



Holding Steady: Medicaid Fiscal Relief and its Implications for America's Children and Families

When people lose their jobs, they often lose access to affordable health insurance... a source of stability for these families has been coverage for their children through Medicaid and CHIP.

The severity and length of the current recession has imposed a harsh toll on America's families. Over the past two years, more than 8.4 million people have lost their jobs and 14.9 million people are now unemployed.¹ Families, many for the first time, are seeking help with unemployment insurance, heating costs, food, and other social services.² One source of stability for many of these families has been affordable health insurance coverage for their children (and, in some instances, for the entire family) through Medicaid or the Children's Health Insurance Program (CHIP). While such families remain adversely affected by the loss of income and employer-based insurance, coverage for their children provides an important source of some security and peace of mind.

Providing services to struggling families has been a challenge for states facing their own loss of tax revenue, and as a result, the vast majority of states have made harmful program cuts.³ Health coverage for children, however, has generally held steady, primarily due to strong public support for children's coverage⁴ and help from the federal government. This has included new funding opportunities created by the renewal of CHIP⁵ in February of 2009, and most notably, the inclusion in the American Recovery and Reinvestment Act (ARRA) of extra federal assistance for states' Medicaid programs. In exchange for providing some \$87 billion in new federal Medicaid dollars, ARRA required states to maintain their eligibility rules for Medicaid, which helped to stave off even deeper cuts in the program.

In light of persistently high unemployment and state fiscal problems, Congress appears poised to

extend the Medicaid fiscal relief for an additional six months from its current December 31, 2010 expiration date to June 30, 2011. In this issue brief, we explore the role that Medicaid fiscal relief has played in sustaining affordable coverage options for children and their families during these uncertain times, and the risk of unraveling the progress that has been made in covering children in recent years if it is not extended.

Medicaid's Role for Children and Families in the Recession

When people lose their jobs, they often also lose their only access to affordable, health insurance for themselves and their families (see Figure 1; page 5). The cost of purchasing coverage on their own, especially after a job loss, is simply out of reach for many families. In 2009, the average annual cost of employer-sponsored coverage was \$13,375 for a family.⁶ Depending on a family's health status, cheaper plans may be found in the individual insurance market although they typically impose pre-existing condition exclusions, charge higher deductibles, or otherwise sharply limit the value of the coverage.⁷

Unemployed families also have the option, through COBRA, to buy into their employer group plan at full cost (plus an administration fee). ARRA and subsequent legislative extensions, allows workers who involuntarily lost their jobs to temporarily receive a 65 percent premium subsidy toward their COBRA coverage. However, an employer survey conducted by Hewitt Associates estimates that subsidized COBRA still costs the average worker \$3,000 a year for single coverage only; a cost that would likely be unaffordable for many families facing a loss in income.⁸

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In many instances, Medicaid or its smaller companion program, CHIP, are the only source of affordable insurance for these families, providing coverage to their children and in some limited circumstances, to parents. Over the past year, the number of people relying on Medicaid has grown significantly by 3.3 million to 46.9 million. Notably, a clear majority (60 percent) of the people gaining Medicaid have been children – two million out of the 3.3 million people gaining coverage were children (see Table 1; page 3). While enrollment growth varied by state, the share of new enrollment driven by children gaining coverage exceeded 75 percent in 15 states and accounted for more than half the enrollment growth in 38 states.⁹ Without Medicaid and CHIP, it is likely that many of these children would have become uninsured.

In comparison, parents and adults who have lost their health coverage during the economic downturn often do not have the option of enrolling in Medicaid. Nearly all states have sharply **lower income cutoffs** in Medicaid for children versus adults. In the median state, Medicaid and CHIP provide coverage to children in a family four with income up to approximately \$51,800 but to their parents only if they have income below \$8,400 a year.¹⁰ Adults without children fare even worse – in all but a handful of states they are simply ineligible for Medicaid regardless of how deeply impoverished they are.¹¹

The growth in Medicaid coverage comes at a time when states are struggling to address large deficits due to lower tax revenue. According to the Center on Budget and Policy Priorities, nearly all states have adopted cuts in one or more major program areas, including health care, services to the elderly and disabled, and K-12 and higher education.¹² Despite their unprecedented fiscal problems, states across the country have largely held steady when it comes to children's eligibility for coverage in Medicaid and CHIP. In a surprising number of instances, they even have moved forward to simplify enrollment and expand coverage to more uninsured children.¹³ The progress reflects strong political support for providing coverage to children during difficult economic times and the passage of legislation renewing CHIP in February of 2009, as well as the impact of ARRA's Medicaid fiscal relief.

