$1,219	$14,630	100%
Delaware	$957	$11,484	78%
District of Columbia	$2,438	$29,256	200%
Florida	$806	$9,672	66%
Georgia	$514	$6,168	42%
Hawaii	—	—	—
Idaho ✓	$407	$4,884	33%
Illinois ✓	—	—	—
Indiana	$378	$4,536	31%
Iowa	$1,065	$12,780	87%
Kansas	$762	$9,144	63%
Kentucky	$616	$7,392	51%
Louisiana ✓	$264	$3,168	22%
Maine	$1,309	$15,708	107%
Maryland	$523	$6,276	43%
Massachusetts ✓	—	—	—
Michigan	$809	$9,708	66%
Minnesota	$638	$7,656	52%
Mississippi ✓	$458	$5,496	38%
Missouri	$876	$10,512	72%
Montana	$836	$10,032	69%
Nebraska	—	—	—
Nevada	$438	$5,256	36%
New Hampshire ✓	$750	$9,000	62%
New Jersey ✓	$533	$6,396	44%
New Mexico	$704	$8,448	58%
New York	$1,219	$14,630	100%
North Carolina	$750	$9,000	62%
North Dakota	$988	$11,856	81%
Ohio	$1,219	$14,630	100%
Oklahoma	$591	$7,092	48%
Oregon	$616	$7,392	51%
Pennsylvania	$806	$9,672	66%
Rhode Island	$2,345	$28,146	192%
South Carolina	$668	$8,016	55%
South Dakota	$796	$9,552	65%
Tennessee	$930	$11,160	76%
Texas	—	—	—
Utah ✓	$673	$8,076	55%
Vermont	$989	$11,868	81%
Virginia ✓	$381	$4,572	31%
Washington	$1,092	$13,104	90%
West Virginia	$343	$4,116	28%
Wisconsin ✓	$607	$7,284	50%
Wyoming	$790	$9,480	65%
US Median	**$704**	**$8,448**	**58%**

State-specific Notes

Idaho – For families with children that have received benefits in one of the past four months, an additional earnings disregard is applied if needed, making these families eligible for Medicaid up to 49 percent of the federal poverty line. However, this additional disregard is applied only for **a** four-month period.

Illinois – Although Illinois had not established a family coverage category as of July 1, 2000, the state reports that it did so in September 2000. Under the family coverage category, parents in families with children already receiving Medicaid are eligible up to 93 percent of poverty.

Louisiana – In certain instances, an additional disregard may be applied, making families with children that receive Medicaid eligible for Medicaid up to 31 percent of the federal poverty line. However, this additional disregard is applied for a time-limited period of less than 12 months.

Massachusetts – The state established a family coverage category in its Medicaid program in August 2000. Parents up to 133 percent of the poverty line enrolled in Medicaid will retain eligibility under the family coverage category.

Mississippi – Families with children that have received benefits in one of the past four months receive an additional earnings disregard that makes these families eligible for Medicaid up to 55 percent of the federal poverty line. However, this additional disregard is only applied for **a** four-month period.

New Hampshire – In September 2000, the state altered its earning disregards policy under the family coverage category for recipients. Those already receiving Medicaid are eligible up to 96 percent of poverty.

New Jersey – As of September 1, 2000, the state implemented a Section 1931 Medicaid expansion, making working parents eligible for health insurance coverage up to 133 percent of poverty. In January 2001, the state further expanded coverage through an SCHIP demonstration project waiver to include working parents between 133 and 200 percent of poverty and parents without earnings between the state's old AFDC eligibility levels (approximately 71 percent of poverty) and 200 percent of poverty.

Utah – The state implemented these thresholds as of August 1, 2000, and did not readily have information available on its July 1, 2000 eligibility rules.

Virginia – The state applies an additional earnings disregard for a time-limited period of four months, which enables recipients to retain Medicaid eligibility up to 46 percent of the poverty line. In addition, those participating in a work program retain Medicaid eligibility up to 100 percent of the poverty line.

Wisconsin – For parents that have received Medicaid in one of the preceding four months, the state applies a disregard for a time-limited period of four months such that the recipients retain Medicaid eligibility up to 73 percent of the poverty line.

Table 8
Countable Income-eligibility Thresholds and Earnings Disregard Policies Under the Medicaid Family Coverage Category (as of July 1, 2000)

Table 8 presents separately the two components of the monthly income-eligibility threshold data given in Tables 6 and 7 — in other words, the two factors that determine the highest income at which a parent applying for, or receiving, publicly-funded health insurance can be eligible. The first component is the monthly countable (or net) income threshold, before any earnings disregards are taken into account. The second component is the size of the earnings disregard for the state.

In Table 8, the first two columns for each state present the countable income standards as the monthly dollar limit for a family of three and as a percent of poverty. The third column presents the earnings disregard that would be applied to a new applicant family, while the fourth shows the earnings disregards that would be applied to a family that has been on Medicaid and working for 12 months. In some states, earnings disregards are time-limited, so they might be higher for an initial period and then be reduced to the level shown in this table.

