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Little-Noticed Medicaid Changes in House Plan Would Worsen Coverage for Children, Seniors, and People with Disabilities and Increase Uncompensated Care

By Jessica Schubel

House Republicans' American Health Care Act would radically restructure Medicaid financing and effectively phase out the Affordable Care Act's (ACA) Medicaid expansion, cutting federal Medicaid spending by $880 billion over the next ten years and enrollment by 14 million low-income people.[1] It would also make other, little noticed, changes to Medicaid that together would cut Medicaid spending by an *additional* $19 billion over ten years, significantly affecting coverage and financial security for over 70 million low-income Americans — including children, seniors, and people with disabilities — while also increasing uncompensated care for hospitals.[2] The bill would:

- **Roll back Medicaid coverage for children ages 6 to 18.** The ACA raised Medicaid's minimum income eligibility limit for these children from 100 to 133 percent of the poverty line, the level already in place for children under 6. This change enables all children with family incomes below 133 percent of the poverty line — regardless of age — to be covered by Medicaid, a better coverage option for these children than the Children's Health Insurance Program (CHIP, which provides somewhat narrower coverage and carries higher out-of-pocket costs).[3] The House plan would take a step backwards by lowering the eligibility level back to 100 percent of poverty, potentially affecting about 1.5 million children in 21 states.[4]
- **Make it harder for seniors and people with disabilities to qualify for Medicaid and get care in their homes and communities.** The House plan would require ten states and the District of Columbia to lower the amount of home equity they disregard when determining

[1] Congressional Budget Office, "Cost Estimate of the American Health Care Act," March 13, 2017, https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact_0.pdf.

[2] Congressional Budget Office, "Cost Estimate of the American Health Care Act," and enrollment data from the Centers for Medicare & Medicaid Services, available at https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html.

[3] When the ACA's 5 percent income disregard is applied, the effective income limit is 138 percent of the poverty line.

[4] Kaiser Commission on Medicaid and the Uninsured, "Aligning Children's Eligibility: Moving the Stairstep Kids to Medicaid," August 2013, https://kaiserfamilyfoundation.files.wordpress.com/2013/08/8470-aligning-eligibility-for-children.pdf.

Medicaid eligibility for seniors and people with disabilities, which would threaten people's ability to stay in their homes and get care. The plan also would remove a financial incentive in the ACA for states to provide home- and community-based services — a lower-cost alternative to institutional care — that help people with daily living activities like bathing and getting dressed. Eight states have adopted this ACA incentive.

- **Increase the likelihood of medical bankruptcy for low-income people and increase uncompensated care for safety net hospitals.** The House plan would repeal an ACA provision requiring state Medicaid programs to help people pay medical bills they incurred in the three months before enrolling in Medicaid if they were Medicaid-eligible during that period. The plan would also remove an ACA option enabling states to enroll uninsured adults in Medicaid immediately if they need acute medical care. These changes would not only harm Medicaid beneficiaries, but increase uncompensated care costs for hospitals, particularly safety net hospitals that treat a disproportionate share of the most vulnerable people.
- **Speed up effective repeal of the ACA's Medicaid expansion by requiring states to redetermine the eligibility of expansion beneficiaries every six months.** States now redetermine eligibility for expansion adults once a year. More frequent eligibility redeterminations lead significant numbers of *eligible* people to lose coverage or experience coverage gaps, because they often have recently moved and didn't get their redetermination paperwork in time. Moreover, such coverage losses and coverage gaps would become much more problematic for low-income people affected under the House bill, because starting in 2020, states would no longer receive a higher level of federal matching funds for people seeking to enroll in expansion coverage after having been off Medicaid for one month or more. As a result, coverage gaps caused by more frequent redeterminations would accelerate the bill's cost shift to states, likely inducing states to initiate more Medicaid cuts.

Table 1 shows how these changes would affect individual state Medicaid programs.

