THE HENRY J. KAISER FAMILY FOUNDATION

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Medicaid and the Uninsured

Medicaid and Welfare Reform: States' Use of the $500 Million Federal Fund

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Since the release of this report, Congress enacted *The Medicare, Medicaid and SCHIP Balanced Budget Refinement Act.* This act includes the following provisions related to the $500 million federal fund:

1) eliminates the October 2000 sunset of the fund and extends the availability of the funds until the money is expended

2) removes individual state time limits on spending their allotted funds.

The information contained in this report describes how states have used this fund to date and highlights the specific activities that states have undertaken to improve Medicaid enrollment and outreach.

EXECUTIVE SUMMARY

To assist states with maintaining Medicaid coverage for persons affected by welfare reform, Congress made $500 million in federal Medicaid funds available to states at enhanced matching rates up to 90 percent. Federal matching funds are available for expenditures associated with the implementation of Section 1931, the new pathway established with welfare reform and the delinking of Medicaid and cash assistance eligibility. This new money was intended to encourage states to reach out to those low-income families who may no longer qualify for cash assistance but are still eligible for Medicaid coverage. The funds are time-limited; states have three years from the implementation of their Temporary Assistance to Needy Families (TANF) program (which replaced Aid to Families with Dependent Children-AFDC) to spend their allocation. States may claim funds retroactively past their time limit; however, the fund sunsets on September 30, 2000.

This report reviews how states have responded to the available $500 million federal fund that was created by the federal welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)[2]. Medicaid officials in each of the 50 states were contacted during Winter and Spring 1999 to participate in a telephone survey about their state's use of the $500 million fund. State Medicaid officials were asked whether they have drawn down (or plan to draw down) federal funds from the $500 million fund; to describe the factors that influenced their decision; and what activities they are supporting (or plan to support) with the additional federal monies. Forty states[3] (including the District of Columbia) participated in the study. This paper describes the current status of the $500 million fund and highlights key findings from the state survey on state activities.

- **As of June 30, 1999, states have submitted claims to the Health Care Financing Administration for 10 percent ($49.7 million) of the available funds.**
  - Seventeen states have not submitted any claims.
  - Only four states have claimed 50 percent or more of their allotment.
- **The time limit imposed on the use of the fund may have contributed to the lower levels of expenditures claimed by the states.**
  - Sixteen states have already exhausted their time period (up to September 30, 1999) to undertake new activities at the enhanced federal matching rate, although they may claim retrospectively for activities already conducted. Seventeen more states will reach their time limit for undertaking new activities on December 31, 1999.
  - States reported initial confusion regarding the appropriate uses and dates of expiration of the $500 million fund created barriers to utilization of the fund. The Health Care Financing Administration (HCFA) and the Department of Health and Human Services' (HHS) have since issued guidance to clarify these issues.

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[2] See also Donna Cohen Ross and Jocelyn Guyer, *States May Need to Forego Important Outreach Initiatives if the Sunset on the "$500 Million Fund" is Not Lifted*, Center on Budget and Policy Priorities, October 18, 1999.

[3] Eleven states (Illinois, Michigan, Mississippi, Nevada, New Hampshire, South Carolina, South Dakota, Tennessee, Vermont, Virginia, and West Virginia) did not participate in the survey.

- Many states reported that competing priorities (e.g., implementation of CHIP, Y2K, Medicaid managed care) drew attention away from Medicaid outreach and eligibility efforts**.** Moreover, other external factors, such as need for legislative approval to implement activities, hampered states' ability to use the funds.

- **Although few claims have been made, states reported that they are planning or conducting a wide range of activities supported by the fund.**

  - Most state efforts are focused on outreach activities reimbursed at the 90 percent federal matching rate rather than eligibility or organizational changes that are matched at a 75 percent rate.

  - With the sole exception of eligibility systems-related changes, the most frequently cited activities supported by states with enhanced federal funding were those activities that qualify for a 90 percent federal match: developing and disseminating new publications, training, outreach, outstationing of Medicaid eligibility workers, community activities, public service announcements, and educational activities.

The declining enrollment in Medicaid and the modest enrollment into CHIP, along with welfare reform, has led to greater attention on activities to ensure health care coverage for low-income families. However, most of the federal money available explicitly for this purpose has not been used yet. As of September 1999, 16 states have reached their time limit to use the fund, and 17 more states face their expiration date at the end of December unless changes are made to the law. The Administration has proposed changes to the $500 million fund, such as eliminating the 12-quarter limitation and the expiration date and expanding the definition of allowable activities. The House and Senate are currently considering legislation to eliminate the statutory time limit on using the federal funds. Absent any legislative changes, it appears that no federal money can be spent past the law's sunset date of September 30, 2000.

