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Continuous Eligibility Keeps People Insured and Reduces Costs

By Jennifer Wagner and Judith Solomon

The Affordable Care Act (ACA) cut the nation's uninsured rate nearly in half from 16 percent to 9 percent, but 29 million people remain uninsured, including about 18 million who are already eligible for Medicaid or subsidized coverage in the health insurance marketplaces. More must be done to achieve universal coverage, and coverage also needs to be stable, continuous, and accessible. In addition to steps that policymakers can take in recovery legislation to reduce health care costs and improve access, they can implement continuous eligibility in Medicaid, which keeps people enrolled for 12 months regardless of fluctuations in their income and reduces the likelihood that they will lose coverage due to small changes in income or administrative challenges.

The ACA created a continuum of coverage designed to provide health care access to people at different income levels through Medicaid and the health insurance marketplaces, but administrative challenges when enrolling, renewing coverage, and moving between Medicaid, marketplace, and employer coverage continue to cause gaps in coverage, uninsurance, and burdens on individuals and state Medicaid agencies.

These gaps are particularly common for people enrolled in or eligible for Medicaid. Many people lose their Medicaid coverage when their incomes rise modestly over program limits or they fail to return needed paperwork. Often people lose coverage even though they remain eligible, because they don't receive a notice or can't produce paperwork to document their income. In some cases, people regain eligibility within months, but many others remain uninsured. Meanwhile, people may forgo medicine or care or incur medical debt while they're uninsured. Medicaid agencies face higher administrative costs from the disenrollment and reenrollment process and Medicaid frequently pays for more costly care that could have been prevented through steady coverage.

Continuous eligibility, now an option for children in Medicaid and available for adults in Montana and New York through a Medicaid demonstration, overcomes many of these administrative challenges. Recovery legislation should include a requirement that states implement continuous eligibility for children and adults to allow them to stay covered for 12 months regardless of fluctuations in their income.

Medicaid Enrollees Experience Income Changes That Lead to Coverage Disruption

Medicaid eligibility is based on a family's current monthly income. Once they enroll, most enrollees have 12 months before they must renew their coverage, but during the 12 months they must report any changes that affect their eligibility. If they report a change that makes them ineligible, they lose coverage. In addition to the requirement that enrollees report changes, many states regularly check data sources such as quarterly wage reports and, if they find information suggesting enrollees may be ineligible, they require that enrollees provide information showing they remain eligible. If enrollees don't respond to the request for information within a short period of time or are unable to show they remain eligible, they lose coverage.

People often don't receive a request for information or don't respond to it in time, or they may have worked overtime or picked up an extra shift that temporarily put them over the eligibility threshold. Many enrollees reenroll in Medicaid within months of losing coverage, a process known as "churn."¹ Others aren't aware they are still eligible or are unable to successfully reapply, and they remain uninsured.

Basing eligibility on monthly income and requiring that enrollees report and document small changes in income during the eligibility period means many low-income workers can't stay covered for a full year. It's likely why the typical length of coverage for adults under 65 who don't have a disability is just 8.6 months, while it's 10.8 months for people with disabilities and 10.3 months for seniors, whose incomes are less likely to fluctuate.² Requiring that low-wage workers whose incomes often fluctuate have income below the eligibility threshold every month leaves many low-income families subject to gaps in coverage that lead to deterioration of chronic conditions, and it increases costs for individuals, states, and managed care organizations.

Income Fluctuation Is Common Among Medicaid Enrollees

Even before the COVID-19 pandemic, income volatility was rising due to labor market changes including increased self-employment, seasonal work, unpredictable work schedules, and growth in contracting and temporary work arrangements.³ Hourly employees with variable work hours and those with more than one part-time job are particularly likely to experience income fluctuations that may raise their incomes above the Medicaid threshold for short periods of time. Three-quarters of early-career hourly workers experience fluctuations in their work hours, varying by an average of more than eight hours per week. And 70 to 80 percent of parents with young children working in

¹ For more information on churn, see Dorothy Rosenbaum, "Lessons Churned: Measuring the Impact of Churn in Health and Human Services Programs on Participants and State and Local Agencies," Center on Budget and Policy Priorities, March 20, 2015, <https://www.cbpp.org/research/lessons-churned-measuring-the-impact-of-churn-in-health-and-human-services-programs-on>.

² Sarah Sugar *et al.*, "Medicaid Churning and Continuity of Care: Evidence and Policy Considerations Before and After the COVID-19 Pandemic," Assistant Secretary for Planning and Evaluation, Office of Health Policy, April 12, 2021, <https://aspe.hhs.gov/pdf-report/medicaid-churning>.

