THE HENRY J. KAISER FAMILY FOUNDATION
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CHIP TIPS

A new series highlighting opportunities for covering children under Medicaid and CHIP

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MEDICAID PERFORMANCE BONUS "5 OF 8" REQUIREMENTS

The recently enacted CHIP reauthorization law (known as CHIPRA) includes a number of important program and financing changes that affect both Medicaid and CHIP. One of these is the Performance Bonus, which provides extra financial support to states that succeed in enrolling Medicaid-eligible children above target levels. To qualify for the Performance Bonus, states must have implemented at least five of eight policies in Medicaid and CHIP that are specified in CHIPRA.

WHAT HAPPENED BEFORE CHIPRA?

States have long had flexibility under federal law to design their application and renewal procedures in ways that promote enrollment of eligible children. Over the past decade, as states expanded eligibility for Medicaid and CHIP, most states also adopted simplification measures to reach a greater portion of eligible children. For example, by January 2009, only a few states still required an in-person interview to apply for or renew children's coverage in Medicaid or CHIP, imposed an asset test for children, or required children to renew their coverage more frequently than every 12 months unless their circumstances changed. However, practices vary across the states, and fewer states have adopted other measures to promote enrollment and retention, such as 12-month continuous coverage, presumptive eligibility, or techniques to verify eligibility through other data bases (sometimes referred to as "administrative verification").

WHAT CHANGES DOES CHIPRA MAKE?

CHIPRA introduces into Medicaid an important new financial support for states, called a Performance Bonus. The Bonus is designed to helps states with the added costs that result when states are very successful in enrolling eligible children in Medicaid above targets specified in the law. (See the companion CHIP Tip, *Medicaid Performance Bonus*, for information on how the targets are set and the bonus is calculated.)

To be eligible for a Performance Bonus, states must first adopt at least five of the following eight measures for children, which generally are aimed at simplifying Medicaid enrollment and renewal for children:

- 12-month continuous coverage
- No asset test (or simplified asset verification)
- No face-to-face interview requirement
- Joint application and the same information verification process for separate Medicaid and CHIP programs
- Administrative or *ex parte* renewals
- Presumptive eligibility
- Express Lane eligibility
- Offer a premium assistance option

States have many reasons to adopt these strategies beyond qualifying for the Performance Bonus. Most of the measures have proven to be effective in increasing enrollment and retention of eligible children. Better enrollment and retention, in turn, promote children's access to preventive care and improvements in the quality of care and health outcomes. In addition, streamlining enrollment and retention processes may reduce state administrative burdens and costs.

HOW DOES IT WORK?

To qualify for the Performance Bonus, CHIPRA requires states to implement at least five of the eight measures. Except for premium assistance, these measures must be adopted *in both Medicaid and CHIP*. Seven of these measures were available to states before CHIPRA, although the new law revises the premium assistance option and makes it easier for states to administer. Express Lane eligibility is a new option available to states, effective April 1, 2009.

Each of the eight measures is described below. While certain provisions are clear and straightforward, others will require clarification from the Centers for Medicare and Medicaid Services (CMS).

- ### 12-Month Continuous Coverage

  Continuous coverage (also known as continuous eligibility) guarantees a full 12 months of coverage for children enrolled in Medicaid and CHIP, regardless of changes in their financial circumstances. This is how job-based insurance that covers most Americans works. Continuous coverage promotes continuity of care by assuring that children do not lose coverage due to fluctuations in income, which tend to be small in any case.[1] Similarly, it encourages managed care plans to participate in Medicaid and CHIP by ensuring more stable enrollment.[2] Continuous coverage also reduces the costs to states that stem from "churning," the cycling of individuals in and out of the program. As of January 2009, 18 states had adopted continuous coverage for children in both Medicaid and CHIP.[3]

- ### Eliminate Asset Test or Remove Requirement for Families to Provide Asset Documentation

  To satisfy this requirement, state Medicaid and CHIP programs must either have no asset test for children or simplify their rules for verifying assets. States have long had the discretion under federal law to not impose an asset or resource test for Medicaid eligibility, and all but four states have adopted this approach for children.[4] Because few low- and moderate-income families have substantial assets, not requiring an asset test does not necessarily expand eligibility, but it does relieve both families and states of the paperwork burden involved in documenting assets.

  States that still have an asset test can qualify on this measure by dropping the test, verifying assets in ways that do not require families to provide documentation, or allowing families to provide a signed declaration of assets.

- ### Eliminate Face-To-Face Interview Requirements at Application and Renewal

  Federal law does not require face-to-face interviews at the time of application or renewal in either Medicaid or CHIP. As of January 2009, only two states required an interview for new child applicants and just one state required an interview at renewal.[5] Requiring parents who often lack flexibility to leave work to appear in person to apply for or renew coverage for their children makes it more difficult for parents to seek or retain that coverage. Families that find it helpful to apply for or renew coverage in person still have an opportunity to do so through the state agency (or CHIP contractor) and, in some states, at other community-based locations.