INTRODUCTION

Despite expansions in eligibility and new outreach efforts in recent years, Medicaid enrollment is declining for the first time after a decade of rapid growth. At the same time, private sector coverage is also decreasing, resulting in over 44 million uninsured people in 1998. From 1995 to 1997, Medicaid enrollment for low-income families declined by 1.6 million (5.4 percent for adults and 1.4 percent for children). Policy analysts attribute much of this decline to recent changes in the welfare program, which, along with a strong economy, has led to significant decreases in welfare caseloads.

To assist states with maintaining Medicaid coverage for persons affected by welfare reform, Congress made $500 million in federal Medicaid funds available to states at enhanced matching rates up to 90 percent. Federal matching funds are available for expenditures associated with the implementation of Section 1931, the new pathway established with welfare reform and the delinking of Medicaid and cash assistance eligibility. This new money was intended to encourage states to reach out to those low-income families who may no longer qualify for cash assistance but are still eligible for Medicaid coverage. The funds are time-limited; states have three years from the implementation of their Temporary Assistance to Needy Families (TANF) program (which replaced Aid to Families with Dependent Children-AFDC) to spend their allocation. States may claim funds retroactively (past their time limit); however, the fund sunsets on September 30, 2000.

This report reviews how states have responded to the availability of the $500 million federal fund that was created by the federal welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Medicaid officials in each of the 50 states were contacted during Winter and Spring 1999 to participate in a telephone survey about their state's use of the $500 million fund. State Medicaid officials were asked whether they have drawn down (or plan to draw down) federal funds from the $500 million fund; to describe the factors that influenced their decision; and what activities they are supporting (or plan to support) with the additional federal monies. Forty states[4] (including the District of Columbia) participated in the study.

BACKGROUND

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) ended the automatic link to Medicaid for low-income families who received cash assistance. PRWORA replaced the Aid to Families with Dependent Children (AFDC) program and its entitlement to cash assistance with a block grant called Temporary Assistance for Needy Families (TANF). At the same time, Congress retained the AFDC standards and methodologies as the minimum standards for eligibility for Medicaid for low-income families with children. Thus for families with children, Medicaid eligibility remains tied to the AFDC standards in effect on July 16, 1996.

[4] Eleven states (Illinois, Michigan, Mississippi, Nevada, New Hampshire, South Carolina, South Dakota, Tennessee, Vermont, Virginia, and West Virginia) did not participate in the survey.

Historically, the Medicaid program reimburses states for allowable administrative expenses at a 50 percent federal matching rate.[5] In other words, for every $100 a state spends on Medicaid administration expenditures, the federal government reimburses the state $50. The new $500 million fund increased the federal matching rate (Figure 1). Depending on the type of activity, a state may claim either 75 or 90 percent federal matching funds. States may claim federal matching funds at the enhanced rate during the first three years following the effective date of their TANF program. For example, states that implemented their TANF program on October 1, 1996 had until September 30, 1999 to claim Medicaid expenditures against their allotment. States that implemented their TANF program on July 1, 1997 have until June 30, 2000 to make use of the fund.

Figure 1

The $500 Million Fund

- **Purpose:** To aid states in maintaining Medicaid coverage for individuals affected by welfare reform.
- **Match rate:** Enhanced federal match of 75% or 90% depending on type of activity.
- **Supported activities:** Related to Medicaid eligibility determination, including outreach, training, developing new eligibility forms and publications, hiring more eligibility workers, and information systems changes.
- **Time limit:** States have 12 quarters (3 years) from the time they implemented their TANF program to make claims against their allotment. The entire fund sunsets on September 30, 2000.

Source: Based on Heath Care Financing Administration regulations.

[5] Some administrative expenditures have always been reimbursed at a higher matching rate, such as automated claims processing systems and immigration verification.

$500 Million Fund Allocation and Reimbursement

The $500 million fund is divided into two allocations for every state: a base allocation and a secondary allocation. The base allocation is the same for all states ($2 million). The secondary allocation is distributed across states based on four weighted factors (see Table 1):

1. State AFDC-related caseload (60 percent);
2. State Medicaid administrative expenses (20 percent);
3. Supplemental Security Income (SSI) childhood disability case reevaluations (10 percent); and
4. SSI immigrant caseload (10 percent).[6]

States may receive reimbursement at a 90 percent federal matching rate for expenditures claimed against their base allocation and either 75 percent or 90 percent federal matching rate for expenditures claimed against their secondary allocation, depending on the type of activity.

Activities Supported by the Fund

As shown in Figure 2, the Health Care Financing Administration (HCFA) has specified the allowable activities to be reimbursed at either the 75 percent or 90 percent enhanced federal matching rate.[7] Generally, states may claim additional funding at the enhanced federal matching rate for expenses incurred for activities related to Medicaid eligibility determination as a result of the delinking of Medicaid and cash assistance.