³ Virginia Andersen *et al.*, "Addressing Income Volatility of Low Income Populations," Robert M. LaFollette School of Public Affairs, Spring 2015, <https://lafollette.wisc.edu/images/publications/workshops/2015-income.pdf>.

hourly jobs have hours that fluctuate substantially.⁴ Many participants in the gig economy also experience considerable variability in hours based on the availability of work.

Income volatility is particularly common for individuals with low incomes. A study by the U.S. Financial Diaries Project tracked low- and moderate-income households over a year and found that on average, their income fell more than 25 percent below average for 2.5 months of the year, and their income rose more than 25 percent above average for 2.6 months. The variation was greatest for households with incomes below the poverty line.⁵ Similarly, a JPMorgan Chase study of deposit information found that 74 percent of individuals in the bottom income quintile experienced more than a 30 percent month-to-month change in total income.⁶ These fluctuations often increase family income above the eligibility threshold for some months of the year, putting them at risk of losing Medicaid even though their income has not significantly increased and may soon drop below eligibility levels.

For example, a family that earns \$2,100 in the month it applies for Medicaid (about 115 percent of the federal poverty line for a family of three) might have income that's 25 percent higher (\$2,630 per month) for two or three months during their eligibility period. For most adults, that exceeds the Medicaid eligibility threshold and the adults in the family would be at risk of losing coverage.⁷ However, that same household could also experience two to three months in that same year where their income was about \$1,580 per month, which is below the poverty line.⁸

The risk of losing Medicaid due to temporary income changes falls more heavily on Black families, which experience more income volatility than white families.⁹ There's a greater likelihood that they will experience temporary income increases that put them over the Medicaid eligibility threshold, putting them at greater risk of losing coverage.

⁴ Liz Ben-Ishai, "Volatile Job Schedules and Access to Public Benefits," Center for Law and Social Policy, September 16, 2015, <https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/2015.09.16-Scheduling-Volatility-and-Benefits-FINAL.pdf>.

⁵ Anthony Hannagan and Jonathan Morduch, "Income Gains and Month-to-Month Income Volatility: Household evidence from the US Financial Diaries," U.S. Financial Diaries, March 16, 2015, <https://www.usfinancialdiaries.org/paper-1/>.

⁶ JPMorgan Chase & Co., "Paychecks, Paydays, and the Online Platform Economy," February 2016, <https://www.jporganchase.com/institute/research/labor-markets/report-paychecks-paydays-and-the-online-platform-economy>.

⁷ Most state Medicaid programs have higher eligibility levels for children than for adults, and when family income does go over the threshold, children usually qualify for coverage under the state's Children's Health Insurance Program.

⁸ Another administrative complexity for low-wage workers is that marketplace coverage is based on annual income while Medicaid is based on monthly income. When a seasonal or other low-wage worker has monthly income too high for Medicaid eligibility but yearly income too low for marketplace coverage, Medicaid should use annual income to determine eligibility. However, Medicaid applications don't often capture annual income correctly and may send an applicant to the marketplace only for them to be denied and sent back to Medicaid, a process few individuals can successfully navigate.

⁹ Bradley Hardy *et al.*, "Wealth Inequality, Income Volatility, and Race," December 2018, <https://www.aeaweb.org/conference/2019/preliminary/paper/KZG69HbE>.

State Data Checks Can Lead Eligible Enrollees to Lose Coverage

In addition to requiring that enrollees report changes in their incomes and other circumstances that may make them ineligible, many states match enrollee information against data sources, usually quarterly wage reports from their state workforce agencies.¹⁰

Quarterly wage data usually show a person's total income for a three-month period, and reports are typically available in the second month after the quarter ends. For example, Medicaid agencies can view employer reports of an enrollee's total income for the April through June quarter in August. Medicaid agencies may divide the total income reported by three to estimate monthly income or set other thresholds that trigger a request for information from the enrollee.

While data checks can be effective in identifying enrollees with substantial increases in income, they frequently identify enrollees who experience small, temporary changes. Quarterly wage reports don't specify the month the income was earned, how much of it was due to overtime, or if the individual's current income is different from the quarter covered by the report. Someone who picks up a few extra shifts one month or works overtime during the holidays may appear to be over the income threshold, even though their income has since decreased.

If the data are inconsistent with information in the enrollee's case file, the Medicaid agency sends a notice to the enrollee asking for information that verifies their ongoing eligibility. Enrollees must provide pay stubs, letters from their employers, or other information that shows their current income. Enrollees typically have ten days from the date of the notice to respond to the notice or lose coverage, which means they may have only five or six days, depending on when the notice arrives.