IMPORTANCE OF MEDICAID FISCAL RELIEF FOR CHILDREN

- More than one in four children in this country rely on Medicaid/CHIP for health coverage, as does one in two low-income children.
- Children are three times as likely as adults to secure their coverage through Medicaid or CHIP.
- Over the past year, as Medicaid enrollment has grown in response to rising unemployment, children have accounted for 60 percent of those gaining coverage.

Sources: C. Hoffman, et al., "The Uninsured: A Primer," Kaiser Commission on Medicaid and the Uninsured (October 2009) and "Medicaid Enrollment: June 2009 Data Snapshot," Kaiser Commission on Medicaid and the Uninsured (February 2010).

Background on ARRA's Medicaid Fiscal Relief

As part of its economic stimulus package adopted in February of 2009, Congress included a sizable investment in fiscal relief to help states confront the reality of sharply falling revenues just as more of their residents require Medicaid and other assistance to get through the economic downturn. A major portion of this fiscal relief, \$87 billion, was provided to states in the form of a temporary increase in their Medicaid "matching rates" (i.e., the share of the cost of each state's Medicaid program picked up by the federal government). In more usual times, the Medicaid matching rate varies from 50 percent in more affluent states to 76 percent in states with lower per capita incomes. Under ARRA, all states were given a short-term boost of at least 6.2 percentage points in their Medicaid matching rates, and many states receive an additional temporary boost of up to 11.5 percentage points based on having a high unemployment rate (see Table 2; page 4).¹⁴ The additional federal funding lasts for 27 months, beginning October 1, 2008, and is slated to expire on December 31, 2010, halfway through all but four state's fiscal year 2011.¹⁵

In exchange for the additional Medicaid funding, ARRA requires states to maintain their Medicaid eligibility rules, methodologies, and enrollment procedures, as in place on July 1, 2008, including for children who make up the bulk of Medicaid beneficiaries.¹⁶ This "mainte-

Table 1: Increase in Medicaid Enrollment of Children, by State

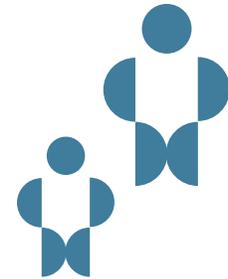
STATE	2008 ENROLLMENT (In Thousands)	2009 ENROLLMENT (In Thousands)	INCREASE IN ENROLLMENT (In Thousands)	CHILDREN'S SHARE OF TOTAL (Children and Adults) Enrollment Growth
Alabama	375.5	406.3	30.8	80.8%
Alaska	50.1	51.9	1.7	48.3%
Arizona	507.2	583.9	76.7	56.3%
Arkansas	274.9	293.4	18.5	70.2%
California	3223.4	3396.6	173.2	52.7%
Colorado	232.5	275.2	42.7	70.7%
Connecticut	201.9	215.6	13.7	49.1%
Delaware	67.2	71.9	4.7	34.5%
District of Columbia	65.7	70.4	4.7	92.3%
Florida	1095.4	1298.4	202.9	57.8%
Georgia	727.8	823.0	95.2	79.3%
Hawaii	90.6	99.1	8.5	38.4%
Idaho	104.6	112.5	7.9	75.7%
Illinois	1263.7	1354.5	90.8	72.6%
Indiana	489.3	542.9	53.5	57.6%
Iowa	156.3	183.2	26.9	69.0%
Kansas	143.7	149.0	5.3	49.8%
Kentucky	330.2	357.0	26.9	53.7%
Louisiana	572.4	601.7	29.3	76.4%
Maine	98.3	103.4	5.1	67.1%
Maryland	301.6	344.2	42.6	40.1%
Massachusetts	366.4	368.9	2.5	14.9%
Michigan	881.5	955.7	74.3	69.7%
Minnesota	318.9	339.3	20.4	36.0%
Mississippi	279.0	312.3	33.4	71.4%
Missouri	431.2	448.0	16.8	60.8%
Montana	43.8	47.1	3.3	75.4%
Nebraska	108.1	117.6	9.5	74.5%
Nevada	109.0	127.4	18.4	74.8%
New Hampshire	71.0	77.4	6.4	66.9%
New Jersey	481.2	510.1	28.9	93.0%
New Mexico	271.7	290.7	19.0	80.8%
New York	1599.4	1679.5	80.1	28.8%
North Carolina	658.7	719.5	60.9	66.9%
North Dakota	24.5	31.3	6.8	100.0%*
Ohio	826.3	899.5	73.3	50.7%
Oklahoma	329.5	361.3	31.7	78.1%
Oregon	177.1	204.9	27.8	75.3%
Pennsylvania	910.0	965.5	55.5	60.2%
Rhode Island	65.0	65.0	0.0	No Change
South Carolina	348.4	375.8	27.4	71.5%
South Dakota	53.4	54.2	0.8	18.9%
Tennessee	547.6	585.0	37.4	100.0%*
Texas	2005.2	2186.1	180.8	83.3%
Utah	97.7	119.6	21.9	57.6%
Vermont	51.2	53.8	2.6	27.7%
Virginia	358.0	399.9	41.9	76.6%
Washington	540.0	599.9	59.8	74.1%
West Virginia	156.9	163.8	6.9	54.3%
Wisconsin	358.7	414.4	55.7	44.9%
Wyoming	34.8	39.1	4.3	78.6%
United States	22,876.5	24,847	1,970.5	60.1%

