

# NEWS RELEASE



# CENTER ON BUDGET AND POLICY PRIORITIES

FOR IMMEDIATE RELEASE:      CONTACT: Michelle Bazie, 202-408-1080  
December 22, 2003                      State-by-State Data on Page 4

820 First Street, NE, Suite 510  
Washington, DC 20002

Tel: 202-408-1080  
Fax: 202-408-1056

center@cbpp.org  
www.cbpp.org

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## **UP TO 1.6 MILLION LOW-INCOME PEOPLE — INCLUDING ABOUT HALF A MILLION CHILDREN — ARE LOSING HEALTH COVERAGE DUE TO STATE BUDGET CUTS**

Driven by flagging revenues and deep budget deficits, 34 states have made cuts over the past two years in public health insurance programs such as Medicaid and the State Children's Health Insurance Programs (SCHIP), a new Center report finds. Some 1.2 million to 1.6 million low-income people — including 490,000 to 650,000 children and large numbers of parents, seniors, and people with disabilities — have lost publicly funded health coverage as a result.

A second Center report, also released today, examines one reason for the loss of coverage: six states — Alabama, Colorado, Florida, Maryland, Montana, and Utah — have stopped enrolling eligible children in their SCHIP programs, denying coverage to tens of thousands of eligible low-income children.

“Cuts of this magnitude in health coverage for low-income families are unprecedented,” stated Leighton Ku, a senior fellow at the Center. “The ripple effects of these cuts will be felt across the states. Most of the people who lose public coverage will become uninsured. Burdens also will increase on public and private hospitals and clinics that provide some care to the uninsured (often after untreated health problems have developed into more serious health conditions).”

“The cuts also will mean fewer federal matching dollars going into the states,” Ku added. A state loses up to \$4 in federal matching funds for every dollar that it cuts state Medicaid funding and up to \$7 in federal matching funds for every dollar it cuts state SCHIP expenditures.

### **Cuts Will Drive Up the Number of the Uninsured**

Some 43.6 million Americans were uninsured in 2002 (the most recent year available), a 2 million increase since 2001. The weak job market and losses in private health coverage were the main reasons for the increase.

The number of uninsured Americans would have grown by several million more if Medicaid and SCHIP enrollment had not increased during the economic downturn to help compensate for the loss of private coverage. These programs are designed to play this “counter-cyclical” role by expanding during periods of labor market weakness, when many workers lose their jobs — and with it, their employer-sponsored health coverage — and become eligible for publicly funded coverage instead.

The Medicaid and SCHIP cuts now taking place will weaken the programs' ability to compensate for the loss of private coverage and cause the number of uninsured Americans to go still higher.

### **States Cutting Enrollment in a Variety of Ways**

Some states have cut enrollment by restricting Medicaid or SCHIP eligibility. For example, Missouri lowered the Medicaid eligibility limit for parents from 100 percent of the poverty line to 77 percent (from \$15,260 for a family of three to \$11,750).

Other states have adopted policies that do not directly limit eligibility but result in lower enrollment by making it more difficult to enroll in the program or retain coverage. Several states have instituted or raised monthly premiums. Several other states have adopted policies that impose added red tape on program participants, such as requiring families to reapply for the program every 6 months rather than annually. Such changes can cause many eligible people to lose coverage, including poor families who cannot afford to pay higher premiums or working families who cannot take time off from work for frequent trips to government offices to renew their eligibility. After Oregon increased its Medicaid premiums, for example, enrollment fell by 40,000 people or more than one-third.

### **Temporary Fiscal Relief Helped, But Additional Cuts Are Likely in 2005**

A number of states have averted even deeper cuts in Medicaid and SCHIP because of the enactment earlier this year of \$20 billion in federal fiscal relief for states. Half of these funds are in the form of a temporary hike in the federal Medicaid matching rate so states pay a smaller share of total Medicaid costs. Ohio and New Jersey, for example, each used fiscal relief funds to prevent planned cutbacks of Medicaid eligibility for low-income adults that would have reduced caseloads by about 60,000 in each state. The number of states instituting Medicaid cuts dropped substantially after the fiscal relief funds became available.

However, the temporary increase in federal Medicaid matching rates is scheduled to expire on July 1, 2004. This will intensify pressures on state budgets for state fiscal year 2005, which begins on July 1 in most states. States face projected deficits of \$40 billion to \$50 billion in the upcoming fiscal year, despite the recent uptick in the economy. As a result, further Medicaid and/or SCHIP cuts are likely in many states in the coming year.