Rolling Back Children's Medicaid Coverage

Before the ACA, state Medicaid programs had to cover children under age 6 with family incomes below 133 percent of the poverty line. They didn't, however, have to cover older children and teenagers with family incomes above the poverty line, and only a minority of states did so.[5] This split in children's coverage between Medicaid and CHIP, known as "stairstep" eligibility, sometimes disrupted care when children moved between the two programs. Moreover, it caused children in the same family to have different coverage sources (Medicaid versus CHIP), with different benefit packages, providers, and cost-sharing.

The ACA simplified this system: it eliminated "stairstep" eligibility by requiring state Medicaid programs to cover *all* children up to age 18 with incomes below 133 percent of poverty. Accordingly, 21 states moved nearly 1.5 million children from CHIP to Medicaid by January 1,

[5] Kaiser Commission on Medicaid and the Uninsured, "Where Are States Today? Medicaid and CHIP Eligibility Levels for Children and Non-Disabled Adults," March 2013, https://kaiserfamilyfoundation.files.wordpress.com/2013/04/7993-03.pdf.

2014.[6] On average, about 28 percent of children enrolled in CHIP moved to Medicaid, though in some states (like Mississippi, Oregon, and Utah), more than half did so, and California and New Hampshire moved their entire CHIP population into Medicaid.[7]

In addition to eliminating the burden on families that different sources of coverage can create, ending "stairstep" eligibility strengthened benefit and cost-sharing protections for low-income children. All children in families with incomes below 133 percent of the poverty line now have guaranteed access to a strong set of comprehensive and preventive health services, such as screenings, hearing, vision, dental, mental health, and developmental services under Medicaid's mandatory Early Periodic Screening Diagnostic and Treatment (EPSDT) benefit. EPSDT ensures that adolescents have access to services to treat emerging conditions such as mental illness. (In 2015, 12.5 percent of adolescents aged 12 to 17 experienced a major depressive episode.)[8] Medicaid also provides greater cost-sharing protection than CHIP for children and their families, with no premiums and modest co-payments.

The House bill would roll back these stronger benefits and cost-sharing protections. Parents would once again have to deal with additional challenges when managing their children's health because in many families, children would have different sources of coverage.

Making it Harder for Seniors and People with Disabilities to Qualify for Medicaid and Get Home-Based Care

Two provisions of the House plan would make it harder for seniors and people with disabilities to qualify for Medicaid and disrupt how they get care. These changes threaten individuals' ability to obtain needed long-term care — especially home- and community-based care, which is less costly and better for their health and well-being.

The first change would eliminate states' existing flexibility to establish how much of a home's value to count as an asset when determining eligibility for seniors and people with disabilities. Current federal guidelines set a range, which is updated each year to reflect the change in the consumer price index for all urban consumers (CPI-U). In 2017, the range is between $560,000 and

[6] States continue to receive the CHIP federal matching rate for these children.

[7] Kaiser Commission on Medicaid and the Uninsured, "Aligning Children's Eligibility: Moving the Stairstep Kids to Medicaid?" Prior to the ACA, some states had acted to avoid "stairstep" eligibility by taking up an option to cover CHIP-eligible children in Medicaid. Children in those states weren't affected by this transition.

[8] Substance Abuse and Mental Health Administration, "Key Substance Use and Mental Health Indicators: Results from the 2015 National Survey on Drug Use and Health," September 2016, https://www.samhsa.gov/data/sites/default/files/NSDUH-FFR1-2015Rev1/NSDUH-FFR1-2015Rev1/NSDUH-FFR1-2015Rev1/NSDUH-National%20Findings-REVISED-2015.pdf.

$840,000.[9] A state using the minimum level, for example, would count home value exceeding $560,000 as an asset for purposes of determining Medicaid eligibility.[10]

The House plan would require *all* states to use the $560,000 minimum home equity limit.[11] This change would make it harder for seniors and people with disabilities in states whose home value limit exceeds that minimum amount to qualify for Medicaid: California, Connecticut, the District of Columbia, Hawaii, Idaho, Maine, Massachusetts, New Jersey, New Mexico, New York, and Wisconsin.[12] This could force people in these states to sell their homes, and cause a delay or even a stop in their care until their house is sold.

