

---

February 25, 2020

## President's Budget Previews Administrative Actions That Would Weaken Medicaid

By Jessica Schubel

The President's 2021 budget outlines Medicaid changes the Administration plans to make unilaterally, using executive authority, that will eliminate health coverage for many people, cut benefits for others, and make it harder for states to administer their programs. These policies will cut Medicaid by \$28 billion over ten years, the budget estimates — on top of the deep Medicaid cuts the budget proposes to accomplish through legislation.

While the budget claims that its proposed regulatory changes are needed to improve program integrity, this claim lacks foundation. The data do not show large numbers of ineligible people enrolling in Medicaid;<sup>1</sup> in fact, they show that large numbers of *eligible* people *aren't* enrolled, a problem that appears to be growing and contributing to rising uninsured rates for children and adults.<sup>2</sup> Moreover, the budget's regulatory proposals aren't well targeted to prevent ineligible people from enrolling in Medicaid, but rather would make it harder for eligible people to enroll and stay enrolled, as well as to obtain needed health care.

Specifically, the budget proposes to use regulatory authority to cut Medicaid by:

- Allowing states to redetermine eligibility more often than once every 12 months for children, pregnant women, and most adults, which will likely cause thousands of eligible people to lose coverage due to additional paperwork.
- Cutting federal funding for eligibility workers, which would make it harder for states to maintain the staffing levels necessary to help people enroll and renew coverage.
- No longer requiring state Medicaid programs to provide non-emergency medical transportation, an important benefit that helps people get to the doctor when they need care.

---

<sup>1</sup> Judith Solomon and Matt Broaddus, "New Claims by Opponents of Medicaid Expansion Rest on Faulty Analysis," Center on Budget and Policy Priorities, September 18, 2019, <https://www.cbpp.org/research/health/new-claims-by-opponents-of-medicaid-expansion-rest-on-faulty-analysis>.

<sup>2</sup> Matt Broaddus, "Research Note: Medicaid Enrollment Decline Among Adults and Children Too Large to Be Explained by Falling Unemployment," Center on Budget and Policy Priorities, July 17, 2019, <https://www.cbpp.org/research/health/medicaid-enrollment-decline-among-adults-and-children-too-large-to-be-explained-by>.

These proposals are in addition to other rules the Administration has already issued or said it intends to issue that would make it harder for states to finance their Medicaid programs and would undermine access to care for people with Medicaid coverage. (See Table 1.)

## More Frequent Eligibility Redeterminations Will Likely Cause Coverage Losses

As part of implementing the Affordable Care Act's (ACA) shift to a simpler, more streamlined eligibility and enrollment system, the Centers for Medicare & Medicaid Services (CMS) issued rules in 2012 prohibiting states from redetermining Medicaid eligibility for children, pregnant women, and most adults more frequently than once every 12 months.<sup>3</sup>

The most significant new regulatory proposal previewed in the President's budget would allow states to conduct more frequent eligibility redeterminations for these groups. The Administration anticipates \$21 billion in savings over 2021-2030<sup>4</sup> from this and other changes in an eligibility rule currently under review at the Office of Management and Budget (OMB), an estimate that implies the Administration expects many people to lose coverage.<sup>5</sup>

Limiting eligibility redeterminations to once per year does not mean that no eligibility checks occur in the meantime. Beneficiaries are required to report changes that may affect their eligibility throughout the time they are covered by Medicaid, and states must request information from beneficiaries and redetermine their eligibility if they receive information from periodic checks of state wage data or other sources about a change in circumstances that may affect their eligibility.<sup>6</sup>

But requiring more frequent eligibility redeterminations would require many more people to produce more paperwork more often. Based on past experience, that would likely cause eligible people to lose coverage. For example, when Washington State in 2003 began requiring children to renew eligibility every six months and made other process changes, the number of children in Medicaid fell by 30,000 over the next two years; when the state restored 12-month eligibility, children's enrollment *rose* by 30,000 within a year.<sup>7</sup> Drawing on state experiences, CMS limited redeterminations to every 12 months because "many eligible beneficiaries lose coverage at renewal for procedural reasons, only to reapply and to regain eligibility, soon after losing coverage."<sup>8</sup>

---

<sup>3</sup> 42 CFR § 435.916. This requirement applies to groups that are determined eligible for Medicaid based on their income using the methodology based on modified adjusted gross income (MAGI).

<sup>4</sup> There is a modest discrepancy in the estimates given for this proposal in the Department of Health and Human Services' (HHS) "Fiscal Year 2021 Budget in Brief" versus the Budget's Analytical Perspectives volume. In the main text, we give the estimates from the HHS Budget in Brief; the Analytical Perspectives anticipates \$17 billion over ten years.

<sup>5</sup> Office of Management and Budget, "RIN 0938-AU00: Strengthening the Program Integrity of the Medicaid Eligibility Determination Process (CMS-2421-P)," <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201910&RIN=0938-AU00>.

<sup>6</sup> 42 CFR §435.916(d).