In addition, about nine states will run out of federal SCHIP funds in federal fiscal year 2005 (which starts October 1, 2004) because of problems with both the level of federal SCHIP funds and the formula for distributing them. These states will be under pressure to reduce their SCHIP caseloads. Even more states will exhaust their federal SCHIP funds in 2006 and 2007. Finally, proposals to cap federal funding for Medicaid (such as the Administration's block grant proposal) could increase states' budget difficulties and ultimately lead to further Medicaid cuts.

### **SCHIP Freezes Will Increase the Number of Uninsured Children**

The decision by six states to stop accepting eligible children into their SCHIP programs generally affect children in families with incomes between 100 percent or 133 percent of the poverty line and 200 percent of poverty. (Families with incomes below these levels are generally covered by Medicaid, which is not affected by the freeze.)

Three of the six states are putting SCHIP-eligible children on a waiting list. In the other three states, families are told to re-apply if and when enrollment re-opens in the future.

The freeze generally applies to eligible newborns as well as other children. This means newborn infants in low-income families are being denied coverage despite their vulnerability — and the critical importance of health care — in their first days and months of life.

Exactly how many children are affected by the six states' decision to stop accepting eligible new SCHIP applicants is unknown, since three of the states do not maintain waiting lists. Florida's waiting list contained more than 44,000 eligible children as of November 14.

“These SCHIP freezes threaten the nation's recent progress in providing health coverage to low-income children,” said Donna Cohen Ross, lead author of the report on the SCHIP freezes. “Since SCHIP was created in 1997, the number of low-income children who are uninsured has declined. Yet 6.8 million low-income children still lack insurance, and the ban on new SCHIP enrollment in these states is going to worsen the problem.”

### Changing Course

The Center reports note that further cuts that cause more low-income people to lose insurance could largely be averted, and many of the recent cuts reversed, if federal and state policymakers would make changes in budget priorities. A continuation of federal fiscal relief to states for another year in light of continuing state budget crises, and state decisions to put off limits further cuts that cause low-income people to become uninsured, would help significantly, the Center said.

Center executive director Robert Greenstein noted that the Bush Administration has given indications it will propose a health insurance initiative in coming months. “Any such initiative should start with an extension of temporary financial assistance to states for another year to avoid casting more of the nation's poorest and most vulnerable citizens into the ranks of the uninsured,” he said.

“A ‘health insurance initiative’ that consists primarily of further tax cuts packaged with a ‘health insurance’ label and fails to do anything about cutbacks in health insurance at the state level that are affecting the neediest Americans will be disappointing,” he added.

The Center's two reports — *Losing Out: States Are Cutting 1.2 to 1.6 Million Low-Income People from Medicaid, SCHIP and Other State Health Insurance Programs* and a summary version of *Out in the Cold: Enrollment Freezes in Six State Children's Health Insurance Programs Withhold Coverage from Eligible Children* — are available on the Center's website <http://www.cbpp.org>. The full version of the latter report has been published by the Kaiser Commission on Medicaid and the Uninsured and is available at <http://www.kff.org>.)

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The **Center on Budget and Policy Priorities** is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.



