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Five Reasons Not to Add Red Tape to Your Child and Family Health Programs

Even as the recession has reduced state revenues, nearly every state has protected or strengthened children's coverage, recognizing that tough times are hitting families' budgets even harder than states' budgets.[1] As state fiscal pressures continue to mount, states may consider adopting policies that erect barriers to coverage for children and their families in order to save money. However, evidence confirms that introducing barriers to coverage and care is not a wise strategy. *In fact, red tape not only keeps eligible children and families from receiving necessary coverage, it creates administrative burdens for both the state and the families and drives up costs in the long run.* Protecting affordable coverage for children supports families when they need it the most and assures that scarce state resources are spent on care for kids, not paperwork.

1. Keeping Coverage Affordable Promotes Cost-Effectiveness

Increasing premiums and/or copayments will affect the extent to which people enroll in and use services. Beneficiaries are often willing to share the costs, provided that they view them as affordable,[2] but *experience and research show that even small increases in premiums for families can depress enrollment as coverage becomes unaffordable.* For example, following a $5 premium increase in New Hampshire, the state saw a decline of four percent in the monthly caseload.[3] There is also some evidence to suggest that increasing premiums leads to adverse selection, which raises the costs of serving children remaining in the program.[4] Increased copayments and other service-related cost sharing in Medicaid and CHIP, even when modest, can reduce utilization of necessary services, resulting in unmet needs.[5] *Erecting barriers to needed primary care is likely to drive up costs and result in greater use of the emergency room.*[6]

2. Simplified Enrollment Benefits State Workers, Reduces Administrative Costs, and Helps Families

Simple procedures, short application and renewal forms, and minimal documentation requirements are proven elements of a family-friendly process for enrolling and retaining eligible children in coverage. These best practices also avoid the administrative costs associated with processing duplicative and often unnecessary paperwork.[7] Complicated forms and missing documentation prompt additional follow-up by caseworkers, as well as resubmissions from applicants when errors occur. Additionally, when paper documents are the primary means of verification, locating and submitting them is likely to stall the process. Increasing the frequency of renewals multiplies this effect. After requiring renewal every six months rather than annually, and adding new verification steps, Washington State saw the cost of administering the Children's Medical Program increase by more than $5 million annually.[8] *Especially given recent cutbacks in state employees, simplifying enrollment offers a way to increase efficiency and do more with less.*[9] Louisiana has decreased the number of eligibility staff, while improving retention, due to the implementation of *ex parte*, telephone, and targeted administrative renewals. These changes, along with important cultural shifts within the agency, save the state almost $19 million annually in administrative costs.[10]

3. Keeping Children Covered Year-Round Promotes Better Health Outcomes and Lowers Administrative Costs

Children may inappropriately lose coverage for procedural, rather than eligibility-related reasons, only to reenroll in the program within a short period of time. This "churning" effect is often the result of administrative hurdles families must jump through, such as requiring time off from work for a face-to-face interview, completing complicated forms, and submitting documents that are not

readily available. Churning can have detrimental affects on children's health, as children with gaps in coverage are less likely to have a usual source of care and receive well-child care, and are more likely to have unmet medical needs.[11] By contrast, continuous health insurance coverage helps to ensure the use of appropriate preventive, primary, and condition-based care, which can improve health outcomes.[12] *Stable coverage also reduces the administrative costs associated with excessive paperwork and costly administrative staff time related to the unnecessary reprocessing of applications.* For example, in California over 600,000 Medicaid-enrolled children had been disenrolled from the program within a three-year period, only to be later reenrolled. It cost the state over $120 million to reprocess children who had, in fact, remained eligible.[13]

4. Adding Red Tape Doesn't Address Fraud and Abuse

The argument often made for requiring additional verification from applicants is that it reduces fraud and abuse by keeping ineligible individuals out of the program. This was the rationale for implementing a citizenship documentation requirement in Medicaid (and extending it to CHIP). However, in practice, the requirement has made it harder for many eligible children to obtain coverage and increased the complexity and costs of enrollment and renewal.[14] Despite the additional costs, the requirement has not accomplished its goal. One recent study in California found no examples of applicants misrepresenting their citizenship in order to obtain benefits.[15] *The risk of fraud by beneficiaries is, in fact, very low, and is much more likely to come from the provider side of the program; states looking to prevent fraud and abuse should focus efforts there.*[16]

5. Americans Overwhelmingly Support Maintaining Strong Coverage for Children in Good Times and Bad

Even before the economic downturn many people faced the challenge of finding affordable health coverage, but today, the lack of health coverage poses an ever more serious threat to the financial security and health of America's families. More than four out of ten families have cut back on their household spending as a result of their health care costs[17] and since 2001, the proportion of all bankruptcies due in part to medical expenses has increased by 50 percent.[18] *Despite the poor economy, the commitment of state leaders to stay the course on children's coverage and the efficiency of Medicaid and CHIP in getting and keeping children covered have resulted in the lowest level of uninsured children in two decades.*[19] Voters strongly support the popular, successful coverage provided for children through Medicaid and CHIP and believe that maintaining this coverage should remain a priority for state leaders.[20]

Endnotes

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