  To qualify on this measure, the two states that have not already dropped their interview requirement will need to do so. Interviews can still be required in instances when information is otherwise unclear.

- ### Joint Application and Renewal Forms and Same Verification Process

  Most states with separate Medicaid and CHIP programs use a joint application form, but this measure goes beyond the application form to require states to use the same renewal and supplemental forms (if any) and the same process for verifying information in both programs. There are many advantages to using the same simplified process in both programs. Uniformity makes it easier for families (and groups working with families) to understand the procedures and helps prevent children from slipping through the cracks in a system with two coverage programs for children.[6] Not all states that have adopted simplified enrollment and renewal processes in CHIP have carried over those procedures to Medicaid, so it remains harder for lower-income Medicaid-eligible children to enroll or renew their coverage.[7] Research demonstrates that simplifying the process for Medicaid can not

only promote enrollment and retention, but, by supporting stable coverage, also reduce costly hospitalizations.[8]

By definition, states that implemented their CHIP programs through a Medicaid state plan expansion meet this provision. (States that relied on waivers to implement CHIP as a Medicaid expansion may need to revise their procedures if their procedures under their waiver are not aligned with the rest of their Medicaid coverage for children.) Of the states with separate CHIP programs, 35 have joint application forms and 21 have joint renewal forms.[9] At this time, there are insufficient data to determine how many states use the same supplemental forms and process. Further guidance may be forthcoming from CMS regarding how the agency will determine if a state uses the same information verification process for the two programs.

- **Administrative or *Ex Parte* Renewals**

  There is abundant evidence that many children lose coverage at renewal time, and that administrative renewals can boost participation of eligible children while reducing state administrative costs.[10] The term "administrative renewals" generally refers to a process by which states attempt to renew eligibility based on information available to them, for example, through other program records or data bases.

  States can satisfy this measure in different ways. The new CHIP law describes a process whereby the state would send a pre-printed form with the most current information available to the state and require the parent or caretaker to report any changes. If there are no changes, eligibility is renewed and coverage continues. The law also provides that a state using an *ex parte* process will be deemed to have met this requirement. *Ex parte* reviews occur when the state uses information available to it through other databases, such as wage and labor records, to verify ongoing eligibility. Federal law requires neither a renewal form nor a signature to confirm ongoing eligibility under either Medicaid or CHIP.

- **Presumptive Eligibility**

  Presumptive eligibility allows states to authorize health care providers, community-based organizations, schools, and other entities (as determined by the state) to screen for Medicaid and CHIP eligibility and make temporary eligibility determinations. It gives community-based outreach and enrollment assisters a powerful tool to reach eligible children and to provide the direct help that some families need to understand and complete the application process. Most important, it ensures that children can get medical care right away while the final eligibility decision is pending. In addition to making the application process easier for families, if the presumptive eligibility enrollers also help families gather necessary documentation, presumptive eligibility can reduce the administrative burden on the state to obtain missing information. As of January 2009, 11 states had adopted presumptive eligibility for children in both their Medicaid and CHIP programs.[11]

- **Express Lane Eligibility**

  Express Lane eligibility is a new federal option created by CHIPRA that allows states to use eligibility for other public programs (such as TANF, Food Stamps, Head Start, WIC, school lunch, and more) to determine that a child satisfies one or more components of eligibility for Medicaid or CHIP. For the first time, states may rely on the findings of the other public program, without regard to relatively small differences in program methodologies for determining, for example, household size or income.

  Express Lane eligibility is a promising strategy to help states find and quickly enroll children and avoid unnecessary and repetitive requests for information that can add to the paperwork burden for both families and states.[12] Some states have successfully used express lane-like processes to identify potentially eligible children.[13] Until federal guidance is issued, it is not clear exactly what criteria will be used to determine whether a state has implemented this new option in a way that qualifies for the Performance Bonus.

- **Premium Assistance Programs within Medicaid and CHIP**

  The final measure that can be used to qualify for the performance bonus is to offer a premium assistance option. Premium assistance offers states a way to subsidize qualified group health and employer-sponsored coverage using Medicaid or CHIP funds. While it is generally not considered a strategy to enroll and retain children, premium assistance can be a useful strategy for combining employer and public funding for coverage. It was included as one of the eight measures because interest in premium assistance among some policymakers remains high. Overall, enrollment in premium assistance programs is limited, largely because only a relatively small number of families with uninsured children have access to cost-effective private coverage.[14]

  A separate provision in the CHIP law offers states a new option that will make it easier to implement premium assistance in CHIP. The new law also includes some new provisions that will help states obtain needed information from employers about the coverage they offer and coordinate better with employers' open enrollment periods.

