kaiser commission on medicaid and the uninsured

THE HENRY J. KAISER FAMILY FOUNDATION

RESEARCH BRIEF

May 2004

SUMMARY OF EARLY OBSERVATIONS OF THE TRANSITION OF IMMIGRANT FAMILIES FROM A MEDICAID LOOK-ALIKE PROGRAM TO BASIC HEALTH IN WASHINGTON STATE

In 2002, Washington eliminated its state-funded Medicaid look-alike coverage, which provided the full Medicaid benefit package to low-income immigrant families who were not eligible for federally-funded Medicaid. These families became eligible for the state-funded Basic Health program, which, in contrast to Medicaid, had more application requirements, more limited benefits, and premiums and cost sharing. Families were not automatically transitioned to Basic Health but had to complete the Basic Health application and enrollment process. This brief highlights early lessons and summarizes findings from an assessment of the impact of the transition that is based on state administrative data, key informant interviews, and a focus group and interviews with affected families. Since Basic Health has similar attributes to some state Medicaid waiver programs and to some features proposed by states as cost-controls, Washington's experience may be instructive.

EARLY LESSONS

Enrollment processes have a significant impact on enrollment. Despite significant efforts in the state to help families, nearly half of families who lost their Medicaid coverage did not enroll in Basic Health. Families and outreach workers noted enrollment barriers such as difficulties understanding application materials, providing required information, and affording premiums. The process of terminating individuals from one program and requiring them to actively enroll in another program with more application requirements and premiums led to significant coverage losses. To minimize such coverage disruption, use of automatic, seamless transfers is important.

Premiums can create barriers to obtaining and retaining coverage for low-income families. Families and outreach workers expressed that premiums were unaffordable for many families. Some families noted that they enrolled children but not parents because of premiums. Over 60 percent of families who made the transition received help paying premiums. Among transition families who enrolled in Basic Health, premium amounts and payment procedures contributed to disenrollment. Premiums appear to hinder low-income families' ability to obtain and retain coverage.

Cost sharing and limited benefits can reduce access to care for low-income populations. Basic Health includes cost sharing not found in Medicaid and has more limited benefits than Medicaid and most employer-sponsored plans. Families, outreach workers, and providers noted that some families had difficulty affording copays and accessing some services not covered by Basic Health. This underscores the importance of the comprehensive benefit package and cost sharing limits in the Medicaid program for the population it serves.

Coverage reductions do not necessarily create overall system savings. Some stakeholders noted that moving immigrants from Medicaid to the more limited Basic Health coverage increased the burden on local public health agencies, community organizations, and health care providers. Resources were expended to help people enroll and to provide services not covered by Basic Health, which increased costs in other parts of the state's health care safety net.

This brief is based on Gardner, M. and J. Varon, "Moving Immigrants from a Medicaid Look-Alike Program to Basic Health in Washington State: Early Observations," prepared for the Kaiser Commission on Medicaid and the Uninsured (KCMU), May 2004, Publication #7079. It was prepared by Samantha Artiga, Policy Analyst, KCMU.

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SUMMARY OF FINDINGS

Background

Due to several factors, including the economic recession and decreasing revenues, Washington was facing significant fiscal pressures in 2002. As part of its response to its fiscal problems, in October 2002, the state eliminated three state-funded Medicaid "look-alike" programs, which covered about 29,000 low-income immigrant children and parents. These families became eligible for the more limited state-funded Basic Health program, but families needed to complete the Basic Health application and enrollment process to obtain the coverage. Analysis based on administrative data from the state, key informant interviews, and a focus group and interviews with affected families was conducted soon after the elimination of the Medicaid look-alike programs to assess the impact of their elimination.

At the time the transition was taking place, in contrast to Medicaid, Basic Health had more application requirements, a more limited benefit package, and premiums and cost sharing (Table 1, see Appendix A for a detailed comparison of the programs). Since the analysis was completed, the state has increased application requirements for its Medicaid program. Also, in 2004, Basic Health cost sharing increased significantly.

Table 1: Key Differences Between Medicaid Look-Alike Coverage and Basic Health*

	Medicaid	Basic Health
Income verification	Statement of income accepted	Income documentation required
Monthly Premiums	None	$10-$158 per person, based on income, age, and health plan
Preexisting condition exclusion	None	Up to nine months
Benefits	Comprehensive	Limited
Copayments	None	$3-$100 per service

* Some of these requirements and characteristics recently changed. In April 2003, Medicaid switched to full income verification for all enrollees. Cost sharing in Basic Health increased substantially in January 2004.