Under the family coverage category, states may increase income eligibility above the standards in effect in July 1996 by using "less restrictive" methods of counting income. For the ease of understanding, we include "less restrictive" disregards as part of the countable income level. For example, if a state has a July 1996 AFDC countable income standard that is equivalent to 70 percent of poverty, but uses "less restrictive" methods to disregard income that is equivalent to 30 percent of poverty, the effective countable income standard is 100 percent of poverty. The state might also permit an additional earnings disregard of $90 per month. In this table, we present 100 percent of poverty as the countable income standard and $90 as the earnings disregard.

States marked with a check (✓) are discussed further in the "State-specific Notes" immediately following the table.

Table 8
Countable Income Thresholds and Earnings Disregard Policies Used to Determine the Medicaid Eligibility of Families with Children Under the Family Coverage Category (as of July 1, 2000)

State	Monthly Countable Income Threshold	As Percent of 2001 Federal Poverty Line	How are applicants' earnings treated when determining countable income?	How are recipients' monthly earnings treated when determining countable income?
Alabama	$164	13%	Disregard $90	Disregard $90
Alaska	$1,118	73%	Disregard $90	Disregard $150 + 1/3 of remainder
Arizona ✓	$347	28%	Disregard $90	Disregard $90 + $30 + 1/3 of remainder
Arkansas	$204	17%	Disregard 20%	Disregard 20% + 60% of remainder
California ✓	$1,219	100%	Disregard $90	Disregard $90
Colorado	$421	35%	Disregard $90	Disregard $90
Connecticut ✓	$745	61%	Disregard $90	Disregard all income between TANF payment standard and 100% of poverty
Delaware	$867	71%	Disregard $90	Disregard $90
District of Columbia ✓	$2,438	200%	No earnings disregard	No earnings disregard
Florida	$303	25%	Disregard $200 + 50% of remainder	Disregard $200 + 50% of remainder
Georgia	$424	35%	Disregard $90	Disregard $90
Hawaii	*Hawaii has not yet created a family coverage category.*			
Idaho ✓	$317	26%	Disregard $90	Disregard $90
Illinois ✓	*As of July 1, 2000, Illinois had not yet created a family coverage category. Please see "State-specific notes" for further details.*			
Indiana	$288	24%	Disregard $90	Disregard $90
Iowa	$426	35%	Disregard 20% + 50% of remainder	Disregard 20% + 50% of remainder
Kansas	$403	33%	Disregard $90	Disregard $90 + 40% of remainder
Kentucky ✓	$526	43%	Disregard $90 +$30 + 1/3 of remainder	Disregard $90
Louisiana ✓	$174	14%	Disregard $90	Disregard $90
Maine ✓	$1,219	100%	Disregard $90	Disregard $90
Maryland	$418	34%	Disregard 20%	Disregard 20%
Massachusetts ✓	*As of July 1, 2000, Massachusetts had not yet created a family coverage category. Please see "State-specific" notes for further details.*			
Michigan ✓	$459	38%	Disregard $90	Disregard $90 +$30 + 1/3 of remainder
Minnesota	$548	45%	Disregard $120 + 1/3 of remainder	Disregard $90
Mississippi ✓	$368	30%	Disregard $90	Disregard $90
Missouri	$292	24%	Disregard $90	Disregard 2/3 of gross earnings

State	Monthly Countable Income Standard	As Percent of Federal Poverty Level	How are applicants' earnings treated when determining countable income?	How are recipients' earnings treated when determining countable income?
Montana	$477	39%	Disregard $200 + 25% of remainder	Disregard $200 + 25% of remainder
Nebraska	*Nebraska has not yet created a family coverage category.*			
Nevada ✓	$844	69%	Disregard $90 or 20% of remainder	Disregard $90 or 20% of remainder
New Hampshire ✓	$600	47%	Disregard 20%	Disregard 20%
New Jersey ✓	$443	36%	Disregard $90	Disregard $90
New Mexico	$389	32%	Disregard $120 + 1/3 of remainder	Disregard $120 + 1/3 of remainder
New York	$577	47%	Disregard $90	Disregard $90 + 51% of remainder
North Carolina	$544	45%	Disregard 27.5%, or $90, whichever is more advantageous to the family	Disregard 27.5%, or $90, whichever is more advantageous to the family
North Dakota	$461	38%	Disregard 27% of earnings + $30 + 1/3 of remainder, or $90 + $30 + 1/3 of remainder, whichever is more advantageous to the family	Disregard 27% of earnings + $30 + 1/3 of remainder, or $90 + $30 + 1/3 of remainder, whichever is more advantageous to the family
Ohio	$1,219	100%	No earnings disregard	No earnings disregard
Oklahoma	$471	39%	Disregard $120	Disregard $120
Oregon ✓	$460	38%	Disregard $90 + $30 + 1/3 of remainder, or 50%, whichever is more advantageous to the family	Disregard $90 + $30 + 1/3 of remainder, or 50%, whichever is more advantageous to the family
Pennsylvania ✓	$403	33%	Disregard $90	Disregard 50%, or $90 + $30 + 1/3 of remainder, whichever is more advantageous to the family
Rhode Island	$2,255	185%	Disregard $90	Disregard $90
South Carolina	$568	47%	Disregard $100	Disregard $100
South Dakota	$796	65%	No earnings disregard	No earnings disregard
Tennessee	$840	69%	Disregard $90	Disregard $90
Texas	*Texas has not yet created a family coverage category.*			
Utah	$583	48%	Disregard $90	Disregard $90
Vermont	$629	52%	Disregard $150 + 50%	Disregard $150 + 25%
Virginia ✓	$291	24%	Disregard $90	Disregard $90
Washington	$546	45%	Disregard 50%	Disregard 50%
West Virginia	$253	21%	Disregard $90	Disregard $90
Wisconsin ✓	$517	42%	Disregard $90	Disregard $90
Wyoming	$590	48%	Disregard $200	Disregard $200

