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U.S. Curtailing Bids to Expand Medicaid Rolls

By ROBERT PEAR

WASHINGTON — The Bush administration is imposing restrictions on the ability of states to expand eligibility for Medicaid, in an effort to prevent them from offering coverage to families of modest incomes who, the administration argues, may have access to private health insurance.

The restrictions mirror those the administration placed on the State Children's Health Insurance Program in August after states tried to broaden eligibility for it as well.

Until now, states had generally been free to set their own Medicaid eligibility criteria, and the Bush administration had not openly declared that it would apply the August directive to Medicaid. State officials in Louisiana, Ohio and Oklahoma said they had discovered the administration's intent in negotiations with the federal government over the last few weeks.

The federal government has leverage over states, because it pays a large share of the costs for Medicaid and the State Children's Health Insurance Program, and states have to comply with federal standards to get federal money. The insurance program was created for children whose families have too much income to qualify for Medicaid but not enough to buy private insurance.

On Dec. 20, the Bush administration rejected a proposal by Ohio to expand its Medicaid program to cover 35,000 more children. Ohio now offers Medicaid to children with family incomes up to twice the poverty level, or about $41,000 a year for a family of four. The state had proposed increasing the limit to three times the poverty level, to about $62,000.

"Federal officials told us that they would apply the criteria set forth in the Aug. 17 letter to our proposal for expansion of Medicaid," said Cristal A. Thomas, the Ohio Medicaid director.

Dennis G. Smith, the director of the federal Center for Medicaid and State Operations, confirmed that account.

"To be consistent and logical, you have to apply the criteria to Medicaid and CHIP," Mr. Smith said in an interview.

The same concern, about the substitution of government health care for private insurance, is present under both programs, he said, and states will not be allowed to "sidestep the Aug. 17

policy directive" by expanding Medicaid.

Jeff Nelligan, a spokesman for the Medicaid agency, said Ohio officials "were trying to get around the Aug. 17 policy directive." Under that policy, states had to enroll 95 percent of eligible children below 200 percent of the federal poverty level before they could expand their programs, a criterion that many state health officials said would be impossible to meet.

Tony Fratto, a spokesman for President Bush, defended the administration's stance.

"We want states to focus on enrolling their neediest population before they consider expanding Medicaid and CHIP to middle-income families," Mr. Fratto said. "This policy demonstrates the president's compassion. He wants to direct scarce tax dollars to those with the greatest needs."

Administration officials say government health programs start to "crowd out" private insurance when they cover families with incomes from 250 percent to 300 percent of the poverty level — about $51,600 to $62,000 for a family of four.

Some state officials complained about both the substance of the Medicaid policy and the way it was adopted.

"The Aug. 17 letter is a CHIP policy, not a Medicaid policy," said Mike Fogarty, chief executive of the Oklahoma Health Care Authority. "But it's being applied in a much broader way. We are seeing many more roadblocks."

The Oklahoma Legislature voted in May to cover 42,000 more children under Medicaid by increasing the income limit to 300 percent of the poverty level, from 185 percent. "In recent weeks," Mr. Fogarty said, "we got a very clear signal from federal officials that we would not be allowed to go beyond 250 percent of the poverty level."

Louisiana officials reported a similar experience. "We found that we have much less flexibility to make changes in Medicaid than we thought," said J. Ruth Kennedy, deputy director of the state's Medicaid program.

The new federal policy reflects a significant shift. In the first four years of the Bush administration, Tommy G. Thompson, the secretary of health and human services, often boasted that he had approved record numbers of waivers, allowing states to decide who got what benefits under Medicaid and the child health program.

"Our goal is to give governors the flexibility they need to expand insurance coverage to more Americans," Mr. Thompson said in 2001.

The child health program complements Medicaid. Income limits vary from state to state and tend to cluster from 133 percent to 185 percent of the poverty level for Medicaid, with states allowed to go 50 percentage points higher for the child health program.

Mr. Bush has been engaged in a yearlong battle with Congress over the child health program. In his budget request last February, Mr. Bush said he wanted to return the program to its “original objective” of covering children with family incomes less than twice the poverty level. He asked Congress to cut payments to states that covered children at higher income levels.

The Democratic-controlled Congress showed no interest in Mr. Bush’s proposal. But the administration has tried to achieve a similar objective unilaterally, with the letter to state health officials.

Under the new policy, states must meet certain conditions if they want to cover children with family incomes above 250 percent of the poverty level. For example, a child who had private coverage in the past must be uninsured for at least one year before being enrolled in a state child health program.

In June, the Louisiana Legislature unanimously approved a bill to expand eligibility for the State Children’s Health Insurance Program by raising the income limit to 300 percent of the poverty level, from 200 percent.

But Ms. Kennedy, the Louisiana official, said, “After receiving the Aug. 17 letter, we had to change course.”

Louisiana is now seeking permission to increase its income limit to 250 percent of the poverty level. And it has had difficulty getting federal approval.

In correspondence with the Louisiana Department of Health and Hospitals, federal officials have suggested that the state does not have enough money to pay its share of the costs.

In addition, federal officials challenged Louisiana to explain why it did not want to enforce the one-year waiting period for children who had lost private health insurance because of a parent’s death or the failure of a business where a parent was employed. In such cases, the state replied, the loss of coverage is involuntary, and the waiting period would “penalize children and families for circumstances beyond their control.”

In Wisconsin, Gov. James E. Doyle, a Democrat, and the State Legislature also wanted to expand eligibility for the children’s health program by increasing the income limit to 300 percent of the poverty level, from 200 percent. The federal government approved the proposal after Wisconsin scaled it back to 250 percent. Coverage for children above that level is to be financed entirely with state money.

"Federal officials made clear that they would not approve our proposal if we went to 300 percent of the poverty level," said Jason Helgerson, the Medicaid director in Wisconsin.