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Medicaid Categorical Eligibility Rules are Proving a Major Obstacle To Getting Health Coverage to Impoverished Katrina Victims in Louisiana

Pending Legislation Would Address Coverage Gaps in Louisiana and Other States

by Donna Cohen Ross and Victoria Wachino

New information from Louisiana demonstrates that substantial gaps in health care coverage are emerging among impoverished Hurricane Katrina survivors in that state. The information, gathered by the Louisiana Department of Health and Hospitals and presented on page four of this report, shows that as a result of restrictions in federal law and policy, the state is being forced to deny Medicaid coverage to many indigent Katrina survivors solely because they do not fit into one of Medicaid's eligibility "categories." These findings have significant implications for a debate underway in Congress over how to meet the health care needs of Katrina survivors, especially the most destitute.

Nearly two weeks ago, the nation's governors called on Congress to pass emergency legislation to provide Medicaid coverage for Katrina survivors for a temporary period, with full federal funding.¹ Bipartisan legislation was subsequently introduced by Senators Charles Grassley and Max Baucus to provide several months of Medicaid coverage to all Katrina survivors who are poor. The legislation (the Emergency Health Care Relief Act, S. 1716) would simplify Medicaid eligibility rules for Katrina survivors by temporarily suspending Medicaid "categorical eligibility" rules that leave substantial numbers of poor people outside of Medicaid.

Health Care Needs of Katrina Survivors Not Eligible for Medicaid

Many low-income Katrina survivors who do not fit into a Medicaid category are in poor health and in need of health care. The Kaiser Family Foundation and Harvard University conducted a survey of 680 evacuees in shelters in Houston. Their survey found:

- More than half (55 percent) of the evacuees under age 65 with no children were uninsured.

Of the evacuees under age 65 with no children:

- Forty (40) percent reported that they had a chronic condition; 42 percent said they are supposed to be taking prescription drugs.
- Thirty-two (32) percent reported that since the hurricane, there was a time when they didn't have the prescription drugs or medicines they needed.
- About one-third (30 percent) experienced health problems or injuries as a result of the hurricane or flooding; 44 percent said their problems were "serious."
- Twenty-three (23) percent reported a time since the hurricane hit when they needed medical care and could not get it.

Source: Washington Post/Kaiser Family Foundation/Harvard University Survey of Hurricane Katrina Evacuees, September 2005, www.kff.org

¹ Letter from NGA Chairman Mike Huckabee and NGA Vice Chair Janet Napolitano to Congressional Leaders, September 13, 2005.

The Grassley-Baucus bill, which Senate Majority and Minority leaders Bill Frist and Harry Reid announced support for when it was introduced, would cover all Katrina survivors with incomes below the poverty line and low-income children, pregnant women and people with disabilities with incomes above the poverty line² The bill is designed to enable the most vulnerable Katrina survivors, a substantial number of whom may have serious medical conditions and are now without any resources, to secure medical attention they need. This coverage would be strictly limited to low-income Katrina survivors and would be purely temporary in nature. The legislation provides that this coverage and the associated administrative costs be federally funded.

Despite the legislation's bipartisan nature and broad gubernatorial support, Senators Grassley and Baucus attempted on September 20th to move their legislation through the Senate, but were blocked by a few Senators. Of particular importance, the Administration has indicated it does not favor the legislation, and various news accounts have reported that the Administration is working against it.³

The Issue: Medicaid's Categorical Restrictions and the Needs of Katrina Survivors

When Hurricane Katrina struck the Gulf Coast, many residents lost their homes and jobs. Some survivors were injured and others lost needed medications. Many are at heightened risk of contracting infections, respiratory conditions or other illnesses. Many indigent survivors have little ability to pay for the care they now need.

The nation's governors made clear their view several weeks ago that Medicaid — the nation's health coverage program for low-income people — represents the best vehicle for providing a rapid, effective response to the incipient health care crisis being triggered by a spike in the number of Gulf Coast residents thrust into poverty and the displacement of hundreds of thousands of people.

Unfortunately, however, efforts to address the burgeoning health needs of Katrina survivors are falling short, despite intensive efforts to enroll eligible people in Medicaid. A survey conducted by the Louisiana Department of Health and Hospitals, which administers the Medicaid program in that state, has found that state eligibility workers are having to deny Medicaid applications from substantial numbers of destitute Katrina evacuees, because the evacuees do not fit into one of Medicaid's specified coverage categories. (The survey findings are described in more detail below.) These "categorical eligibility" rules are the primary factor preventing the state from enrolling into Medicaid, and providing health care coverage to, substantial numbers of hurricane victims who urgently need health care coverage. Other states in which Katrina survivors are residing are facing similar problems.

² The bill also would cover Katrina survivors who are children and pregnant women if their incomes are below 200 percent of the poverty line, and Katrina survivors who have serious disabilities if their incomes are below about 2 ½ times the poverty line. The legislation would provide coverage for five months. The President would have the authority to extend it for an additional five months.

³ See, for example, David Rogers, "Senate Clears Spending Bills; Farm, Military Benefit," *Wall Street Journal*, Sept. 23, 2005; and Peter G. Gosselin and Ricardo Alonso-Zaldivar, "Limiting Government's Role: Bush favors one-time fixes over boosting existing programs to help Katrina victims," *Los Angeles Times*, Sept. 23, 2005.

What is “Categorical Eligibility”?