State-specific Notes

Arizona – A TANF recipient applying for Medicaid has an additional $30 and 1/3 of remaining earnings deducted in determining Medicaid eligibility. Under its SCHIP 1115 waiver program, the monthly countable income standard applicable to families with children equals the federal poverty guideline. Both applicants and recipients receive a $90 earnings disregard under the waiver.

California – Alternatively, the state may disregard $240 + 50% of a recipient's remaining earnings from total earnings and compare the resulting income to a monthly countable income standard of $793.

Connecticut – The countable income standard varies among regions within the state. The table provides the standard used in the area with the greatest number of Medicaid enrollees.

District of Columbia – All income between the old AFDC income-eligibility threshold and 200 percent of poverty is disregarded, effectively expanding Medicaid to all families with children up to 200 percent of the poverty line.

Idaho – Families receiving benefits in one of the last four months are eligible for an additional disregard of $30 and 1/3 of remaining earnings. However, this disregard is time-limited to four months and thus is not included in the table.

Illinois – In September 2000, the state established a family coverage category. Both applicants and recipients must meet a countable monthly income test of $377. Applicants have $90 per month in earnings disregarded; they also are eligible for a further disregard of $30 and 1/3 of remaining earnings if their gross income is below the state's standard of need ($1,049 per month for a family of three). Recipients have 2/3 of their gross earnings disregarded for purposes of evaluating Medicaid eligibility.

Kentucky – Recipients additionally may have $30 and 1/3 of the remainder disregarded in select (yet unspecified) instances.

Louisiana – The countable income standard varies among regions within the state. The table provides the standard used in the area with the greatest number of Medicaid enrollees.

Maine – As of September 2000, the state indexes its countable income standard at 150 percent of poverty as a result of a further expansion under Section 1931 to families with children.

Massachusetts – In August 2000, the state established a family coverage category. The countable income standard is indexed at 133 percent of the poverty line for both applicants and recipients. No earnings disregards are applied in evaluating eligibility.

Michigan – As of February 2001, the state disregards $200 and 20% of remaining earnings for applicants who have not received benefits during the most recent four months.

Mississippi – Recipients have an additional $30 and 1/3 of remaining earnings disregarded for a time-limited period of four months.

Nevada – *Recipients'* earnings after appropriate disregards have been applied must be lower than $348. Nevada is the only state with a countable income standard for recipients that differs from that for applicants.

New Hampshire – As of September 2000, recipients have 50 percent of their earnings disregarded.

New Jersey – As of September 2000, the state indexes its countable income standard to 133 percent of the poverty line.

Oregon – Note that the state's gross income limit, set at $616 per month, represents the income-eligibility ceiling under the family coverage category. Thus, meeting the countable income test does not guarantee that a family will be found eligible for Medicaid. Oregon is unique in this.

Pennsylvania – The countable income standard varies among regions within the state. The table provides the standard used in the area with the greatest number of Medicaid enrollees.

Virginia – *Recipients* may be eligible for additional earnings disregards, depending on their circumstances. For those in the state work program, all earnings up to 100 percent of poverty are disregarded. All recipients are eligible for a time-limited disregard of $90 and $30 and 1/3 of remaining earnings for a period of four months.

Wisconsin – An additional disregard of $30 and 1/3 of remaining earnings is applied for those parents who have received Medicaid in one of the four preceding months. This disregard is time-limited to a period of four months.

Table 9
States' Asset Rules Under the Medicaid Family Coverage Eligibility Category

Table 9 provides information on the asset limit that a family of three must meet in order to qualify for Medicaid in each state under the Medicaid family coverage category.

When evaluating a family's eligibility for Medicaid in this category, states at a minimum must use the asset limit and the methodologies for determining what counts as an asset that they used in their AFDC programs on May 1, 1988. However, most states use as a minimum the standards in place in their AFDC programs on July 16, 1996. Under standard AFDC rules on that date, families had to have less than $1,000 in assets in order to qualify for benefits. When states evaluated whether families met this asset limit, they were required to disregard the value of a family's home, the equity value of one car up to $1,500, and a selected number of other items.