Figure 2: Activities Supported at the Enhanced Federal Matching Rate

Activities Reimbursed at 75% Federal Matching Rate	Activities Reimbursed at 90% Federal Matching Rate
• Hiring new Medicaid eligibility workers (related to Section 1931 determinations) • Designing new eligibility forms (e.g., a single application for TANF and Medicaid whether eligibility is linked or not) • Identification of "at-risk" TANF recipients (i.e., those vulnerable to losing Medicaid eligibility as a result of TANF provisions) • State and local government organizational changes related to Section 1931 • Intergovernmental activities • Eligibility systems-related changes • Other activities identified by states and approved by HHS	• Educational activities (relating to current or potential Medicaid beneficiaries • Public service announcements • Outstationing of eligibility workers (more workers or new locations) • Training (for eligibility workers, providers, outstationed eligibility workers and others, community) related to Section 1931 • Outreach activities (e.g., general or targeted mailing campaigns) • Developing and disseminating new publications (targeted to at-risk populations) • Local community activities (e.g., meetings with community leaders and speeches to community groups)

[6] PRWORA narrowed the eligibility requirements for SSI assistance to disabled children. The Balanced Budget Act of 1997 reinstated Medicaid eligibility, but not SSI eligibility, for children that were receiving SSI at the time of welfare reform's enactment. PRWORA also significantly restricted legal immigrants' access to Medicaid by, among other things, forbidding any federal means-tested public benefits for legal immigrants who entered the country after the law's enactment in August 1996 for at least 5 years.
[7] 62 Fed. Reg. 26545.

FINDINGS

As of June 30, 1999, states have only claimed 10 percent of the funds available. Seventeen states have not submitted any claims and only four states have claimed 50 percent or more of their allotment.

According to the latest figures available from HCFA, of June 30, 1999, 17 states (AL, CO, CT, DC, GA, HI, LA, ME, MD, NE, NM, NC, SC, TN, TX, UT and VT) have not submitted claims against their allotment for the enhanced federal matching funds (Table 1). An additional 10 states (AZ, DE, IL, KY, MT, NY, PA, RI, WV and WI) have claimed less than five percent of their available allotment. By contrast, only four states (IA, MN, MO and NV) have drawn down half or more of their total federal allocation; of these states, only Nevada has spent all of its total federal allocation. Altogether, states have drawn down only less than $50 million (10 percent) of the $500 million total federal allocation.

It is important to realize, however, that to some extent the expenditures shown to date underrepresent states' use of the fund. Federal rules pertaining to timely filing allow a state two years from the time they incur an expenditure to claim federal matching funds. Thus, it is expected that a number of states that have not claimed against their allotment will do so in the future by reviewing expenditures retrospectively. Indeed, interviews with state Medicaid officials confirmed this notion that states planned to review previous expenditures and claim the enhanced match for activities which were allowable at the higher rate. For example, an official from Maine reported that the state hired a private contractor to review Medicaid expenditures expressly for the purpose of identifying expenditures that could be claimed at one of the higher rates. Maine will await the results from the review by its contractor before making any decisions about using its federal allotment.

The time limit imposed on the use of the fund may have contributed to the lower levels of expenditures claimed by the states.

While a state has the flexibility to draw down federal funds retroactively, the ability of a state to use all of its allotment is limited by the expiration of funds. Unlike the open-ended 50 percent federal matching rate for Medicaid administrative expenditures incurred by states, the Congress specified a national expiration date—September 30, 2000—for the $500 million fund.[8] In practice, however, the expiration date for each state may be much earlier because a state's expiration date is triggered by the date the state implemented its TANF program. States have 12 calendar quarters (three years) from the effective date of their TANF program to draw down federal funds at the enhanced rate.[9] Indeed, as shown in Figure 3, 16 states have already exhausted their time period. These states may claim expenditures against the fund

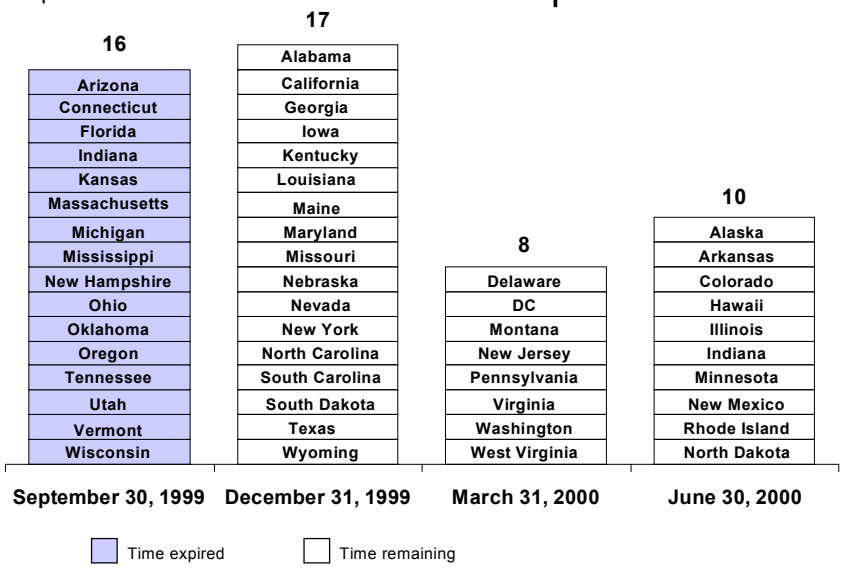
[8] The House and Senate are currently considering legislation to eliminate the statutory time limit on using the federal funds.