Many people lose coverage because they don't receive the notice or don't know how to respond. For example, someone who recently lost a job may need to get a letter from their former employer specifying their last day of work. The employer may not provide the information as quickly as is needed or at all if the employment ended on bad terms.

Moreover, behavioral science researchers have found that people with low incomes face chronic resource scarcity, which forces them simultaneously to manage multiple challenging problems and requires enormous effort.¹¹ This means they often have to choose between meeting complex rules for public benefits and taking care of their other needs.

Data checks can drive substantial reductions in coverage. In 2018, children's Medicaid and Children's Health Insurance Program (CHIP) coverage declined nationally by 2.2 percent compared to the previous year, a stark contrast to the previously steady increase in children's insurance rates. One of the reasons cited for this decline was periodic reviews of eligibility between renewals. Texas

¹⁰ In a survey of state Medicaid officials, 30 states reported conducting period data matches between renewals. Tricia Brooks *et al.*, "Medicaid and CHIP Eligibility, Enrollment, and Cost Sharing Policies as of January 2020: Findings from a 50-State Survey," Kaiser Family Foundation, March 26, 2020, <https://www.kff.org/coronavirus-covid-19/report/medicaid-and-chip-eligibility-enrollment-and-cost-sharing-policies-as-of-january-2020-findings-from-a-50-state-survey/>.

¹¹ Harrison Neuert *et al.*, "Work Requirements Don't Work: A behavioral science perspective," ideas 42, March 2019, <http://www.ideas42.org/wp-content/uploads/2019/04/ideas42-Work-Requirements-Paper.pdf>.

alone disenrolled over 144,000 children between December 2017 and 2018.¹² In Louisiana, about 85 percent of closures from quarterly wage checks are because the enrollee didn't respond to the request for information.¹³

In addition to experiencing greater income volatility, people of color are more likely than white people to experience housing instability, putting them at greater risk of losing Medicaid when they don't receive requests for information or other notices from state Medicaid agencies. And the disproportionate impacts of the COVID-19 pandemic have exacerbated housing instability among people of color.¹⁴

Example of Coverage Disruption

Yvonne has two children and works part time at a local restaurant. She typically earns about \$2,100 per month (115 percent of the poverty line for a family of three). In August she and her children apply for Medicaid and are approved for 12 months.

Yvonne picks up a few extra shifts when the restaurant loses some staff in November and her tips increase when the restaurant is busier over the holidays. With the extra income, Yvonne is able to pay the security deposit on an apartment and move out of her mom's house. The restaurant eventually hires more staff and Yvonne's hours and income return to normal after the holiday rush.

In February, the Medicaid agency reviews quarterly wage data from October through December. Yvonne's income is \$7,900 for the quarter. The state divides it in three, which is \$2,630 per month (144 percent of the poverty line). The agency sends Yvonne a request for information asking her to provide her most recent pay stubs to show she is still eligible for Medicaid.

Yvonne reported her new address to the SNAP agency, but the information wasn't provided to the Medicaid agency, so the notice went to her mom's house. Her mom saves it and gives it to Yvonne the next time she sees her, but by that time the ten days have passed.

When Yvonne attempts to refill her prescription for high blood pressure in March, she finds her Medicaid and her children's Medicaid has been canceled. She skips her medicine, and goes to the Medicaid agency on her next day off to reapply for benefits. After resubmitting various paperwork and waiting for over a month, the family is reapproved for Medicaid in late April.

Coverage Gaps Lead to Higher Health Care Costs

When individuals lose Medicaid coverage, go for a period without health care, and then reenroll, their health care costs are often higher than if they received continuous coverage. A gap in coverage

¹² Sugar *et al.*, *op. cit.*; Tricia Brooks, Edwin Park, and Lauren Roygardner, "Medicaid and CHIP Enrollment Decline Suggests the Child Uninsured Rate May Rise Again," Georgetown Center for Children and Families, May 2019, <https://ccf.georgetown.edu/wp-content/uploads/2019/06/Enrollment-Decline.pdf>.

¹³ Louisiana Department of Health, "Medicaid Quarterly Wage Check Process," September 2019, <https://ldh.la.gov/assets/docs/LegisReports/HCR43Report.pdf>.