In June 2002, the state began informing families about the forthcoming elimination of their Medicaid look-alike coverage and their eligibility for Basic Health. The state mailed families information explaining the Basic Health enrollment process and copies of the Basic Health application. The involved state agencies also undertook a number of efforts to help facilitate the transition of families. The original deadline for families to enroll in Basic Health was October 1, 2002 (the date that Medicaid look-alike coverage ended). However, the state allowed families to receive Basic Health coverage through November if they had initiated the Basic Health application process by October. These families had to complete the full application process and pay premiums to remain enrolled after November. The state also extended the deadline for transition families to apply for Basic Health to June 2003. After this deadline, transition families became subject to the existing waiting list for Basic Health.

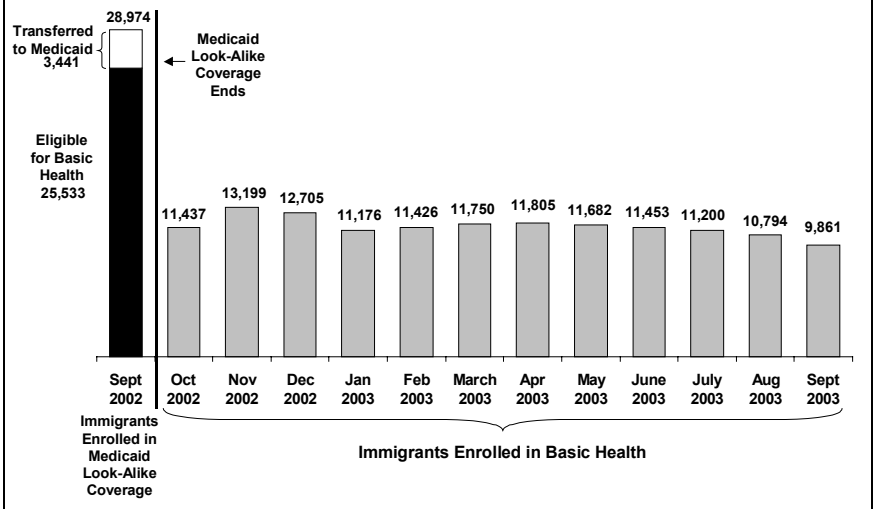
Findings

Enrollment Losses

Nearly half (48 percent) of the children and parents who lost their Medicaid look-alike coverage did not transition to Basic Health (Figure 1). About 29,000 children and parents had Medicaid look-alike coverage when it ended in October 2002; the overwhelming majority (90 percent) were children. Of this group, over 3,000 were found eligible for and transferred to regular Medicaid. The remaining 26,000 became eligible for Basic Health. Despite efforts in the state to help families make the transition, just over half (52 percent) had enrolled in Basic Health at the point of highest enrollment among the transition group in November 2002. The other 48 percent did not make the transition, and it is likely that many became uninsured. After November 2002, enrollment declined further, reflecting program attrition and disenrollment due to problems affording premiums and completing application requirements.

Figure 1

Number of Children and Parents That Transitioned from Medicaid to Basic Health



Source: Washington State Medical Assistance Administration, Health Care Authority.

Procedural Barriers to Enrollment

Some families had difficulty understanding Basic Health application materials. Information about the transition process was primarily communicated through mailed notices. Families and outreach workers reported that some families found the information difficult to understand. Some families reported they received too much information, which made the process complex and difficult to follow. Additionally, some people did not receive materials in their primary language.

"Dealing with Basic Health is very stressful for families. They can't understand the information they get in the mail, even if it is in Spanish. They drag letters out when I do a home visit."
-Outreach worker in Washington

Application requirements created barriers to enrollment for some transition families. Some families noted that they had difficulty providing all the information necessary to apply for Basic Health. Basic Health requires families to verify their incomes through tax returns and recent pay history information.[1] By contrast, the Medicaid look-alike program allowed families to declare income. Basic Health also requires proof of street address, Social Security numbers for all members of a family, and documentation of all sources of other income.

> *"There was always some requirement we didn't meet, a piece of information we didn't provide. Every time we thought we had complied with their requests, there was something else missing."*
> -Parent in Washington

Affordability Problems

Some transition families could not enroll in Basic Health because they could not afford required premiums. All Basic Health enrollees are required to pay monthly premiums, which are based on family income, age, and health plan. At the time of the transition, premiums ranged from $10 per person at the lowest income levels in a low-cost plan to over $150 per person for older adults at higher income levels. A very low-income family with two adults under age 40 and three children paid about $50 per month under the lowest-cost plan. (In 2004, premiums increased substantially.) Outreach workers and families expressed that premiums were too expensive for many transition families, preventing them from enrolling in the program. Some families noted that they enrolled children but not parents because of premium costs.