[9] In a letter issued by the Department on Health and Health Services on August 30, 1999, HHS notified states that it interpreted this provision to begin counting the 12 calendar quarters with a state's first *full* quarter following the effective date of their TANF program. For example, HCFA will begin counting calendar quarters in January 1997 for a state that implemented its TANF program on October 15, 1996. Thus, the enhanced federal matching fund for a state implementing its TANF program on October 15, 1996 will expire on December 31, 1999. By contrast, a state implementing its TANF program on October 1, 1996 will lose access to the enhanced federal matching funds on September 30, 1999; in this case the state is able to take full advantage of the quarter in which it implemented its TANF program.

retroactively; however, their ability to design new activities that would be allowed at the 75 percent or 90 percent enhanced rate has passed. The enhanced federal matching rate for 17 states will expire December 31, 1999. Eight states have until March 31, 2000 to draw down enhanced federal funds, and ten states have until June 30, 2000 to use their federal allotment. These states still have time to begin new activities that they may not have pursued at the 50 percent federal match but may be enticed to try at the higher matching rate.

Figure 3

$500 Million Fund: State Expiration Dates



Source: Health Care Financing Administration letter to the Secretary of Health and Human Services, August 30, 1999

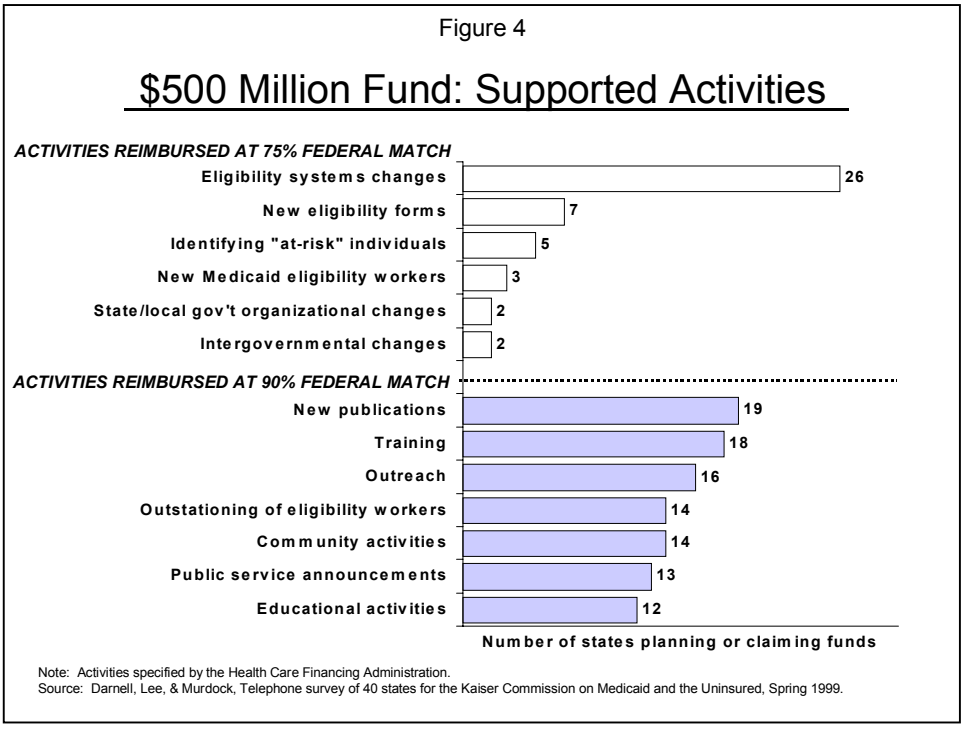
As shown in Table 1, as of June 30, 1999, more than $450 million of the initial $500 million federal allocation had not been claimed by the states. However, states may be undertaking activities that have not yet been claimed against their allocation. State officials in 34 states cited the time limit as a major constraint to using the funds. State officials reported that the time limit made it challenging for states to use the money given other competing priorities, such as the implementation of CHIP, delinking of Medicaid, implementation of Medicaid managed care, and preparation for Y2K. In the absence of the elimination of the time limit, HCFA will review how much of the $500 million fund is unspent as of June 30, 2000 (the last quarter in which states may incur new expenditures that may be claimed against the enhanced federal matching fund) and determine how to allocate any remaining federal funds before the fund disappears on September 30, 2000. For example, HCFA may distribute additional funds to a state that has exceeded its total federal allocation. Indeed, one HCFA official noted that the agency is encouraging states to continue reporting expenditures toward their federal allocation even if they have exceeded their total allotment.