¹⁴ Jaboa Lake, "The Pandemic Has Exacerbated Housing Instability for Renters of Color," Center for American Progress, October 30, 2020, <https://www.americanprogress.org/issues/poverty/reports/2020/10/30/492606/pandemic-exacerbated-housing-instability-renters-color/>.

may lead to interruptions in access to Medicaid, therapies, and other medical care. It can also lead to delays in screening, detection, and treatment of cancer.¹⁵

Delayed or skipped treatment often leads to worsening conditions and greater use of high-cost care. Studies show individuals may only reenroll when they receive expensive hospital care, which often could have been avoided had enrollees' coverage and access to care continued without interruption.¹⁶ For example, one study showed that adults with Type 1 diabetes who experience an interruption in coverage used acute care five times more frequently after the interruption than before.¹⁷

Studies of Medicaid expenditure data have shown higher costs for individuals enrolled for shorter periods of time. An adult enrolled for a full 12 months had estimated average Medicaid costs of \$326 per month, while someone enrolled for only one month has average Medicaid costs of \$705 per month, data from 2012 showed.¹⁸

Churn Increases Administrative Costs

The churn of enrollees cycling on and off Medicaid is costly for state agencies as well as for enrollees because processing a new application requires substantial resources. A 2015 estimate of the administrative cost of one person being disenrolled and then reenrolling was \$400-\$600.¹⁹

Churn also imposes administrative burdens on providers and health plans. They may need to resubmit claims, resend "new enrollee" packets, and deal with missed appointments or treatment. In addition, most measures of quality in health care require individuals to be enrolled over a 12-month period. Churn leads many enrollees to be excluded from the dataset, hindering efforts to hold managed care plans accountable for quality.²⁰

Many People Remain Uninsured

Many individuals who lose Medicaid coverage believe they are ineligible and don't reapply. Since other insurance options are likely unaffordable, they go without coverage. Other individuals may recognize that they remain eligible, but may be unable to navigate the application process to regain

¹⁵ Leighton Ku, Erika Steinmetz, and Tyler Bysshe, "Continuity of Medicaid Coverage in an Era of Transition," Milken Institute of Public Health, November 1, 2015, http://www.communityplans.net/Portals/0/Policy/Medicaid/GW_ContinuityInAnEraOfTransition_11-01-15.pdf.

¹⁶ Katherine Swartz *et al.*, "Evaluating State Options for Reducing Medicaid Churning," *Health Affairs*, July 2015, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4664196/>.

¹⁷ Mary A.M. Rogers *et al.*, "Interruptions in Private Health Insurance And Outcomes In Adults With Type 1 Diabetes: A Longitudinal Study," *Health Affairs*, July 2018, <https://www.communityplans.net/wp-content/uploads/2019/04/hlthaff.2018.0204-1.pdf>.

¹⁸ Ku, Steinmetz, and Bysshe, *op. cit.*

¹⁹ Swartz *et al.*, *op. cit.*

²⁰ Association for Community Affiliated Plans, "Coverage You Can Count On," <https://www.communityplans.net/coverage-you-can-count-on/frequently-asked-questions-churning-and-continuous-eligibility/>.

coverage. This group that remains uninsured is not often covered in measures of churn, which are based only on those who reapply after a gap in coverage.

A study of individuals who lost CalFresh benefits (California’s version of the Supplemental Nutrition Assistance Program, or SNAP) found that, based on quarterly wage data, 55 percent to 75 percent of those who left the program appeared to have income below the eligibility threshold during the month they left. Yet only 15 percent returned to the program within 90 days. This suggests that many people who lose benefits remain eligible but don’t find their way back to the program.²¹

Low- and moderate-income people with incomes above the Medicaid eligibility threshold are eligible for subsidized coverage through the marketplace, but the process of transitioning to marketplace coverage is cumbersome and difficult to navigate. People may not understand notices from the Medicaid agency, not be aware they are eligible, believe marketplace coverage is too expensive, or think they have to wait for open enrollment.

Even if people successfully transition to the marketplace, they likely experience a gap in coverage since marketplace coverage doesn’t begin until after someone signs up and pays their first premium. Those who secure other insurance may encounter differences in provider networks and experience delayed or fragmented care.²² Moreover, it is impractical and costly for people with fluctuating incomes to transition between Medicaid and marketplace coverage whenever their incomes go above or below the Medicaid income threshold.

Black, Latino, and American Indian/Alaskan Native individuals are more likely to be uninsured than white individuals.²³ They are also more likely to be enrolled in Medicaid than other forms of coverage. The additional burden placed on Medicaid enrollees to be able to continuously show that their income is below the Medicaid income threshold leads more people of color to lose coverage, furthering health disparities.