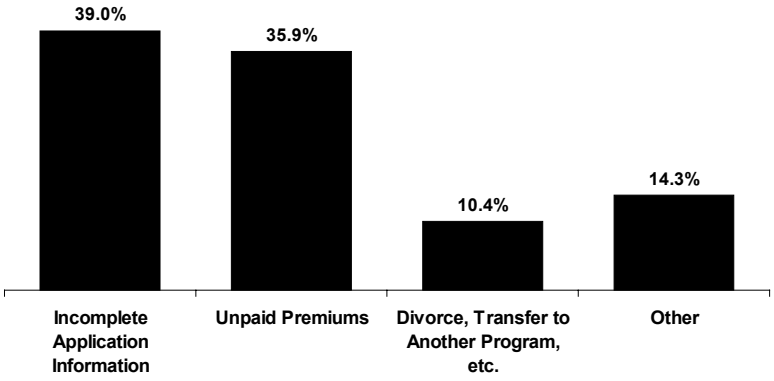
> *"Some don't have $10 to pay…The rent dominates their lives. They don't even try to rent on their own, but share with others and still don't have enough to pay rent."*
> -Outreach worker in Washington

Transition families had difficulty maintaining Basic Health coverage, largely due to problems providing required information and paying premiums. The attrition rate for transition families nearly doubled for those that enrolled in Basic Health, compared to when they had Medicaid look-alike coverage. On average, transition families had a monthly attrition rate of 4.4 percent during the first six months after the transition, compared to 2.6 percent when they were in Medicaid. Disenrollment rates increased over time, exceeding 8 percent in September 2003. Families noted that premium payment procedures and amounts made it difficult to pay premiums. Families are disenrolled if they miss two consecutive premium payments or three payments in one year and are then locked out of the program for one year. Figure 2 shows that documentation requirements and premiums were the largest reasons for disenrollment among the transition group. Since these data do not capture the reasoning behind decision-making, they do not precisely measure families' disenrollment reasons. For example, a family realizing it could not afford premiums may not have completed their application and, thus, have been coded as having an incomplete application, rather than unable to afford premiums. However, these data indicate that, together, the two broad sets of reasons account for most disenrollment.

[1] Tax return requirements can be waived if enrollees provide a signed declaration.

Figure 2

Reasons for Disenrollment from Basic Health Among Individuals from the Transition Group

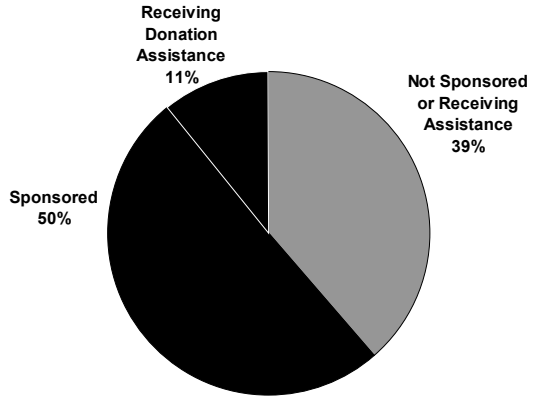


Note: Based on individuals from the immigrant transition group who were disenrolled from Basic Health between October 2002 and August 2003.
Source: Washington State Health Care Authority

"Sponsorship" of Basic Health premiums helped some transition families, but access to this assistance varied greatly. Sponsorship is the practice of clinics or community organizations paying Basic Health premiums on behalf of families. Apart from this ongoing sponsorship program, the state also solicited donations from various groups to assist in paying premiums for transition families for the first two months of enrollment. In November 2002, about one month after the transition began, over 60 percent of Basic Health enrollees from the transition group were receiving sponsorship or other donated assistance for premiums (Figure 3). Donations ended in December and January, which contributed to enrollment declines during these months. Further, availability of sponsorship varied significantly. In 19 counties, there were no sponsors available. In areas with sponsors, there were often limits on assistance. Some sponsors have income eligibility requirements and some help a limited number of people.

Figure 3

Sponsorship and Premium Donation Assistance Among Basic Health Transition Group Enrollees



Source: Washington State Health Care Authority

Problems Resulting from a Narrow Scope of Coverage

Some families experienced problems accessing necessary care because of the limited benefits and cost sharing in Basic Health. Outreach workers, health plan staff, and providers identified instances in which individuals were no longer covered for needed services after transitioning to Basic Health. Some children with chronic conditions lost coverage for treatment of life threatening and debilitating conditions. For example, Basic Health does not cover physical therapy for cerebral palsy, seizures, and other disorders. It also does not cover enteral feeding tubes and supplements for children with severe digestive disorders. Families also identified the loss of coverage for dental and vision services, medical equipment and supplies, non-emergency transportation, and limited availability of translation assistance as problematic. Some also raised concerns about the affordability of prescription drug copayments.