California	250,000 to 500,000	<i>Created barriers</i> that make it harder for low-income parents to stay enrolled in Medicaid. <i>Reduced eligibility for transitional Medicaid</i> , so that parents have coverage for up to 12 months after leaving welfare for work, instead of 24 months. (In addition, Gov. Schwarzenegger has just proposed to stop enrolling additional eligible low-income children in SCHIP and to stop admitting immigrants in other health coverage programs, affecting an additional 114,000 children and 78,000 immigrants. These proposals are not included in the estimates of the cuts enacted in California.)
Colorado	16,300	<i>Stopped admitting eligible low-income children and pregnant women</i> in SCHIP. (Also passed legislation to end Medicaid coverage for 3,500 legal immigrants. This is currently subject to an injunction because of a legal challenge and is not counted in our estimate.)
Connecticut	20,500	<i>Reduced Medicaid income eligibility limit for low-parents</i> from 150 percent to 100 percent of the poverty line (from (\$22,890 to \$15,260 for a family of three). Because of an injunction, implementation has been delayed and many of these parents are receiving transitional Medicaid benefits. They will eventually lose coverage, however, when their transitional benefits expire. <i>Created enrollment barriers for children</i> that make it harder to apply for Medicaid from clinics and make it harder for children to remain enrolled by requiring their families to submit paperwork every 6 months, rather than permitting 12-month coverage. <i>Stopped admitting recent legal immigrants</i> to state-funded Medicaid.
Florida	74,000	<i>Stopped admitting low-income eligible children</i> in SCHIP and places them on a waiting list instead. About 44,000 have been placed on this list since July 2003. This is in addition to a waiting list of about 27,000 that already existed for immigrant and other children. <i>Cut Medicaid income eligibility limits for seniors and people with disabilities</i> from 90 percent of the poverty line to 88 percent (from \$8,082 for a single senior to \$7,902)
Indiana	32,000 to 40,000	<i>Created enrollment barriers</i> by requiring Medicaid children to submit paperwork every 6 months, rather than permitting 12-month coverage. <i>Reduced Medicaid income limits for seniors and people with disabilities</i> by narrowing methods of computing disposable income (currently blocked by lawsuit, so this cut is not counted).
Iowa	no estimate	<i>Increased premiums</i> for working disabled people's Medicaid coverage.
Kansas	no estimate	<i>Increased enrollment barriers</i> so that fewer people who have left welfare for work retain their Medicaid coverage.
Kentucky	3,000	<i>Instituted monthly premiums for children</i> in SCHIP and for certain families who receive Medicaid benefits after leaving welfare for work. <i>Terminated Medicaid coverage of parents</i> who do not meet work requirements in welfare program. <i>Reduced amounts</i> that an institutionalized person's spouse can keep.
Louisiana	no estimate	<i>Reduced Medicaid income limit for seniors and people with disabilities</i> by narrowing methods of counting disposable income.

Maryland	5,000	<i>Stopped admitting eligible children in SCHIP who have incomes between 200 percent and 300 percent of the poverty line (between \$30,520 and \$45,060 for a family of three). Imposed monthly premiums for children with incomes between 185 percent of the poverty line and 200 percent (\$28,230 to \$30,520 for a family of three) in SCHIP, which has resulted in a decline in enrollment of children in that income range by about half.</i>
Massachusetts	13,900	<i>Temporarily ended insurance coverage for certain long-term unemployed people. Eliminated health insurance eligibility for certain immigrants. Increased premiums for some low-income children in Medicaid. Reduced Medicaid eligibility for certain adults by adding an asset limit.</i>
Minnesota	35,000	<i>Cut eligibility and benefits for certain low-income adults who do not have children. Reduced Medicaid eligibility for newborn infants whose mothers were on Medicaid from 24 months to 12 months. Other miscellaneous cuts.</i>
Missouri	32,00 to 42,700	<i>Lowered Medicaid income eligibility limit for parents from 100 percent of the poverty line to 77 percent (from \$15,260 for a family of three to \$11,750). Because of a court injunction some of these parents are retaining transitional Medicaid benefits, but they will lose Medicaid coverage when their transitional benefits expire. Eliminated Medicaid coverage of non-custodial parents. Reduced duration of transitional Medicaid benefits for parents leaving welfare for employment.</i>
Montana	no estimate	<i>Stopped admitting eligible low-income children in SCHIP and place them on a waiting list.</i>
Nebraska	28,700	<i>Cut income eligibility limits for children and parents by changing methods of counting income and household composition rules. This is delayed by a court injunction, but the people will lose coverage when their transitional Medicaid benefits expire. Created enrollment barriers by making it more difficult for children to apply for Medicaid from health clinics. Ended Medicaid coverage for poor 19 and 20 year olds.</i>
Nevada	2,900	<i>Cut Medicaid income limits for unemployed workers by changing methods of accounting for unemployment benefits.</i>
New Jersey	1,900	<i>Stopped admitting new low-income parents applying for NJ Family Care. Terminated coverage for certain immigrants and adults.</i>
North Carolina	no estimate	<i>Reduced Medicaid eligibility limits for certain seniors and people with disabilities by changing methods computing assets in determining eligibility. Reduced Medicaid coverage for low-income parents and children who left welfare for work from two years to one. (Preliminary data indicate that under the latter change about 51,000 parents and children will no longer be eligible. But some of them will retain Medicaid coverage under a different eligibility category, however, so the net reduction in enrollment is not yet clear.)</i>
North Dakota	2,600	<i>Reduced Medicaid eligibility for two-parent families with a parent who works more than 100 hours per month. Narrowed eligibility for certain seniors.</i>
Oklahoma	8,300	<i>Ended Medicaid coverage for low-income parents, children and seniors whose gross incomes are above the Medicaid limits but who incur high medical expenses that reduce their disposable incomes to a level below the Medicaid limit.</i>