Under the family coverage category, states now can ease or even eliminate the asset test that applies to families with children using the "less restrictive methodologies" option. For example, a state can effectively increase its asset limit to $10,000 by disregarding $9,000 in family assets toward the limit. Thus, a family with $10,000 in assets would be treated as having "countable" assets of $1,000 and thus would meet the $1,000 asset limit. Alternatively, a state can disregard *all* assets and effectively eliminate the asset test for families with children seeking Medicaid coverage; a number of states have done so.

Column 1: Column 1 displays the asset limit that a state uses for a family of three under the eligibility category being described. If a state has adopted an across-the-board disregard of assets, this column displays the effective asset limit in the state for a family of three after taking the disregard into account. For example, if a state with a $1,000 asset limit does not count the first $9,000 of a family's assets, this column would read $10,000.

Column 2: Column 2 describes how states with asset limits treat a family's first vehicle. Note that if a family has a second vehicle, these same policies may not apply to the second vehicle.

Five states — Hawaii, Illinois, Nebraska, Massachusetts, and Texas — had not implemented a family coverage category at the time of the survey. Two of these states — Massachusetts and Illinois — have since created family coverage categories in their Medicaid program. Massachusetts began enrolling families with children in a newly created family coverage category in August 2000; as it did under its waiver program, the state has eliminated the asset test for families with children applying for Medicaid under the family coverage category. Illinois began to enroll families with children in a family coverage category in September 2000; in addition to meeting income-eligibility and family composition standards, Illinois families must have less than $1,000 in assets (excluding the value of one vehicle up to $1,500) to be eligible for Medicaid. For information on the evaluation of assets in Medicaid in Hawaii, Nebraska, and Texas, please see Table 4.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

Table 9 State Asset Rules in the Medicaid Family Coverage Category (as of July 1, 2000)		
State	Asset Limit	Treatment of Applicant's First Vehicle
Alabama	$2,000	Disregard value of one vehicle per licensed household member
Alaska	$1,000	Disregard value of one vehicle
Arizona	$2,000	Disregard value of one vehicle
Arkansas	$1,000	Disregard value of one vehicle
California	$3,150	Disregard fair market value of up to $4,650 for each vehicle
Colorado	$2,000	Disregard value of one vehicle
Connecticut ✓	$3,000	Disregard equity value of one vehicle up to $9,500
Delaware	No asset test	n /a
District of Columbia	No asset test	n/a
Florida ✓	$2,000	Disregard one vehicle with value up to $8,500
Georgia	$1,000	Disregard equity value of one vehicle up to $4,650
Hawaii	—	—
Idaho	$1,000	Disregard value of one vehicle up to $1,500
Illinois	—	—
Indiana	$1,000	Disregard equity value of one vehicle up to $5,000
Iowa ✓	$2,000 applicants; $5,000 for adult recipients	Disregard equity value of one vehicle up to $3,959
Kansas	$2,000	Disregard value of one vehicle
Kentucky	$2,000	Disregard value of one vehicle
Louisiana	$1,000	Disregard equity value of one vehicle up to $10,000
Maine	$2,000	Disregard value of one vehicle
Maryland	$2,000	Disregard value of one vehicle
Massachusetts	—	—
Michigan	$3,000	Disregard value of one vehicle
Minnesota	$6,200	Disregard value of one vehicle
Mississippi	No asset test	n/a
Missouri	No asset test	n/a
Montana	$3,000	Disregard value of vehicle with highest equity value
Nebraska	—	—
Nevada	$2,000	Disregard value of one vehicle
New Hampshire ✓	$1,000	Disregard value of one vehicle for each parent/caretaker
New Jersey	$2,000	Disregard fair market value of one vehicle up to $9,500
New Mexico	No asset test	n/a
New York	$3,000	Disregard fair market value of one vehicle to $4,650, or equity value up to $1,500
North Carolina	$3,000	Disregard value of one vehicle for each household member over 17
North Dakota	$8,000	Disregard value of one vehicle
Ohio	No asset test	n/a
Oklahoma	No asset test	n/a

State	Asset Limit	Treatment of Applicant's First Vehicle
Oregon	$2,500	Disregard equity value of one vehicle up to $10,000
Pennsylvania	No asset test	n/a
Rhode Island	No asset test	n/a
South Carolina	$2,500	Disregard value of one vehicle per licensed driver
South Dakota	$2,000	Disregard value of one vehicle
Tennessee	$2,000	Disregard equity value of one vehicle up to $4,600
Texas	—	—
Utah	$3,025	Disregard equity value of one vehicle up to $1,500
Vermont	$2,000	Disregard equity value of one vehicle
Virginia ✓	$1,000	Disregard equity value of one vehicle up to $1,500
Washington ✓	$1,000	Disregard equity value of one vehicle up to $5,000
West Virginia	$1,000	Disregard equity value of one vehicle up to $1,500
Wisconsin	$1,000	Disregard the equity value of one vehicle up to $1,500
Wyoming	$2,500	Disregard value of one vehicle

State-specific Notes

Connecticut – As of January 2001, the state has eliminated the asset test for families with children applying for Medicaid under the family coverage category.