> *"[There is] a pretty cumbersome process for assuring that kids have the bare minimum, such as tube feeding, formula, etc. Basic Health and the related health plans have been poorly responsive to concerns that have to do with life-dependent functions like nutrition."*
> -Representative of a local public health district in Washington

Cost Shifting

Elimination of the Medicaid look-alike coverage increased pressures on other parts of the state's health care safety net. Nearly half of the transition group did not enroll in Basic Health and it is likely that a significant number became uninsured. Further, Basic Health does not cover some necessary services. This increase in uninsured families and non-covered services has shifted costs onto other parts of the state's safety net. Some of these families are now relying on community clinics and emergency rooms to obtain care. One pediatric oral health organization estimates that it has provided services to about 600 children from the transition population after they lost their dental coverage. Some of the costs of dental care were covered by temporary supplemental funds from the legislature. The oral health organization also provides dental services in the schools and absorbs the cost of services for families that cannot afford to pay—it estimates it has seen about 350 transition children through this program. Additionally, there has been an increase in use of the state's Alien Emergency Medicaid program, which provides coverage for certain acute care needs for emergent conditions. Finally, local charities and some hospitals have donated resources to assist transition families.

> *"…use of emergency services is on the rise. Our clinic provides services to those without Basic Health, so they are still getting care but it's straining our resources."*
> -Clinic-based outreach worker in Washington

CONCLUSION

In conclusion, when Washington State eliminated its Medicaid look-alike coverage for immigrant families, just over half of families transitioned to the state's more limited Basic Health program. Those that did enroll had difficulty retaining the coverage. It is likely that many of those who have not enrolled in or maintained Basic Health coverage have become uninsured. Problems understanding the Basic Health application process, increased documentation requirements, and difficulty paying premiums created barriers to enrollment. Among the transition families enrolled in Basic Health, it appears that some may be experiencing problems accessing necessary care due to benefit limits and cost sharing. Other safety net programs and organizations have helped to fill some of the gaps in coverage created by the transition from the

Medicaid program to Basic Health, but, as a result, they are facing increased costs and strains upon their resources. Further, since this study was completed, Basic Health premiums and cost sharing have substantially increased. As such, it is likely that problems retaining Basic Health coverage and accessing necessary care have increased for transition families, which could lead to further stress on other areas of the state's health care safety net.

This experience in Washington State has implications for states considering reductions in their Medicaid programs. Basic Health was originally designed for a population with slightly higher incomes than Medicaid-eligible groups, and it appears that many aspects of the program created difficulties for the lower-income immigrant transition population, which is comparable to other Medicaid-eligible groups. Programs that have income documentation requirements, premiums, limited benefits, and cost-sharing may be problematic for Medicaid and other very low-income populations. The comprehensive benefit package and cost sharing limits in Medicaid were important for this population. Finally, the findings also reveal that savings in the Medicaid budget can result in increased costs in other parts of the health care safety net, reducing overall savings.

Appendix A:
Differences Between Medicaid and Basic Health at time of Immigrant Transition

This table shows coverage for a selected list of benefits; other benefits not shown on this list may also be covered.

	Medicaid	Basic Health
Eligibility and Application Requirements		
Income verification	Allowed to state income *(Documentation required as of April 2003)*	Income documentation required
Premiums	None	$10-$158 per person, based on income, age, & health plan *(Increased in Jan. 2004)*
Premium payment rules	N/A	Disenrolled and locked out of program for one year if miss two consecutive monthly payments or three payments in one year
Eligibility period	12 Months *(Changed to 6 months in July 2003)*	Annual eligibility verification for those who provide social security numbers or appear in other state databases; six month verification for all others
Pre-existing condition exclusion	None	Up to nine months
Benefits and Cost Sharing ***(Basic Health cost sharing increased significantly from these amounts in 2004)***		
Hospital	Covered	Covered $100/admission ($500 annual max)
Emergency Room	Covered	Covered $50/use, waived if admitted
Physician Services	Covered	Covered $10/visit (preventive care exempt)
EPSDT Benefit[2]	Covered	Not covered
Lab and X-ray	Covered	Covered
Ambulance	Covered	Covered $50/transport
Non-Emergency Transportation	Covered	Not covered
Prescription Drugs	Covered	Covered, subject to a formulary $3, $7, or 50% of cost/drug
Mental Health	No limits on inpatient care; 12 outpatient visits per year	10 inpatient days & 12 outpatient visits/year $100/inpatient day ($500 annual max) $10/outpatient visit
Medical Equipment	Covered	Covered based on cost/benefit analysis
Dental	Covered	Not covered
Vision	Covered	Coverage for exams as part of a preventive visit
Hearing	Covered	Coverage for exams as part of a preventive visit
Physical, Occupational, Speech and Therapy	Covered	Covered only if related to surgery; 6 visits/year $10/visit

[2] Early and Periodic Screening, Diagnostic, and Treatment Benefit

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