WHAT ARE THE CHOICES FOR STATES?

First, states should determine whether their existing enrollment and renewal policies allow them to qualify for the Performance Bonus. If not, states should consider implementing additional measures so that they can qualify for the bonus if their enrollment exceeds target levels. Measures must be in place for the entire federal fiscal year in order for a state to qualify, so it is important that states move quickly to implement needed changes.[15] (See Box 1 for key dates.)

While these eight measures are the ones that Congress selected to permit states to qualify to receive a Performance Bonus, they are not the only steps states should consider to boost participation among eligible children. Since states can reach more uninsured children *and* earn greater Performance Bonus payments by increasing enrollment, they should consider adopting additional simplification and outreach measures—such as providing multiple ways to apply and renew, including online and over the phone—that address the particular circumstances in their state and help them reach and enroll all eligible children.

Box 1. Key Dates for Performance Bonus

- Bonus payments are available **beginning in federal fiscal year (FFY)2009**. For each year, bonuses will be paid by **December 31** following the end of the fiscal year (e.g., FFY 2009 bonuses will be paid by December 31, 2009, FFY 2010 bonuses by December 31, 2010, etc.).
- **For 2010 and beyond, the 5 of 8 policies must be in place for the full federal fiscal year for a state to qualify** for a bonus. CMS guidance is needed to clarify whether the "full year implementation" requirement applies in FFY 2009.
- Only children who meet a state's eligibility criteria in effect on **July 1, 2008** can be counted in the first years of bonus calculations. Children enrolled under Medicaid expansions that take effect after this date may begin to be counted after the third year of implementation.

WHERE CAN I FIND MORE INFORMATION?

- For other topics in the CHIP Tips series, visit http://www.kff.org/medicaid/kcmu040609pkg.cfm or http://ccf.georgetown.edu/index/chip-law.
- The Performance Bonus "5 of 8" provisions can be found in section 104, the Express Lane provisions in section 203, and the premium assistance provisions in section 301 and 302 of H.R. 2.
- Further information on strategies to enroll eligible but uninsured children is available on the CCF website at http://ccf.georgetown.edu/index/strategy-center.
- Information on the number of states that have implemented specific "5 out of 8" strategies can be found at: D. Cohen Ross and C. Marks, Challenges of Providing Health Coverage for Children and Parents in a Recession: A 50 State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2009, Kaiser Commission on Medicaid and the Uninsured, January 2009.
- A summary of CHIPRA and related resources are available at the CCF website at http://ccf.georgetown.edu/index/schipreauthorization.
- A fact sheet on CHIPRA and other resources on children's coverage can be found at the Kaiser Family Foundation website at http://www.kff.org/medicaid/childrenscoverageresources.cfm.

ENDNOTES

[1] D. Horner, "Program Design Snapshot – 12-Month Continuous Eligibility," Center for Children and Families (September 2008).

[2] L. Summer and C. Mann, "Instability of Public Health Insurance Coverage," The Commonwealth Fund (June 2006).

[3] D. Cohen Ross and C. Marks, "Challenges of Providing Health Coverage for Children and Parents in a Recession: A 50 State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2009," Kaiser Commission on Medicaid and the Uninsured (January 2009).

[4] Ibid.

[5] Ibid.

[6] Government Accountability Office, "Medicaid and SCHIP: States' Enrollment and Payment Policies Can Affect Children's Access to Care" (September 2001).

[7] I. Hill and A. Westpfahl Lutzky, "Getting In, Not Getting In and Why: Understanding SCHIP Enrollment," Urban Institute (May 2003).

[8] L. Ku, "New Research Shows Simplifying Medicaid Can Reduce Children's Hospitalizations," Center on Budget and Policy Priorities (September 2007).

[9] Cohen Ross and Marks. op. cit.

[10] B. Morrow and D. Horner, "Harnessing Technology to Improve Medicaid and SCHIP Enrollment and Retention Practices," The Children's Partnership and The Kaiser Commission on Medicaid and the Uninsured (May 2007).

[11] Cohen Ross and Marks. op. cit.

[12] D. Horner and B. Morrow, "Putting Express Lane Eligibility Into Practice," The Children's Partnership and Kaiser Commission on Medicaid and the Uninsured (November 2000).

[13] B. Morrow, "Emerging Health Information Technology Programs for Children in Medicaid and SCHIP Programs," The Children's Partnership and The Kaiser Commission on Medicaid and the Uninsured (November 2008).

[14] G. Kenney *et al,* "Prospects for Reducing Uninsured Rates among Children: How Much Can Premium Assistance Programs Help?," Urban Institute (January 2009).

[15] CMS guidance will be needed to establish whether the "5 of 8" measures must be implemented for the entire fiscal year in 2009 in order for states to qualify for the 2009 bonus.

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