Florida – For families subject to work requirements, the combined value of all vehicles may not exceed $8,500.

Iowa – The resource test applies only to adults. Adult applicants may not have resources in excess of $2,000 in value, while adult recipients may not have resources in excess of $5,000 in value.

New Hampshire – The asset rules documented in the table are those used for applicants. *Recipients* may not have resources in excess of $2,000 in value.

Virginia – For families in the work program, the state disregards the equity value of one vehicle up to $7,500.

Washington – *Recipients* are subject to the $1,000 asset limit, but may also have up to $3,000 in a savings account.

Table 10
States' Treatment of Two-Parent Families Under the Medicaid Family Coverage Category

Table 10 provides information on whether or not states cover two-parent families to the same extent as they do single-parent families in their Medicaid family coverage categories.

Until recently, states could not cover parents in two-parent families to the same extent they covered parents in single-parent families unless they had a waiver of standard federal rules allowing them to do so. Under rules that relate back to the AFDC program, parents in two-parent families can qualify for Medicaid only if one of the two parents is incapacitated or "unemployed" (defined as working fewer than 100 hours a month). In August 1998, the U.S. Department of Health and Human Services issued a regulation allowing states effectively to drop the 100-hour rule for two-parent families — in other words, a two-parent family that meets the income and asset requirements may be served even if both parents work more than 100 hours a month. In addition, states may serve two-parent families more broadly under Section 1115 waivers or state-funded programs.

Currently, all states at least partially serve two-parent families in Medicaid. However, not all states cover two-parent families to the same extent as single-parent families in the Medicaid coverage category with the highest income-eligibility threshold for families with children. Thirty-five of the 46 states that had established a Medicaid family coverage category as of July 2000 had eliminated the 100-hour rule for applicants. In addition, Kentucky and California have eliminated the 100-hour rule for recipients, although they have retained it for applicants. Since the time of the survey, Maine also has eliminated the 100-hour rule for both applicants and recipients.

Five states — Hawaii, Illinois, Nebraska, Massachusetts, and Texas — had not implemented a family coverage category at the time of the survey. Two of these states — Massachusetts and Illinois — have since created family coverage categories in their Medicaid program. Massachusetts began enrolling families with children in a newly created family coverage category in August 2000 and does not use the 100-hour rule as a condition of eligibility in this category. Likewise, Illinois began to enroll families with children in a family coverage category in September 2000 and elects to cover two-parents families under this category to the same extent as one-parent families.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

Table 10
Treatment of Two-Parent Families in the Medicaid Family Coverage Category (as of July 1, 2000) 2001)

	Does the state cover two-parent families to the same extent as single-parent families?
Alabama	Yes
Alaska	Yes
Arizona	Yes
Arkansas	No
California ✓	Yes
Colorado	Yes
Connecticut	Yes
Delaware	Yes
District of Columbia	Yes
Florida	Yes
Georgia	Yes
Hawaii	—
Idaho	Yes
Illinois ✓	—
Indiana	Yes
Iowa	Yes
Kansas	Yes
Kentucky ✓	Applicants – No; Recipients – Yes
Louisiana	No
Maine ✓	No
Maryland	Yes
Massachusetts ✓	—
Michigan	Yes
Minnesota	Yes
Mississippi	Yes
Missouri	Yes
Montana	Yes
Nebraska	—
Nevada	Yes
New Hampshire	No
New Jersey	Yes
New Mexico	Yes
New York	Yes
North Carolina	Yes
North Dakota	No
Ohio	Yes
Oklahoma	Yes
Oregon	Yes
Pennsylvania	Yes
Rhode Island	Yes
South Carolina	Yes
South Dakota	Yes
Tennessee	No
Texas	—
Utah	No
Vermont	Yes
Virginia	Yes
Washington	Yes
West Virginia	No
Wisconsin	No
Wyoming	Yes

State-specific Notes

California – For recipients, the 100-hour rule is waived except in the case of a two-parent family that, although eligible for Medicaid after all earnings disregards are applied, has earnings above 100 percent of poverty after a $90 disregard is applied.

Illinois – The state established a family coverage category in its Medicaid program in September 2000. Families with children are not subject to the 100-hour rule under this category.

Kentucky – The 100-hour rule is waived for two-parent families receiving Medicaid but not for two-parent families applying for Medicaid.

Maine – As of September 1, 2000, the state no longer applies the 100-hour rule in evaluating the eligibility of parents for Medicaid.

Massachusetts – The state established a family coverage category in its Medicaid program in August 2000. Families with children are not subject to the 100-hour rule under this category.