<sup>7</sup> Georgetown Center for Children and Families, "Program Design Snapshot: 12-Month Continuous Eligibility," March 2009, <http://ccf.georgetown.edu/wp-content/uploads/2012/03/CE-program-snapshot.pdf>.

<sup>8</sup> Centers for Medicare & Medicaid Services, "CMS-2349-P: Medicaid Program; Eligibility Changes Under the Affordable Care Act of 2010," August 17, 2011, <https://www.govinfo.gov/content/pkg/FR-2011-08-17/pdf/2011-20756.pdf>.

Eligible people lose coverage for many reasons. They may be confused by redetermination notices and unsure what information to provide. The state may send renewal packets to old addresses, a common problem because many low-income people move frequently due to unstable housing arrangements. Sometimes, state errors lead people to lose coverage. For example, between 2016 and 2018, Tennessee simply didn't process some renewal packets that beneficiaries had sent in.<sup>9</sup> More frequent eligibility redeterminations mean more opportunities for errors and for eligible people to get tripped up and lose coverage.

Losing coverage, even briefly, can cause disruptions in care, like ongoing cancer treatments or prescription drug regimens that treat chronic conditions, research shows.<sup>10</sup> “[C]hurning on and off of coverage ... is disruptive to continuity of care and efforts to achieve quality and efficiency in the delivery of care,” CMS noted in 2011.<sup>11</sup> Disruptions in coverage can also create financial insecurity, as some people may not be able to pay for needed care while they are uninsured.<sup>12</sup>

## Cutting Eligibility Worker Funding Could Reduce Access to Coverage

The federal government provides an enhanced 75 percent match for eligibility worker personnel costs.<sup>13</sup> The President's budget proposes to phase this down to 50 percent by fiscal year 2024.

While the proposal would save the federal government an estimated \$6 billion over ten years, it would do so by forcing states either to cut eligibility staff or to fund a larger share of eligibility workers' personnel costs themselves to maintain current staffing levels. Cutting the number of eligibility workers or reducing their hours could increase application processing times — which, in turn, could delay enrollment and access to care — and make it harder for people with special needs or complex cases to get needed enrollment help. Finally, reducing the availability of eligibility workers could also cause more eligibility errors by increasing caseloads for remaining staff.

---

<sup>9</sup> Emmet Ruff and Eliot Fishman, “The Return of Churn: State Paperwork Barriers Caused More Than 1.5 Million Low-Income People to Lose Their Medicaid Coverage in 2018,” Families USA, April 2019, [https://familiesusa.org/wp-content/uploads/2019/09/Return\\_of\\_Churn\\_Analysis.pdf](https://familiesusa.org/wp-content/uploads/2019/09/Return_of_Churn_Analysis.pdf); Joe Gamm, “Missouri Lawmakers Confirm Up to 60,000 Children Wrongfully Removed from Medicaid,” News Tribune, February 17, 2020, <https://www.newstribune.com/news/news/story/2020/feb/18/missouri-lawmakers-confirm-60000-children-wrongfully-removed-medicaid/817105/>.

<sup>10</sup> Eric T. Roberts and Craig Evan Pollack, “Does Churning in Medicaid Affect Health Care Use?” *Med Care*, May 2016, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5548183/>.

<sup>11</sup> Centers for Medicare & Medicaid Services, “CMS-2349-P: Medicaid Program; Eligibility Changes Under the Affordable Care Act of 2010.”

<sup>12</sup> For more information on retroactive coverage, see Jessica Schubel, “Ending Medicaid's Retroactive Coverage Harms Iowa's Medicaid Beneficiaries and Providers,” Center on Budget and Policy Priorities, November 9, 2017, <https://www.cbpp.org/blog/ending-medicoids-retroactive-coverage-harms-iowas-medicaid-beneficiaries-and-providers>.

<sup>13</sup> Generally, administrative costs are eligible for the regular 50 percent match. For more information on the enhanced match rates for eligibility systems, see Centers for Medicare & Medicaid Services, “Medicaid and CHIP FAQs: Enhanced Funding for Medicaid Eligibility Systems,” August 2013, <https://www.medicaid.gov/State-Resource-Center/FAQ-Medicaid-and-CHIP-Affordable-Care-Act-Implementation/Downloads/FAQs-by-Topic-75-25-Eligibility-Systems.pdf>.

## Making Non-Emergency Medical Transportation Optional Will Reduce Access

Transportation to health care appointments, referred to as non-emergency medical transportation (NEMT), is an important Medicaid benefit for low-income adults, who often face transportation barriers. People rely on NEMT to reach appointments for behavioral health services, dialysis, preventive services, specialist visits, physical therapy/rehabilitation, and adult day health care services, among others.<sup>14</sup> Nearly 4 million people miss or delay medical care each year because they lack access to affordable transportation, according to one study.<sup>15</sup>

The President's budget outlines his plan to take regulatory action to make Medicaid's mandatory NEMT benefit optional for states, despite evidence that eliminating NEMT worsens access to care. To date, CMS has granted waivers of NEMT for non-disabled adults to Indiana, Iowa, and Utah, and a 2016 evaluation of Indiana's waiver found that beneficiaries without access to NEMT were more likely to list transportation difficulties as a reason for missing an appointment than beneficiaries with access to the benefit.<sup>16</sup> In addition, among beneficiaries without the NEMT benefit who missed an appointment, those with incomes below the poverty line were nearly twice as likely as those with incomes above the poverty line to identify transportation as a reason.