Oregon	40,000	<i>Increased monthly premiums</i> for low-income people in Medicaid (now called Oregon Health Plan Standard). Also <i>restricted other eligibility criteria</i> . As a result, more than one-third of those previously enrolled have lost coverage. <i>Ended Medicaid coverage</i> for those whose gross incomes are above the Medicaid limits but who incur high medical expenses that reduce their disposable incomes to a level below the Medicaid limit. Cancelled earlier plans to expand coverage for adults with incomes over the poverty line.
Rhode Island	1,200	<i>Increased monthly premiums</i> for families with children in Rite Care.
South Carolina	7,000	<i>Reduced Medicaid income limit</i> for parents by adding a limit on gross income. <i>Created enrollment barrier</i> by increasing paperwork requirements to renew children's Medicaid coverage.
Tennessee	150,000	<i>Broad reductions in eligibility for TennCare</i> . About 200,000 lost coverage in July 2002 when the state required that large numbers of beneficiaries reapply. While the state has permitted a grace period during which those who lost coverage may reapply, only a limited number are expected to successfully re-enroll. <i>Reduced eligibility</i> for "uninsurable" people with chronic health problems who cannot get private health insurance. <i>Stopped admitting eligible low-income children</i> into TennCare unless they have incomes below 100 percent of the poverty line (for children six and older), below 133 percent of the poverty line (for children one to six) or below 185 percent of the poverty line (for infants under one).
Texas	344,000 to 494,000	<i>Imposed an asset test for children in SCHIP, increased monthly premiums for some children in SCHIP and imposed premiums for the first time for others, and instituted changes to make it harder for children to stay enrolled in SCHIP</i> . This will reduce enrollment in SCHIP by about one-third. In addition, those children who are admitted in SCHIP will not be covered for medical care in their first three months in the program. <i>Delayed plans to reduce enrollment barriers</i> for children in Medicaid by postponing implementation of plans to streamline eligibility by enrolling children for 12-month periods and requiring more burdensome enrollment procedures for some children. <i>Cut Medicaid income eligibility limit for pregnant women</i> from 185 percent of the poverty line to 158 percent (from \$22,420 for family of two to \$19,150). <i>Eliminated Medicaid coverage for low-income adults</i> whose gross incomes are above the Medicaid income limit but who incur high medical expenses that reduce their disposable incomes to a level below the Medicaid income limit. <i>Terminated Medicaid coverage for parents</i> who do not meet work requirements for welfare.
Utah	no estimate	<i>Stopped admitting eligible, low-income children</i> in SCHIP.
Vermont	10,000	<i>Instituted or increased monthly premiums</i> for certain low-income adults, children and seniors in health coverage programs.
Virginia	no estimate	<i>Made eligibility rules more restrictive</i> for transitional Medicaid coverage, under which low-income adults retain Medicaid when they leave welfare for work. <i>Eliminated inflation adjustments in Medicaid income limits</i> for certain seniors and people with disabilities, so that eligibility, as a percentage of the poverty line, will erode over time.

Washington	116,000	<p><i>Ended Medicaid eligibility</i> for recent legal immigrants.  <i>Increased enrollment barriers</i> for children and parents that make it more difficult for them to stay enrolled in Medicaid.  <i>Announced plans to increase premiums</i> for low-income children in Medicaid and SCHIP. (On December 18, Gov. Locke proposed eliminating the premiums for some of the children and reducing premiums for others. If this is approved by the legislature, then fewer children would lose coverage.)  <i>Reduced cap</i> on the number of people who can be served by the Basic Health program by 36,000.</p>
Wisconsin	1,600	<p><i>Created enrollment barriers</i> for working families applying for BadgerCare by requiring further paperwork to verify income.  <i>Increased premiums</i> for families with incomes above 150 percent of the poverty line.  <i>Reduced eligibility for seniors</i> by modifying methods of counting assets and changing rules related to amounts that spouses may retain.</p>