Table 11
Eligibility Policies and Procedures for Transitional Medical Assistance (TMA)

Transitional Medical Assistance (TMA) makes continued health insurance coverage available for families with children as they move into the work force. Recognizing the importance of health insurance to sustained employment among low-income families, Congress established the TMA program in the Family Support Act of 1988. Under TMA, states must continue to offer coverage to families with children for at least six months when the families' income rises above the states' Medicaid income-eligibility thresholds because of higher earnings. In addition, families must receive coverage for an additional six months if their income remains below 185 percent of the federal poverty level.

To be eligible for TMA under the law as written, a family must have been eligible to receive Medicaid benefits for three of the six months prior to the loss of benefits. Originally, this "three out of six months" rule meant a family had to have received welfare benefits for three of the previous six months. Since the 1996 federal welfare law delinked Medicaid and welfare eligibility, however, the issue now is whether a family's income has been below the state's family coverage eligibility standards. By using "less restrictive methodologies" under the 1996 law, states may effectively bypass this rule. If a family's income is below the family coverage income limits in the first month, but rises in the following month because of earnings, the state may elect to disregard earnings in the second and third months, so the family continues to be eligible for family coverage in those months. At that point, the family has met the "three out of six months" rule and is qualified to receive TMA for subsequent months.

Through a number of methods, several states have succeeded in extending the duration of transitional benefits beyond 12 months. Prior to 1996, states accomplished this either through a demonstration project waiver or by creating a separate state program that served those moving from welfare to work. In addition to these options, states currently may also make an amendment to their state Medicaid plan.

Table 11 provides information on each state's treatment of the "three out of six months" requirement, the maximum duration of TMA, and the method (if applicable) by which the state has extended TMA beyond 12 months.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

Table 11
State Policies Related to Transitional Medical Assistance (as of July 1, 2000)

State	Dropped 3 of 6 months requirement?	Total length of TMA	If extended beyond 12-month minimum, how?
Alabama	No	12	
Alaska	No	12	
Arizona	Yes	24	1115 Waiver
Arkansas	No	12	
California ✓	No	24	State-Only Program
Colorado	No	12	
Connecticut	Yes	24	State Plan Amendment
Delaware	Yes	24	1115 Waiver
District of Columbia	No	12	
Florida	No	12	
Georgia	No	24	State Plan Amendment
Hawaii	No	12	
Idaho	Yes	12	
Illinois ✓	Yes	12	
Indiana	No	12	
Iowa	No	12	
Kansas	No	12	
Kentucky	No	12	
Louisiana	No	12	
Maine	Yes	12	
Maryland	Yes	12	
Massachusetts	Yes	12	
Michigan ✓	No	12	
Minnesota	No	12	
Mississippi	No	12	
Missouri	No	36	1115 Waiver
Montana	Yes	12	
Nebraska ✓	No	24	1115 Waiver
Nevada	No	12	
New Hampshire ✓	No	12	
New Jersey	Yes	24	State Plan Amendment
New Mexico	Yes	12	
New York	No	12	
North Carolina	Yes	24	State Plan Amendment
North Dakota	No	12	
Ohio	No	12	
Oklahoma ✓	No	12	
Oregon	Yes	12	
Pennsylvania	No	12	
Rhode Island	Yes	18	1115 Waiver
South Carolina	Yes	24	State Plan Amendment
South Dakota	No	12	
Tennessee ✓	Yes	18	1115 Waiver
Texas	No	12	
Utah ✓	No	24	1115 Waiver
Vermont	No	36	1115 Waiver
Virginia	No	12	
Washington ✓	No	12	
West Virginia	No	12	
Wisconsin	No	12	
Wyoming	No	12	

State-specific Notes

California – The state provides full Medi-Cal benefits for an additional 12 months to those over age 19, and funds this fully with state money.

Illinois – The state has dropped the 3 out of 6 months requirement for TMA and funds this fully with state money.

Michigan – The state has implemented a program called TMA-Plus, which provides limited coverage for some of those who would lose traditional TMA and which is funded fully with state money.

Nebraska – During months 7 to 12, recipients may be required to pay premiums. In the second year of TMA, income restrictions apply.

New Hampshire – Using a waiver, the state has dropped the 3 out of 6 months requirement for TMA, but only for those receiving cash assistance.

Oklahoma — The state has applied for a waiver to drop the 3 out of 6 months requirement for TMA. HCFA has not yet approved the waiver.

Tennessee — The state provides TMA to families leaving TANF only.

Utah — The state ceased to provide any extended TMA as of December 31, 2000, when its waiver expired.

Washington — Washington has a state plan amendment approved to drop the 3 out of 6 months requirement for TMA. This change was implemented in October 2001.

Table 12
Certification Periods Under the Family Coverage Category

After they are approved for Medicaid, families are generally certified for a certain period and must be recertified six, 12, or some other number of months later. For parents deemed eligible under the family coverage category, states have the option of certifying eligibility for as long as 12 months, in some cases longer. Table 12 presents information on selected certification periods used in states' family coverage categories. It shows that 38 states use 12 months as the standard certification period for the family coverage category.