Although few claims have been made, states reported that they are planning or conducting a wide range of activities supported by the fund.

As described previously, HCFA specified numerous activities that may be used toward the enhanced federal match. Some activities (e.g., hiring new Medicaid eligibility workers and eligibility systems-related changes) qualify for a 75 percent federal match and other activities (e.g., educational activities and outreach) qualify for a 90 percent match. Most state efforts are focused on outreach activities reimbursed at the 90 percent matching rate rather than eligibility or organizational changes that are matched at a 75 percent rate (Figure 4).

While these activities are listed as discrete activities, it is important to keep in mind that at times it is difficult to distinguish between categories of activities. For example, developing and disseminating new publications may be viewed as part of an overall outreach strategy. Moreover, educational activities may involve developing new brochures and pamphlets. This kind of ambiguity does not affect how much money a state will receive from the $500 million fund because each of these activities qualifies for a 90 percent federal match. Where it becomes more critical is distinguishing between those activities that qualify for a 75 percent federal match from those that qualify for a 90 percent match. In these cases the differences are more easily perceptible. For example, designing new Medicaid eligibility forms is noticeably different from developing new publications. With these limitations in mind, states reported supporting particular activities, as illustrated in Table 2. While most activities are state-driven, several states (CA, CO, FL, IN, MN, NY) reported that they have devolved responsibility for undertaking activities to the counties.

Figure 4



Note: Activities specified by the Health Care Financing Administration.
Source: Darnell, Lee, & Murdock, Telephone survey of 40 states for the Kaiser Commission on Medicaid and the Uninsured, Spring 1999.

Eligibility Systems Changes

Of the 40 states (including DC) participating in the study, 26 states (AK, AZ, AR, CO, CT, DE, FL, GA, ID, IN, IA, KY, MD, MA, MO, MT, NJ, NY, NC, ND, OH, OK, PA, RI, UT and WY) reported making eligibility systems-related changes. This activity is reimbursed at a 75 percent match by the Federal government. Among all of the allowable activities, making eligibility systems-related changes was cited most frequently. Moreover, this activity often was viewed as the most important activity and was frequently the first activity undertaken by the state. To delink eligibility for Medicaid and TANF (as required by Section 1931), states reported making programming changes to their eligibility systems so that Medicaid eligibility is determined separately from TANF. Previously families who received a cash payment automatically were eligible for Medicaid.

Developing and Disseminating Outreach Materials

Developing and disseminating new publications targeted to at-risk populations ranked as the second most often cited activity undertaken by states. Nineteen states (AL, AK, AZ, CT, DE, FL, ID, IN, IA, KY, MA, MO, NM, NY, OH, OK, PA, RI and WI) reported either developing and/or disseminating new publications to persons who may be eligible for Medicaid under Section 1931. These activities are reimbursed by the Federal government at a matching rate of 90 percent. Eleven states (AL, AK, CT, DE, ID, IN, KY, MA, NM, NY, and RI) reported developing new publications. For example, Indiana created a brochure that is more culturally appropriate. Three states (AZ, FL, MO) reported disseminating mass mailings to former AFDC recipients. Idaho and Indiana reported wide distributions of publications. A Delaware official noted disseminating new publications to family planning clinics and health clinics. A Montana official reported that the state might possibly use the federal monies to develop new publications.

Training

Training ranked as the third most frequently cited activity by state Medicaid officials. Eighteen states (AK, AR, CO, CT, DC, GA, IA, MN, MT, NM, NY, OH, OK, OR, PA, RI, WA, and WI) reported conducting training activities. States are reimbursed at a 90 percent federal matching rate for training activities. Allowable training activities include training related to Section 1931 for eligibility workers, providers, outstationed eligibility workers and others, and the community. Eight states (CO, CT, GA, MT, NM, NY, OH, and PA) did not specify for which population(s) their training activities would be targeted. Five states reported that their training activities are targeted only for Medicaid eligibility workers (AR, IA, MN, OR, and WA). A Minnesota official emphasized that the eligibility workers are trained particularly about transitional Medicaid benefits, a tool that allows low-income families to retain their Medicaid benefits as they leave welfare. Arkansas reported that its training activities are targeted for eligibility workers and outstationed workers. Rhode Island's training activities are targeted to providers and the community. DC's training activities are also targeted to members of the community. Perhaps the most extensive training efforts are being undertaken in Wisconsin. Wisconsin Medicaid officials reported that training activities are targeted for eligibility workers, providers, outstationed workers, and the community. State officials noted training staff from advocacy agencies, WIC sites, public health agencies, churches, homeless shelters and food pantries.