Source: Georgetown Center for Children and Families calculation based on Kaiser Commission on Medicaid and the Uninsured, "Medicaid Enrollment: June 2009 Data Snapshot" (February 2010).

Note: Data represent point-in-time monthly enrollment. *In these states, Medicaid enrollment only increased for children.

Table 2: States' FMAPs Under the Provisions of the American Recovery and Reinvestment Act (ARRA)

STATE	FY10 Original FMAP	1st Quarter FY10 Adjusted FMAP
Alabama	68.0%	77.5%
Alaska	51.4%	61.1%
Arizona	65.8%	75.9%
Arkansas	72.8%	80.5%
California	50.0%	61.6%
Colorado	50.0%	61.6%
Connecticut	50.0%	61.6%
Delaware	50.2%	61.8%
District of Columbia	70.0%	79.3%
Florida	55.0%	67.6%
Georgia	65.1%	75.0%
Hawaii	54.2%	67.4%
Idaho	69.4%	79.2%
Illinois	50.2%	61.9%
Indiana	65.9%	75.7%
Iowa	63.5%	72.6%
Kansas	60.4%	70.0%
Kentucky	71.0%	80.1%
Louisiana	67.6%	81.5%
Maine	65.0%	74.9%
Maryland	50.0%	61.6%
Massachusetts	50.0%	61.6%
Michigan	63.2%	73.3%
Minnesota	50.0%	61.6%
Mississippi	75.7%	84.9%
Missouri	64.5%	74.4%
Montana	67.4%	78.0%
Nebraska	60.6%	68.8%
Nevada	50.2%	63.9%
New Hampshire	50.0%	61.6%
New Jersey	50.0%	61.6%
New Mexico	71.4%	80.5%
New York	50.0%	61.6%
North Carolina	65.1%	75.0%
North Dakota	63.0%	70.0%
Ohio	63.4%	73.5%
Oklahoma	64.4%	75.8%
Oregon	62.7%	72.9%
Pennsylvania	54.8%	65.9%
Rhode Island	52.6%	63.9%
South Carolina	70.3%	79.6%
South Dakota	62.7%	70.8%
Tennessee	65.6%	75.4%
Texas	58.7%	70.9%
Utah	71.7%	80.8%
Vermont	58.7%	70.0%
Virginia	50.0%	61.6%
Washington	50.1%	62.9%
West Virginia	74.0%	83.1%
Wisconsin	60.2%	70.6%
Wyoming	50.0%	61.6%



Source: 74 Fed. Reg. 18235-18237 (April 21, 2009); 74 Fed. Reg. 64697-64699 (December 8, 2009); and 75 Fed. Reg. 5325-5328 (February 2, 2010).

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nance-of-effort requirement” was not extended to CHIP, although many children covered in CHIP likely still benefited from the increased federal funding. The fiscal relief, in combination with other ARRA stabilization funds, has allowed states to address 30 to 40 percent of their fiscal year 2010 budget deficits and without this help, many more may have turned to cuts in CHIP.¹⁷ Currently, 49 states and the District of Columbia are making coverage available to uninsured children through CHIP although, as discussed below, the program is vulnerable in some states, such as Arizona and California.¹⁸