Congress acted on a bipartisan basis in 2019 to prohibit the Administration from making changes to NEMT until the Medicaid and CHIP Payment and Access Commission has conducted a study to examine the benefits of NEMT.<sup>17</sup> But the President, by including this regulatory change in his budget, indicates that he remains committed to making it once the study is completed.

---

<sup>14</sup> MaryBeth Musumeci and Robin Rudowitz, "Medicaid Non-Emergency Medical Transportation: Overview and Key Issues in Medicaid Expansion Waivers," Kaiser Family Foundation, February 24, 2016, <https://www.kff.org/medicaid/issue-brief/medicaid-non-emergency-medical-transportation-overview-and-key-issues-in-medicaid-expansion-waivers/>.

<sup>15</sup> P. Hughes-Cromwick *et al.*, *Cost-Benefit Analysis of Providing Non-Emergency Medical Transportation*, Transit Cooperative Research Program (Oct. 2005), [http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp\\_webdoc\\_29.pdf](http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_webdoc_29.pdf).

<sup>16</sup> Lewin Group, "HIP 2.0: Evaluation of Non-Emergency Medical Transportation (NEMT) Waiver," November 2, 2016, <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/in/Healthy-Indiana-Plan-2/in-healthy-indiana-plan-support-20-nemt-final-evl-rpt-11022016.pdf>.

<sup>17</sup> Committees on Appropriations, "House Report 116-42: Division A – Departments of Labor, Health and Human Services, And Education, And Related Agencies Appropriations Act, 2020," December 2019, <https://docs.house.gov/billsthisweek/20191216/BILLS-116HR1865SA-JES-DIVISION-A.pdf>.

TABLE 1

## Trump Administration Regulatory Proposals That Could Undermine Medicaid

Regulatory Proposal	Status	Summary and Potential Impact
<b>Medicaid and CHIP Managed Care Rule</b>	Proposed rule released Nov. 2018; final rule could come out at any time	If finalized as proposed, the rule would weaken standards for beneficiaries' access to providers in Medicaid managed care and limit CMS' ability to oversee access.
<b>Rescission of Methods for Assuring Access to Covered Medicaid Services Rule ("Access Rule")</b>	Proposed rule released July 2019; final rule could come out at any time	If finalized as proposed, the rule would rescind 2015 regulations governing health care access in Medicaid fee-for-service programs, eliminating requirements for states to document that their provider rates are sufficient to ensure beneficiaries' access to care.
<b>Medicaid Fiscal Accountability Rule</b>	Proposed rule released Nov. 2019; no information on final rule release date	If finalized as proposed, the rule would make it harder for states to finance their share of Medicaid costs by restricting longstanding financing practices. That could lead states to cut benefits, eligibility, and provider rates, jeopardizing access to care for millions of Medicaid beneficiaries.
<b>Strengthening the Program Integrity of the Medicaid Eligibility Determination Process ("Eligibility Rule")</b>	Under review at OMB; previewed in 2021 budget; proposed rule estimated for release in April 2020	The budget states that this rule will allow states to redetermine Medicaid eligibility more frequently than once a year, which would cause coverage losses. The rule likely will also include other eligibility and enrollment changes that would make it harder for eligible people to enroll and stay covered.
<b>Medicaid Payment to States for Ineligible Beneficiaries</b>	Previewed in 2021 budget; proposed rule estimated for release in May 2020	The 2021 budget proposes to issue a rule giving CMS broader discretion to recoup money from states if their eligibility error rates exceed the national standard. (Currently, CMS can recoup funds only when a state isn't demonstrating a good faith effort to meet the national standard.)
<b>Medicaid Eligibility Determination and Mechanized Claims Processing and Retrieval Systems</b>	Previewed in 2021 budget; proposed rule estimated for release in May 2020	The 2021 budget proposes to issue a rule that would cut eligibility worker funding. That could lead states to reduce the number of eligibility workers, making it harder for people to enroll in and renew coverage.
<b>Assurance of Medicaid Transportation</b>	Previewed in 2021 budget; no information on release date	The 2021 budget proposes to issue a rule that would no longer require states to provide non-emergency medical transportation. Without available transportation, some people may not be able to get to the doctor when they need care.

Note: The proposed rules in this table reflect proposals in the President's budget, proposed rules issued by CMS, or proposed rules listed as pending review at OMB. This table is not an exhaustive list of potential regulatory actions, which can be found on OMB's Unified Agenda of Regulatory and Deregulatory Actions: <https://www.reginfo.gov/public/do/eAgendaMain>.