Longer certification periods help families stay covered for a longer time period and reduce "churning" in the caseload, i.e. individuals moving on and off of the caseload due to failing to meet certification requirements and then having to re-apply at a later date. However, a 12-month certification period is not synonymous with 12 months of "continuous eligibility."[15] Most states require participants to submit reports about changes in their income, household composition, residence, or other factors during the certification period, but states' reporting requirements vary. Families may lose Medicaid eligibility if they report a change in family circumstances that makes them ineligible; they also may be sanctioned if they fail to report a change when they should have. In some cases, state requirements for "change reports" are linked to program requirements in the states' TANF or Food Stamp programs.

Five states — Hawaii, Illinois, Nebraska, Massachusetts, and Texas — had not implemented a family coverage category at the time of the survey. Two of these states — Massachusetts and Illinois — have since created family coverage categories in their Medicaid program. Massachusetts began enrolling families with children in a newly created family coverage category in August 2000; enrolled families have 12-month certification periods. Illinois began to enroll families with children in a family coverage category in September 2000; enrolled families have 12-month certification periods and are required to report changes in income in the interim.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

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[15] Continuous eligibility, which is currently a state option for children, means that children are guaranteed 12 months participation regardless of other changes in family circumstances during that year.

Table 12
Certification Period Length Under the Medicaid Family Coverage Category (as of July 1, 2000)

State	Frequency of certification
Alabama	12 months
Alaska	6 months
Arizona	12 months
Arkansas	12 months
California	12 months
Colorado	12 months
Connecticut	12 months
Delaware	12 months
District of Columbia	12 months
Florida	12 months
Georgia	6 months
Hawaii	12 months
Idaho	12 months
Illinois	12 months
Indiana	12 months
Iowa ✓	• Families with earned income: monthly • All others: 6 months
Kansas	6 months
Kentucky	12 months
Louisiana	12 months
Maine	6 months
Maryland	12 months
Massachusetts	12 months
Michigan	12 months
Minnesota	12 months; some enrollees have 6 month income and/or asset reviews.
Mississippi	12 months
Missouri	12 months
Montana	12 months
Nebraska	12 months
Nevada	12 months (6 months for TANF cases)
New Hampshire	• TANF-Medicaid only: 12 months • TANF-Medicaid and food stamps with earned income or unemployment compensation: 4 months • TANF-Medicaid and food stamps: 6 months
New Jersey	12 months
New Mexico	12 months
New York	12 months
North Carolina	12 months
North Dakota	12 months
Ohio	6 months
Oklahoma	• Categorically needy: 6 months • Medically needy: 3 months
Oregon	6 months unless case-managed or monthly report
Pennsylvania	12 months
Rhode Island	12 months
South Carolina	12 months
South Dakota	12 months
Tennessee	6 months
Texas	6 months
Utah	12 months
Vermont	12 months

State	Frequency of certification
Virginia	12 months
Washington	12 months
West Virginia	12 months
Wisconsin	12 months
Wyoming	6 months

State-specific Notes

Iowa – As of October 2000, the state extends its certification period in Medicaid to 12 months for all families with children.

Table 13
Medically Needy Income-Eligibility Thresholds in States with a Medically Needy Program that Covers Parents

More than half of states have a "medically needy" eligibility category for families with children that covers parents and other caretaker relatives who are ineligible for TANF or who elect not to be on TANF. States could establish medically needy income limits as high as 133 1/3 percent of the old AFDC standards and could use higher asset tests, based on SSI rules. The medically needy standard is the highest Medicaid income eligibility limit for families in 13 states; it is particularly important in states that have not liberalized families' Medicaid eligibility using new Section 1931 options or Section 1115 waivers, since a number of low-income parents who receive Medicaid coverage under this category would not otherwise be eligible. Table 13 shows the medically needy standards in all the states that use this option, even if it is not the highest applicable eligibility category in the state.

Effective May 11, 2001, new regulations issued by HCFA allowed states to establish "less restrictive" methods of accounting for income or assets for medically needy eligibility, giving states the option to raise income eligibility standards beyond 133 1/3 percent of the old AFDC standards or to liberalize or eliminate asset tests for families. However, since the family coverage category (Section 1931) already gives states similar flexibility for family eligibility, this new option is somewhat less relevant for families than for aged or disabled people.

The medically needy category also allows applicants to "spend down" their income or resources to a level below the medically needy limits and thereby to qualify for Medicaid. This has traditionally been important for aged and disabled people with high medical or nursing home bills, but it also can be relevant for families with high medical bills. A moderate-income family might qualify for Medicaid even though its earnings or assets are well above the medically needy level because high medical expenses have caused the family to "spend down" into eligibility.

Medicaid coverage under the medically needy category is not identical to coverage under the family coverage category. For example, families that lose their eligibility for coverage under the family coverage category due to their earnings are eligible for Transitional Medical Assistance (TMA). TMA, however, is not available to families that lose eligibility for a medically needy category due to earnings. In addition, states are allowed to provide less generous medical benefits for those in the medically needy category.