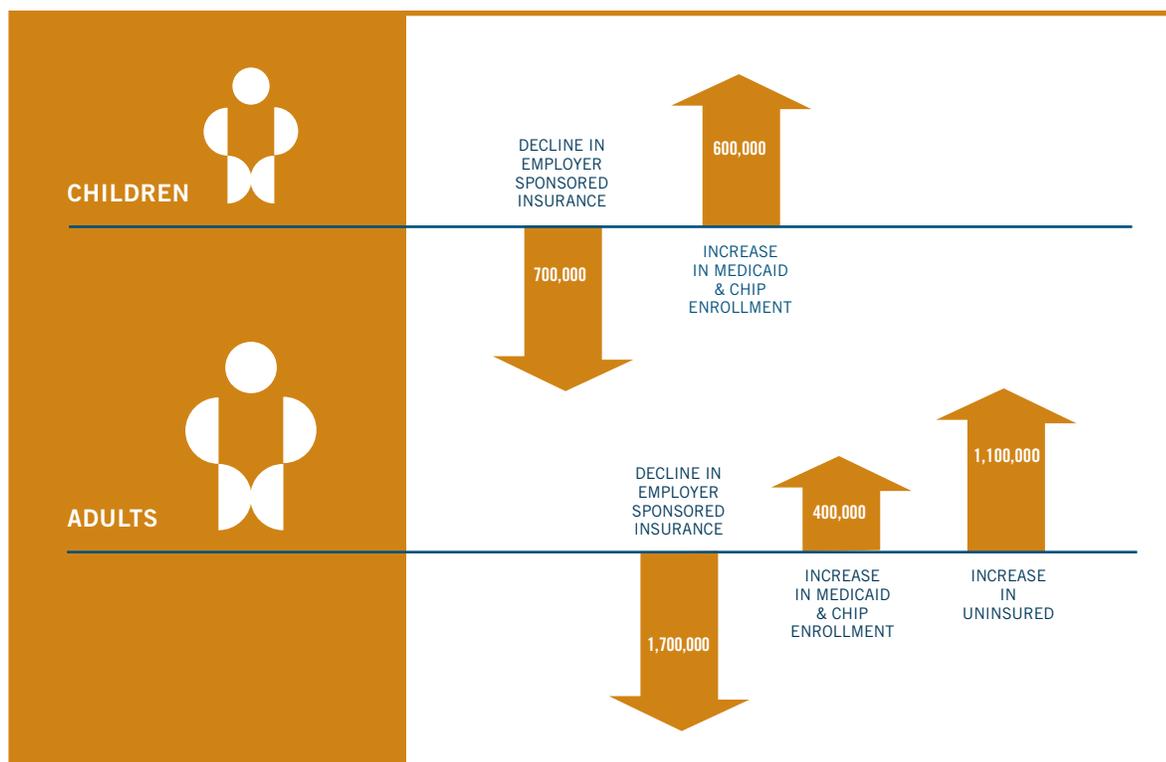
State officials widely report that ARRA Medicaid fiscal relief already has averted numerous major cuts in Medicaid. A recent report published by the Kaiser Commission on Medicaid and the Uninsured concluded that ARRA “clearly assisted Medicaid and avoided or ameliorated program restrictions that would have occurred without the influx of these dollars.”¹⁹ Specifically, state officials report using the funding to avoid provider rate cuts (38 states)

and benefit cuts (36 states), to address Medicaid budget shortfalls (36 states), to avoid or restore eligibility cuts (29 states), and/or to help pay for increases in Medicaid enrollment (33 states).²⁰ For example, in order to comply with the maintenance of effort requirements, Rhode Island restored Medicaid premiums originally increased in Fall 2008 and eliminated a new monthly premium charged to families between 133 percent and 150 percent of the federal poverty level (FPL).²¹

Policy Implications for Children and Families

The state fiscal crisis continues in full force – at the end of 2009, state tax collections shrank for a fifth consecutive quarter, the longest period of continuing state revenue declines since at least the Great Depression.²² Using prior recessions as a guide, the Rockefeller Institute suggests that it will still be at least two more years before state tax revenues begin to recover and may be as many as five years before regaining pre-crisis levels.²³

Figure 1. One Percent Increase in Unemployment Rate Leads to Loss of Employer Coverage



Source: S. Dorn, et. al., “Medicaid, SCHIP and Economic Downturn: Policy Challenges and Policy Responses,” Kaiser Commission on Medicaid and the Uninsured (April 2008). No statistically significant change was found in the number of uninsured children. The chart does not represent children/adults who lost employer coverage and obtained coverage from sources other than Medicaid/CHIP.

In the absence of an extension of Medicaid fiscal relief, there is a significant risk that the recent gains made for children's coverage will be lost.

In light of the ongoing state fiscal crisis and a persistently high unemployment rate, Congress seems poised to extend the Medicaid fiscal relief for an additional six months. President Obama has proposed a 6-month extension of Medicaid fiscal relief in his fiscal year 2011 budget. The House has passed such a proposal twice – once in its health reform bill (HR 3962) and once in a package of provisions aimed at increasing job growth (HR 2847). The Senate also has passed the measure as part of a “jobs bill” (HR 4213). Congress must next reconcile any differences in the bills.