Outreach Activities

Outreach activities were cited by 16 states (CT, DE, DC, FL, IN, KS, KY, MA, MN, MO, NJ, OH, OK, PA, RI and WA). Outreach activities are reimbursed at a 90 percent federal matching rate. Most states reported that they are coordinating their Medicaid outreach activities with the CHIP outreach activities. Three states (DC, KS, and NJ) have contracted with a private vendor to conduct outreach activities. For example, DC's $1 million contract includes working with the media, disseminating information at drugstores, and training people in the community. A Medicaid official in Kansas noted that they are "scouring the state to give people information about the availability of Medicaid coverage." The state is using billboards and PSAs to spread the message. New Jersey's outreach contract provides information to Medicaid beneficiaries and workers about the delinking of Medicaid and TANF. Washington state has contracted with local health districts and county governments to conduct various activities, including outreach. Two states (MA and MO) reported working with local community-based organizations to conduct outreach activities. Massachusetts provides grants to CBOs to conduct outreach to low-income families. Minnesota's outreach strategy includes participating in health fairs, local health campaigns and working with community organizations to conduct outreach and education. Additionally, the Department of Human Services has a resource center that provides information and education to the community.

Outstationing Medicaid Eligibility Workers

Fourteen states (AK, AZ, CO, FL, ID, IA, MD, MA, MO, MT, OH, OK, UT, and WI) reported outstationing of Medicaid eligibility workers as among those activities they are undertaking. To qualify for the enhanced 90 percent federal matching rate, states may hire new Medicaid outstationed workers and/or expand their Medicaid outstationing activities at new locations. Six states (AZ, CO, FL, MA, MO, and WI) reported hiring additional Medicaid outstationed workers. Three states (AK, FL, MD) reported expanding the locations where workers are available. For example, Alaska expanded its Medicaid outstationed workers to two tribal TANF locations. Florida added workers to its KidCare centers. Maryland expanded its outstationed workers to other community hospitals. Two states (ID and IA) used the additional federal funding to develop new payment arrangements for outstationed workers. In Iowa, for example, the state is requesting that FQHC providers and rural health clinic providers pay the nonfederal state share (10 percent) while the state can take advantage of the enhanced federal matching rate and then will ask providers to pay 50 percent of the administrative expenses after the enhanced funding expire.

Local Community Activities

Thirteen states (AZ, FL, GA, IN, IA, MD, MA, MN, MO, OH, OK, PA, UT, and WA) are conducting local community activities. Several states (AZ, FL, IA, MA, and MO) noted that their Medicaid community activities are coordinated with their CHIP activities. Indiana is contracting with minority organizations (African American and Hispanic) to conduct outreach, provide enrollment assistance, re-design brochures to be culturally appropriate, and work with other community organizations. Indiana is tracking the Medicaid applications received by the minority organizations. Georgia is working with advocacy organizations such as the Healthy Mothers/Healthy Babies Coalition and the Georgia Council on Teen Pregnancy Prevention. Washington is working with the community to target hard-to-reach groups. Minnesota has a speakers' bureau to talk about all public aid programs. Local community activities are reimbursed at 90 percent federal match.

Public Service Announcements

Thirteen states (AZ, GA, IN, KS, MA, MN, MO, NM, OH, OK, RI, WA and WI) reporting using public service announcements (PSAs). PSAs qualify for a 90 percent enhanced matching rate. Three states (AZ, MA and MO) target their PSAs on radio and public transportation. Indiana's PSAs are displayed on billboards and posters.

Educational Activities

Twelve states (AK, AR, FL, MD, MN, MT, NM, OH, OK, PA, RI and WA) reported using educational activities. Allowable activities may include current or potential Medicaid beneficiaries. For example, Florida's strategy includes educating families leaving welfare and not receiving public benefits (e.g., Medicaid). Other educational activities cited by states include working with community-based organizations (MN), developing brochures (MD), hiring outreach workers (RI), developing PSAs (NM), and offering a toll-free number on public benefits programs (AR). Educational activities are reimbursed at a 90 percent federal matching rate.

Designing New Medicaid Eligibility Forms

Seven states (AR, CO, DC, OH, OK, PA, and RI) reported designing new Medicaid eligibility forms. This activity is reimbursed at the 75 percent federal matching rate. For example, Colorado is conducting a pilot study to simplify the Medicaid application used at disproportionate share hospital sites where outstationed workers are taking Medicaid applications. Rhode Island is designing a single application for Medicaid.

Identifying At-Risk Individuals

Five states (MN, OH, OK, RI, and WA) reported undertaking activities to identify "at risk" individuals, defined as persons who are vulnerable to losing Medicaid eligibility as a result of the TANF provisions. Minnesota is working with the Department of Justice to identify low-income families that may be eligible for Medicaid. Rhode Island has included identifying TANF recipients who may lose Medicaid as part of its overall outreach strategy. Identifying at-risk individuals qualifies for a 75 percent federal matching rate.

Hiring New Medicaid Eligibility Workers

Only three states (NY, OH, and OK) reported hiring new Medicaid eligibility workers. A fourth state (AK) reported that if the availability of funds is extended that they would hire additional workers. The time-limited nature of the funding was cited occasionally as a reason why this activity was not used more commonly. States receive a 75 percent federal match to hire new eligibility workers.