While Medicaid is targeted to people in financial need, income is *not* the only factor considered in determining eligibility. An applicant must demonstrate that he or she fits into one of five coverage groups, or categories. These categories were developed when Medicaid was tied to the receipt of cash welfare assistance, a connection that was severed with the extension of Medicaid over the past 20 years to children in low-income working families and, finally, with the enactment of the welfare reform law in 1996. The five broad categories are: children up to age 19; pregnant women; parents (and other caretakers of children) in families with dependent children; individuals with serious disabilities; and the elderly. Some of these categories themselves have additional restrictions associated with them. For example, to fit into the disability category, a person generally must show that his or her medical condition either will last for at least 12 months and prevent the person from working or is likely to result in the person's death. A person who has several broken limbs and other severe injuries and cannot work, but who expects to recover within 12 months, is not eligible for Medicaid.

These Medicaid categories leave out many individuals who do not have access to affordable health coverage on their own — particularly poor adults under 65 who do not have dependent children, including people with medical conditions that are quite serious but not sufficiently severe or debilitating to meet the Medicaid disability criteria described above. Because many impoverished hurricane survivors in need of medical care do not fit neatly into any of the standard Medicaid categories, they do not qualify now for health care coverage.

For example, a 50-year-old diabetic man whose home has been destroyed and is living in a shelter, but who does not have dependent children, does not fit into any of the categories. Neither does a 57-year-old woman with grown children who sustained severe lacerations attempting to evacuate her hurricane-ravaged home. The possibility that such uninsured individuals could find care at a community health center or hospital is substantially reduced in the current circumstances, due to the level of damage and destruction to the health care infrastructure in the areas that were directly hit by the hurricane and the appearance of large concentrations of impoverished evacuees in other areas.

How Big a Problem?

A number of states are confronting the challenge of how to meet the health care needs of needy hurricane survivors. The challenge is particularly daunting in Louisiana. Medicaid eligibility workers in that state have been dispatched to more than 200 shelters where hurricane survivors are living or have gone to seek help. The people who have evacuated to the shelters are likely to have had limited resources prior to the hurricane. And as a result of the disaster, many of them have lost what little they had.

A survey that the state has conducted of administrative staff who are overseeing the Medicaid enrollment process at these shelters has shown that significant numbers of indigent evacuees are being denied Medicaid coverage and that the categorical eligibility rules are the most common barrier to enrollment. Preliminary state-level data, tallied as of Friday, September 16, show:

- **Approximately 4,000 households have sought Medicaid coverage at one of the shelters. About 20 percent of these potential applicants have been “screened out,”** meaning that an eligibility worker explains why the applicant appeared not to qualify, and the person consequently does not complete the application process. According to the regional supervisory staff, the vast majority of the cases “screened out” were screened out because the potential applicant did not meet the categorical eligibility requirements.⁴
- **One in every three people whose Medicaid applications have been processed has been denied coverage; the primary reason for denial is the categorical eligibility requirements.** Applications were taken at the shelters for 3,192 households seeking Medicaid coverage. At the time of the survey, processing had been completed for 2,037 of these applications. More than one-third of these applications — 34 percent — were denied. A large majority of the denials were made because the applicant did not fit within one of the Medicaid categories.

A sample of specific reports from shelters in various regions of the state showed the following:

- **Baton Rouge** — Of the 722 applications submitted, nearly 40 percent were denied because the applicants were not categorically eligible.
- **Lafayette** — Of the 635 applications submitted in this region, about 15 percent were denied. All but a few of the denials were made because the applicant did not fit into one of the allowable categories.
- **Shreveport** — All but 10 of the 269 applications that were “screened out” were screened out for not meeting the categorical eligibility requirements.
- **Alexandria** — Some 90 percent of the applications that were denied were turned down because of categorical eligibility. Similarly, all the applications that were “screened out” were screened out because the person did not appear to meet the categorical eligibility rules.

Eligibility workers reported commonly seeing people at the shelters who are seeking help but are ineligible for Medicaid because they are 19 to 64 years of age and do not have children in the home. The eligibility workers also reported receiving requests for help from middle-aged adults on prescription medications who are sick but whose illnesses are not severe enough to meet the stringent definition of disability that the program applies.

⁴ The second most common reason that potential applicants are “screened out” is that they do not meet the residency test. Eligibility workers in Louisiana have reported seeing evacuees from Mississippi, in particular. The reports also identified “screening out” a few applicants who apparently did not meet immigration requirements.

Why is it Critical to Allow States to Bypass Medicaid “Categorical Eligibility”?

In the region directly affected by Hurricane Katrina, the expectation that people will readily be able to work and get health coverage through their jobs is not realistic at the present time. Nor is the assumption that people who are uninsured will readily be able to find care at safety-net community health clinics and hospitals. (Recent survey data of evacuees in Houston shelters show that before the hurricane, the majority relied on safety-net hospitals and clinics as their primary source of health care.⁵) Hurricane Katrina has seriously compromised this health-care safety net. Hospitals and clinics in places such as New Orleans generally are not in operation. In areas with large numbers of evacuees, a system that already was stressed due to the breadth and depth of poverty in the region is not in a position to respond by providing uncompensated care to the large influx of impoverished people suddenly in its midst.

In addition to people in areas hit by Katrina who previously relied on uncompensated care, many who had health coverage prior to the storm have lost their insurance and their ability to pay for needed health care, as a result of having lost their jobs. Responding to their needs is placing sharp new demands on the facilities and providers that remain in these areas and on the health care systems in areas with substantial numbers of evacuees. Making Medicaid coverage available for a temporary period to all low-income hurricane survivors — regardless of whether they meet the traditional Medicaid category rules — can assure that support is there to provide the health care these individuals need during a time of extreme need, and that providers will be compensated for the costs they incur in providing care to these people.

⁵ Washington Post/Kaiser Family Foundation/Harvard University Survey of Hurricane Katrina Evacuees, September 2005, www.kff.org