Continuous Eligibility Stabilizes Coverage

Continuous eligibility allows enrollees to maintain their coverage for a full 12 months regardless of changes in income. If they move out of state, die, request cancellation, or are no longer categorically eligible for Medicaid (for example, a child who turns 19 in a state that hasn’t expanded Medicaid and is not eligible under any adult category), they may lose coverage. But if household income rises above the eligibility threshold during their 12 months of eligibility, coverage continues until the next renewal. Continuous eligibility has been a state option for children enrolled in Medicaid and CHIP

²¹ Matt Unrath, “Pushed out by paperwork: Why eligible Californians leave CalFresh,” California Policy Lab, January 2021, <https://www.capolicylab.org/wp-content/uploads/2021/02/Pushed-out-by-paperwork-why-eligible-Californians-leave-CalFresh.pdf>.

²² Cara Orfield *et al.*, “The Affordable Care Act and Access to Care for People Changing Coverage Sources,” *American Journal of Public Health*, November 2015, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4627520/>.

²³ “Uninsured Rates for the Nonelderly by Race/Ethnicity,” Kaiser State Health Facts, 2019, <https://www.kff.org/uninsured/state-indicator/nonelderly-uninsured-rate-by-raceethnicity/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

since 1997. Currently 27 states have continuous eligibility for children in CHIP, and 25 have it for children in Medicaid.²⁴

Continuous eligibility is also available for adults through a demonstration project (or “waiver”) authorized under section 1115 of the Social Security Act. Demonstrations allow states to test out new approaches that are likely to promote coverage. Demonstrations must be cost neutral to the federal government, so states implementing continuous eligibility for adults receive a slightly reduced federal matching rate.²⁵ Only New York and Montana currently have continuous eligibility for adults.

Continuous eligibility for children has been shown to increase continuity of coverage in Medicaid.²⁶ Extending it to adults could further help children since adult enrollment is positively correlated with children’s enrollment. And keeping a whole family unit enrolled in the same type of coverage over a 12-month period, rather than moving children to CHIP and parents to marketplace coverage when income fluctuates, simplifies the process for families.

Montana implemented continuous eligibility for adults to help increase coverage of newly eligible individuals and to help stabilize insurance coverage by reducing the effects of churn caused by income fluctuations. As part of the federal evaluation of the waiver, state officials and providers stated that continuous eligibility had helped provide stability and improve continuity of care. Providers specifically identified seasonal workers and others with income fluctuation as benefitting from the policy. And state officials pointed to the benefit of needing fewer staff hours to process people cycling on and off the program.²⁷

Due to the COVID-19 pandemic, Medicaid enrollees are currently remaining covered regardless of changes in their circumstances. The Families First Coronavirus Response Act, enacted in March 2020, gives states a 6.2 percentage-point increase in their federal matching Medicaid funds that will last through the COVID-19 public health emergency (PHE), which is now expected to last at least through 2021. To receive the extra funding, states can’t end coverage for most enrollees during the PHE.

²⁴ “Continuous Eligibility for Medicaid and CHIP Coverage,” Medicaid.gov, <https://www.medicaid.gov/medicaid/enrollment-strategies/continuous-eligibility-medicaid-and-chip-coverage/index.html>.

²⁵ For the adult population receiving continuous eligibility, 97.4 percent of those costs are financed at the enhanced matching rate for newly eligible adults while the remaining 2.6 percent of costs are financed at the state’s regular matching rate. Jocelyn Guyer and Tanya Schwartz, “Manatt on Medicaid: New Strategy for Financing 12 Months of Continuous Coverage for Newly Eligible Adults,” Manatt, https://www.manatt.com/uploadedFiles/Content/4_News_and_Events/Newsletters/HealthLaw@Manatt/Manatt_On_Medicaid_Contiuous_Coverage.pdf.

²⁶ Leighton Ku, Erika Steinmetz, and Brian Bruen, “Continuous-Eligibility Policies Stabilize Medicaid Coverage For Children And Could Be Extended To Adults With Similar Results,” *Health Affairs*, September 2013, <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2013.0362>.

²⁷ Niranjana Kowlessar *et al.*, “Federal Evaluation of Montana Health and Economic Livelihood Partnership (HELP): Draft Interim Evaluation Report,” Social & Scientific Systems, July 22, 2019, <https://www.medicaid.gov/medicaid/downloads/mt-fed-eval-draft-interim-eval-rpt.pdf>.

Once the PHE ends, states will be reviewing eligibility for large numbers of enrollees. Providing continuous eligibility to those who remain eligible would continue the stability they have had during the PHE. Federal policymakers should include in recovery legislation a requirement that states implement continuous eligibility for children and adults to allow them to stay covered for 12 months regardless of fluctuations in their income.