Issues and Challenges

The declining enrollment in Medicaid and the modest enrollment into CHIP, along with welfare reform, has led to greater attention on outreach activities to ensure health care coverage for low-income families. However, most of the federal money available through the $500 million fund has not been claimed. As of September 1999, 16 states have reached their time limit, and 17 more states face their expiration date at the end of December unless changes are made to the law. The Administration has proposed changes to the $500 million fund, such as eliminating the 12-quarter limitation and the expiration date and expanding the definition of allowable activities. The House and Senate are currently considering legislation to eliminate the statutory time limits on using the federal funds. Absent any legislative changes, it appears that no federal money can be spent past the law's sunset date of September 30, 2000.

Monitoring states' utilization of the fund should continue, including tracking whether the funds are used for outreach activities versus more structural changes in eligibility systems or organizational changes that may result in more long-term improvements in the eligibility and enrollment process. Furthermore, states should be assisted in evaluating what type of activities work best to ensure Medicaid coverage for families affected by welfare reform.

Table 1: States' Use of $500 Million Federal Fund

State	Total Federal Allocation	Claimed as of June 1999		Remaining		Expiration of Federal Funds
		$[1]	%	$	%	
Alabama	$6,504,897	$0	0.0%	$6,504,897	100.0%	12-31-99
Alaska	3,039,335	216,006	7.1%	2,823,329	92.9%	6-30-00
Arizona	7,961,603	113,483	1.4%	7,848,120	98.6%	9-30-99
Arkansas	5,095,513	1,287,359	25.3%	3,808,154	74.7%	6-30-00
California	83,719,458	5,602,814	6.7%	78,116,644	93.3%	12-31-99
Colorado	5,166,316	0	0.0%	5,166,316	100.0%	6-30-00
Connecticut	5,756,737	0	0.0%	5,756,737	100.0%	9-30-99
Delaware	2,801,757	233	0.0%	2,801,524	99.9%	3-31-00
District of Columbia	3,259,072	0	0.0%	3,259,072	100.0%	3-31-00
Florida	22,262,239	1,903,058	8.6%	20,359,181	91.5%	9-30-99
Georgia	11,591,549	0	0.0%	11,591,549	100.0%	12-31-99
Hawaii	3,435,742	0	0.0%	3,435,742	100.0%	6-30-00
Idaho	3,288,535	586,898	17.9%	2,701,637	82.2%	6-30-00
Illinois	19,363,894	317,058	1.6%	19,046,836	98.4%	6-30-00
Indiana	7,545,162	708,741	9.4%	6,836,421	90.6%	9-30-99
Iowa	4,782,362	2,405,247	50.3%	2,377,115	49.7%	12-31-99
Kansas	4,496,386	1,784,856	39.7%	2,711,530	60.3%	9-30-99
Kentucky	7,269,014	1,374	0.0%	7,267,640	99.9%	12-31-99
Louisiana	9,029,185	0	0.0%	9,029,185	100.0%	12-31-99
Maine	3,569,238	0	0.0%	3,569,238	100.0%	12-31-99
Maryland	7,595,943	0	0.0%	7,595,943	100.0%	12-31-99
Massachusetts	9,463,490	1,872,597	19.8%	7,590,893	80.2%	9-30-99
Michigan	15,975,445	3,425,223	21.4%	12,550,222	78.6%	9-30-99
Minnesota	7,708,769	4,669,759	60.6%	3,039,010	39.4%	6-30-00
Mississippi	8,561,965	582,416	6.8%	7,979,549	93.2%	9-30-99
Missouri	6,617,604	3,889,775	58.8%	2,727,829	41.2%	12-31-99
Montana	2,764,134	7,653	0.3%	2,756,481	99.7%	3-31-00
Nebraska	3,308,247	0	0.0%	3,308,247	100.0%	12-31-99
Nevada	3,258,808	3,258,808	100.0%	0	0.0%	12-31-99
New Hampshire	2,875,952	469,222	16.3%	2,406,730	83.7%	9-30-99
New Jersey	11,012,253	3,078,591	28.0%	7,933,662	72.0%	3-31-00
New Mexico	4,860,333	0	0.0%	4,860,333	100.0%	6-30-00
New York	37,034,556	618,914	1.7%	36,415,642	98.3%	12-31-99
North Carolina	11,550,703	0	0.0%	11,550,703	100.0%	12-31-99
North Dakota	2,537,922	354,421	14.0%	2,183,501	86.0%	6-30-00
Ohio	16,909,161	3,752,346	22.2%	13,156,815	77.8%	9-30-99
Oklahoma	5,938,082	380,704	6.4%	5,557,378	93.6%	9-30-99
Oregon	5,740,656	1,497,655	26.1%	4,243,001	73.9%	9-30-99
Pennsylvania	17,553,339	16,535	0.1%	17,536,804	99.9%	3-31-00
Rhode Island	3,459,771	3,002	0.1%	3,456,769	99.9%	6-30-00
South Carolina	6,221,783	0	0.0%	6,221,783	100.0%	12-31-99
South Dakota	2,642,597	985,582	37.3%	1,657,015	62.7%	12-31-99
Tennessee	9,250,889	0	0.0%	9,250,889	100.0%	9-30-99
Texas	27,523,806	0	0.0%	27,523,806	100.0%	12-31-99
Utah	4,006,172	0	0.0%	4,006,172	100.0%	9-30-99
Vermont	2,891,672	0	0.0%	2,891,672	100.0%	9-30-99
Virginia	8,531,522	2,493,251	29.2%	6,038,271	70.8%	3-31-00
Washington	10,443,170	2,977,700	28.5%	7,465,470	71.5%	3-31-00
West Virginia	5,420,593	178,755	3.3%	5,241,838	96.7%	3-31-00
Wisconsin	7,023,766	49,362	0.7%	6,974,404	99.3%	9-30-99
Wyoming	2,475,344	212,430	8.6%	2,262,914	91.4%	12-31-99
U.S.	**$491,096,441[2]**	**$49,701,828**	**10.1%**	**$441,394,613**	**89.9%**	**9-30-00**