Table 13 indicates the highest earnings that a parent can have and still be eligible for Medicaid coverage under the medically needy category, after accounting for any earnings disregards that the state permits. This income-eligibility threshold is presented in terms of allowable monthly earnings, allowable annual earnings, and allowable earnings as a percent of the 2001 poverty guideline.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

Table 13
Medically Needy Earnings Eligibility Thresholds in States with Medically Needy Categories that Cover Parents in Families with Children (as of July 1, 2000)

State	Monthly Income-eligibility Threshold	Annual Income-eligibility Threshold	Percent of 2001 Federal Poverty Line
Arkansas	$365	$4,380	30%
California	$1,024	$12,288	84%
Connecticut	$866	$10,398	71%
District of Columbia	$878	$10,530	72%
Florida	$806	$9,672	66%
Hawaii	$712	$8,544	58%
Illinois	$882	$10,584	72%
Iowa	$708	$8,490	58%
Kentucky	$398	$4,776	33%
Louisiana	$323	$3,876	26%
Maine	$548	$6,576	45%
Maryland	$524	$6,288	43%
Michigan	$622	$7,464	51%
Minnesota ✓	$1,217	$14,604	100%
Nebraska	$535	$6,420	44%
New Hampshire	$815	$9,780	67%
New York ✓	$974	$11,688	80%
North Carolina	$457	$5,484	37%
North Dakota	$706	$8,472	58%
Oklahoma	$537	$6,444	44%
Pennsylvania	$557	$6,684	46%
Rhode Island	$915	$10,980	75%
Tennessee	$407	$4,884	33%
Texas	$395	$4,740	32%
Utah	$673	$8,076	55%
Vermont	$973	$11,676	80%
Virginia	$448	$5,376	37%
West Virginia	$380	$4,560	31%
US Median	**$648**	**$7,770**	**53%**

All of the medically needy thresholds presented reflect earnings thresholds for applicants and recipients, unless otherwise noted in the "State-specific notes" below.

State-specific Notes

Minnesota – *Recipients* are eligible for Medicaid under the medically needy category up to 67 percent of the federal poverty line (a monthly earnings threshold of $821 and an annual earnings threshold of $9,852).

New York – For a time-limited period of four months, *recipients* are eligible for additional disregards such that they are eligible for Medicaid in the medically needy category up to 119 percent of the poverty line (a monthly earnings threshold of $1,446 and an annual earnings threshold of $17,352).

Table 14
States Exercising the Option to Terminate the Medicaid Coverage of Parents Who Lose TANF for Failure to Work

Although the 1996 federal welfare law generally delinked Medicaid and welfare eligibility, in one area states still have an option to link eligibility decisions. If a parent is sanctioned and loses TANF eligibility for failure to meet TANF work requirements, the state has the option of discontinuing his or her Medicaid eligibility as well. In such a case, Medicaid eligibility may not be terminated for children or pregnant women, but non-pregnant parents could lose their coverage.

It is important to remember that other changes in recipients' TANF status should *not* directly affect Medicaid eligibility. Because of delinking, a change in TANF status is a non-event from the perspective of Medicaid; any changes in Medicaid eligibility should be based on a determination of whether the beneficiary meets Medicaid-specific eligibility criteria. For example, if a TANF recipient reaches her welfare time limit and is terminated from TANF, she must retain Medicaid eligibility as long as she meets her state's income and asset Medicaid rules.

Table 14 shows that most states do not terminate parents' Medicaid coverage for failure to meet welfare work requirements; only 12 states linked welfare and Medicaid sanctions. This might be more of an issue now in those states, since welfare recipients may have a harder time finding jobs and complying with work requirements during the recession.

States marked with a check (✓) are discussed further in the "State-specific Notes" following the table.

Table 14
States Exercising the Option to Terminate the Medicaid Coverage of a Non-Pregnant Head of Household Who Loses TANF for Failure to Work

STATE	Does the state terminate the Medicaid of a parent who loses TANF for failure to work?
Alabama	Yes
Alaska	No
Arizona	No
Arkansas	No
California	No
Colorado	No
Connecticut	No
Delaware	No
District of Columbia	No
Florida	No
Georgia	No
Hawaii	Yes
Idaho	Yes
Illinois	No
Indiana	Yes
Iowa	No
Kansas	Yes
Kentucky	No
Louisiana	Yes
Maine	No
Maryland	No
Massachusetts	No
Michigan	Yes
Minnesota	No
Mississippi	Yes
Missouri	No
Montana	No
Nebraska	Yes
Nevada	Yes
New Hampshire	No
New Jersey	No
New Mexico	No
New York	No
North Carolina	No
North Dakota	No
Ohio ✓	No
Oklahoma	No
Oregon	No
Pennsylvania	No
Rhode Island	No
South Carolina	Yes
South Dakota	No
Tennessee	No
Texas	No
Utah	No
Vermont	No
Virginia	No
Washington	No
West Virginia	No
Wisconsin	No
Wyoming	Yes
United States, Total "Yeses"	12

State-specific Notes

Ohio – Non-pregnant heads of household do have their Medicaid terminated if they are facing their *third* TANF sanction.