The second change would eliminate an ACA incentive to promote home- and community-based services (HCBS), which offer an alternative to nursing homes and other institutions by providing patient-centered services that help people perform daily activities. In 2013, for the first time in Medicaid's history, the majority of Medicaid spending on long-term care was for HCBS, and the share has steadily increased since then.[13] The ACA furthered this progress by giving states new incentives and options to implement HCBS programs. One such option is Community First Choice (CFC), which provides personal attendant services, like help with bathing and getting dressed. CFC also allows states to help beneficiaries cover the costs of transitioning from a nursing home back to their home or community by helping cover the first month's rent and utilities or paying for bedding and basic kitchen supplies.

To encourage states to take up this option, the ACA gives them an enhanced federal match of 6 additional percentage points for CFC services and supports. (For example, a state whose regular Medicaid matching rate is 50 percent would be reimbursed for 56 percent of CFC services it provides.) The additional federal funds allow states to strengthen their HBCS programs by reinvesting the additional funding and providing new or more comprehensive benefits. The House plan would eliminate the enhanced federal match for CFC services beginning in 2020, resulting in a loss of $12 billion of federal funding over the next ten years.[14] This proposal places the CFC program in jeopardy in the eight states that have taken it up and makes it less likely that other states will adopt it.[15]

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[9] Centers for Medicare & Medicaid Services, "2017 SSI and Spousal Impoverishment Standards," https://www.medicaid.gov/medicaid/eligibility/downloads/spousal-impoverishment/2017-ssi-and-spousal-impoverishment-standards.pdf.

[10] If an individual's spouse or child under age 21 lives in the home, the home is not counted as an asset for purposes of determining Medicaid eligibility.

[11] This limit would continue to be adjusted on an annual basis using the CPI-U.

[12] Molly O'Malley Watts, Elizabeth Cornachione, and MaryBeth Musumeci, "Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015," March 2016, http://files.kff.org/attachment/report-medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-in-2015.

[13] Centers for Medicare & Medicaid Services, "Medicaid and CHIP: Strengthening Coverage, Improving Health," January 2017, https://www.medicaid.gov/medicaid/program-information/downloads/accomplishments-report.pdf.

[14] Congressional Budget Office, "Cost Estimate of the American Health Care Act."

[15] Centers for Medicare & Medicaid Services, "Medicaid and CHIP: Strengthening Coverage, Improving Health."

Reducing Financial Security for Low-Income People and Increasing Uncompensated Care for Hospitals

The House plan would repeal two provisions that protect low-income people from debt and reduce hospitals' uncompensated care — one enacted as part of the ACA, the other a longstanding Medicaid protection. These changes would likely drive more low-income people into bankruptcy due to medical costs and would raise uncompensated care costs for hospitals.

The first change would end Medicaid payments for medical costs that beneficiaries incurred up to three months before enrolling in Medicaid if they were eligible for Medicaid during that period. This retroactive coverage helps prevent medical bankruptcy. It also reimburses hospitals and other safety net providers for care they have provided during the period, helping them continue to meet their daily operating costs and maintain quality of care. While this Medicaid protection may only affect a small number of individuals, the amounts can be significant. For example, data from Indiana showed that, on average, individuals with medical bills incurred prior to enrollment owed $1,561 to providers, which Medicaid would pay.[16]

The second change would bar states from immediately enrolling uninsured adults (other than pregnant women) into temporary Medicaid coverage while they complete the Medicaid eligibility determination process. Before the ACA, states had the option to provide immediate temporary Medicaid coverage to pregnant women and children to improve their access to timely care. The ACA extended this option, called presumptive eligibility, to also help enroll uninsured adults newly eligible for Medicaid under the ACA's Medicaid expansion. Uninsured adults can enroll immediately in coverage by answering a set of questions at the hospital or other safety net provider. If the individual appears eligible, the hospital can make a "presumptive" eligibility determination, which helps prevent a delay in care while the state conducts a full eligibility determination. During this temporary coverage period, providers (including hospitals, doctors, and pharmacies) receive full Medicaid reimbursement for services they provide, even if the individual is later found ineligible for Medicaid.