[1] Based on TANF expenditure data from the HCFA-64-10 base forms as of June 30, 1999. Eight states (Connecticut, Iowa, Louisiana, Maine, Montana, New York, Rhode Island and Vermont) had not submitted their third quarter (6-30-99) expenditures as of October 14, 1999. Thus, the totals shown for these eight states reflect expenditures as of March 30, 1999.

[2] The total does not include Guam, Puerto Rico or the Virgin Islands. The total Federal allocation is $500 million.

Table 2: Activities States are Supporting (or Planning to Support) with New Federal Fund

State	Activities Reimbursed at 75% Federal Match						Activities Reimbursed at 90% Federal Match						
	Eligibility systems changes	New eligibility forms	Identify "at-risk" pop.	New Medicaid eligibility workers	State/local gov't org. changes	Inter-gov't changes	New publica-tions	Train-ing	Out-reach	Out-station eligibility workers	Community activities	Public service announce-ments	Education
AL							✓						
AK	✓						✓	✓		✓			✓
AZ	✓						✓			✓	✓	✓	
AR	✓	✓						✓					✓
CA[1]													
CO	✓	✓						✓		✓			
CT	✓						✓	✓	✓				
DE	✓						✓		✓				
DC		✓						✓	✓				
FL	✓						✓		✓	✓	✓		✓
GA	✓							✓			✓	✓	
HI[2]													
ID	✓						✓			✓	?[3]		
IN	✓						✓		✓		✓	✓	
IA	✓						✓	✓		✓	✓		
KS									✓			✓	
KY	✓						✓		✓				
LA[4]													
ME[5]													
MD	✓									✓	✓		✓
MA	✓						✓		✓	✓	✓	✓	
MN			✓					✓	✓		✓	✓	✓
MO	✓						✓		✓	✓	✓	✓	
MT	✓						?[3]	✓		✓			✓
NE													
NJ	✓								✓				
NM							✓	✓		?[3]		✓	✓
NY	✓			✓			✓	✓					
NC	✓												
ND	✓							?[3]					
OH[6]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OK[7]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OR								✓					
PA	✓	✓					✓	✓	✓		✓		✓
RI	✓	✓	✓				✓	✓	✓			✓	✓
TX[8]													
UT	✓									✓	✓		
WA			✓					✓	✓		✓	✓	✓
WI							✓	✓		✓		✓	
WY	✓												
Total	**26 states**	**7 states**	**5 states**	**3 states**	**2 states**	**2 states**	**19 states**	**18 states**	**16 states**	**14 states**	**14 states**	**13 states**	**12 states**

Note: Activity categories defined and specified by the Health Care Financing Administration.

Only those states that participated in the study are shown. Eleven states (IL, MI, MS, NV, NH, SC, SD, TN, VT, VA and WV) did not participate in the study. Of these, eight states (IL, MI, MS, NH, NV, SD, VA, and WV) have claimed a portion of their federal allocation as of June 30, 1999, according to expenditure data provided by the HCFA.

[1] California issued RFP to counties. Counties determined which activities, if any, they would offer.
[2] Hawaii does not plan to use its federal allotment of the enhanced federal matching rate.
[3] "?" indicates activities being considered by the state as a possible use of the fund.
[4] Louisiana does not plan to use its federal allotment of the enhanced federal matching rate.
[5] State hired a contractor to review claims retrospectively for costs that may be allowable at enhanced rate.
[6] State official reported that counties were doing "everything."
[7] State official reported that the state will "do everything on the list."
[8] HCFA encouraged the state to use the federal allocation even though they had not delinked Medicaid/TANF. As of the time of the survey the state had decided against using the new federal matching fund.