Speeding Up Effective Repeal of the Medicaid Expansion

Medicaid requires most beneficiaries to renew their coverage once a year. Many consumers do not complete renewals on time, and lose coverage despite remaining eligible, for reasons that include changes in address and lack of time to comply with processes that can be confusing and may require documentation that beneficiaries may not have on hand. Beneficiaries often re-apply for Medicaid after a short break in coverage.

Increasing the frequency of renewals can reduce enrollment and increase the frequency of these breaks in coverage. In 2003, Washington State adopted a policy requiring children to renew eligibility every six months, along with other process changes; the number of children participating

[16] July 29, 2016 letter from the Centers of Medicare and Medicaid Services to the state of Indiana, available at https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/in/Healthy-Indiana-Plan-2/in-healthy-indiana-plan-support-20-lockouts-redetermination-07292016.pdf.

in Medicaid fell by 30,000 over the next two years. When the state restored 12-month eligibility, children's enrollment *rose* back by 30,000 within a year.[17]

The House plan would require states, starting in October 2017, to renew Medicaid eligibility every six months for adults enrolled through the ACA's Medicaid expansion. This change appears intended to accelerate the reduction in the number of expansion enrollees; under the House plan, starting in 2020 states would no longer receive enhanced federal matching funds for people eligible under the expansion who lose coverage at renewal — even if just for one month — and subsequently return to the program. As a result, additional coverage gaps due to more frequent redeterminations would accelerate the bill's cost shift to states. Moreover, many or most states would likely respond to the House bill by seeking waivers to close their Medicaid expansions to applicants for whom the state wouldn't receive the enhanced match. If that occurs, individuals who fail to complete the redetermination process on time could end up permanently uninsured.

TABLE 1

House Plan Would Require Changes in Every State's Medicaid Program

State	Potentially Affected by Change in Children's Medicaid Coverage	Change in Home Value Limit	End of enhanced match for Community First Choice (Home- and Community-Based Services)	End of Retroactive Coverage & Presumptive Eligibility	More Frequent Renewals for Expansion Adults
Alabama	X			X	
Alaska				X	X
Arizona	X			X	X
Arkansas				X	X
California	X	X	X	X	X
Colorado	X			X	X
Connecticut		X	X	X	X
Delaware	X			X	X
District of Columbia		X		X	X
Florida	X			X	
Georgia	X			X	
Hawaii		X		X	X
Idaho		X		X	
Illinois				X	X
Indiana				X	X
Iowa				X	X

[17] 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.

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Kansas	X			X	
Kentucky				X	X
Louisiana				X	X
Maine		X		X	
Maryland			X	X	X
Massachusetts		X		X	X
Michigan				X	X
Minnesota				X	X
Missouri				X	
Mississippi	X			X	
Montana			X	X	X
Nebraska				X	
Nevada	X			X	X
New Hampshire	X			X	X
New Jersey		X		X	X
New Mexico		X		X	X
New York	X	X	X	X	X
North Carolina	X			X	
North Dakota	X			X	
Ohio				X	X
Oklahoma				X	
Oregon	X		X	X	X
Pennsylvania	X			X	X
Rhode Island				X	X
South Carolina				X	
South Dakota				X	
Tennessee	X			X	
Texas	X		X	X	
Utah	X			X	
Vermont				X	X
Virginia				X	
Washington			X	X	X
Wisconsin		X		X	

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West Virginia	X			X	X
Wyoming	X			X	