In the absence of an extension of Medicaid fiscal relief, according to the Kaiser Commission on Medicaid and the Uninsured, the nation's Medicaid directors see a “fiscal cliff” looming on the horizon, and “the prospect for widespread program cutbacks in 2011, including eligibility cuts that would affect millions of Medicaid beneficiaries as well as the hospitals, doctors and other providers who depend on Medicaid to pay for health care they provide to Medicaid enrollees.”²⁴ At least 18 Governors, both Democrats and Republicans from a diverse group of states including Alabama, California, Georgia, Maine, Maryland, Missouri, Nevada, and Rhode Island, already assume continuation of the Medicaid fiscal relief in their budgets.²⁵ Even if fiscal relief is continued, many states are still considering significant cuts, particularly in provider reimbursement rates. If it is not extended, a number of states may resort to major cutbacks in eligibility. California's Governor Schwarzenegger, for example, has proposed drastically reducing or even eliminating the state's CHIP program, known as Healthy Families, leaving more than a million children at risk of joining the ranks of the uninsured.²⁶ Similarly, Arizona has proposed eliminating its CHIP program and reducing Medicaid eligibility for adults; cuts that would eliminate coverage for 47,000 children and 300,000 adults.²⁷

Children and their families have much at stake in the debate over whether to extend Medicaid fiscal relief. Medicaid, in particular, has long been a cornerstone of coverage for America's children, most notably low-income children in families that lack access to affordable coverage options through their

jobs. It covers more than one in four of America's children and fully half of the children in low-income families. In the current recession, it has become more important than ever, offering coverage to an additional 2 million children. In the absence of an extension of Medicaid fiscal relief, there is a significant risk that the recent gains made for children's coverage will be lost and that many families will have to forego one of the few bright spots in these uncertain times – a source of stable, reliable coverage for their children.

Endnotes

- 1 A. Turner, “Jobs Crisis Fact Sheet,” Economic Policy Institute (March 8, 2010).
- 2 For example, see J. DeParle & R. Gebeloff, “The Safety Net – Food Stamp Use Soars, and Stigma Fades,” *New York Times* (November 29, 2009).
- 3 N. Johnson, P. Oliff, & E. Williams, “An Update on State Budget Cuts,” Center on Budget and Policy Priorities (March 8, 2010).
- 4 First Focus, “Poll Results: Covering Children in Health Reform” (February 18, 2010).
- 5 D. Horner, et al., “The Children's Health Insurance Program Reauthorization Act of 2009,” Center for Children and Families (March 2009).
- 6 Kaiser Family Foundation & Health Research and Educational Trust, “Employer Health Benefits: 2009 Annual Survey,” (September 2009).
- 7 See, for example, K. Pollitz, et al, “Coverage When It Counts: How Much Protection Does Health Insurance Offer and How Can Consumers Know?,” Center for American Progress (May 2009).
- 8 Hewitt Associates, “Hewitt Research Continues to Show High Rate of COBRA Enrollments Among Subsidy-Eligible Employees,” (December 2009).
- 9 Kaiser Commission on Medicaid and the Uninsured, “Medicaid Enrollment: June 2009 Data Snapshot,” (February 2010).
- 10 Does not include state-funded expansions or limited coverage options. In the median state, Medicaid and CHIP provide coverage up to 235 percent of the FPL for a child and 38 percent for parents (in a four-person family). Center for Children and Families calculation based on D. Cohen Ross, et al., “A Foundation for Health Reform: Findings of a 50-State Survey of Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and CHIP for Children and Parents During 2009,” Kaiser Commission on Medicaid and the Uninsured (December 2009).

Endnotes (continued)

11 S. Artiga, "Where are States Today? Medicaid and State-Funded Coverage Eligibility Levels for Low-Income Adults," Kaiser Commission on Medicaid and the Uninsured (December 2009).

12 op.cit. (3).

13 For details see: op. cit. (11); Centers for Medicare and Medicaid Services, "Children's Health Insurance Program Reauthorization Act: One Year Later Connecting Kids to Coverage," (February 2010) and M. Heberlein, J. Guyer, & D. Horner, "Weathering the Storm: States Move Forward on Child and Family Health Coverage Despite Tough Economic Climate," Center for Children and Families (September 2009).

14 75 Fed. Reg. 5325-5328 (February 2, 2010) and Centers for Medicare and Medicaid Services, "American Recovery and Reinvestment Act of 2009: Section 5001: Increased Federal Medical Assistance Percentage (March 2009).

15 The state fiscal year begins in April in New York, in September in Texas, and in October in Alabama and Michigan. National Conference of State Legislatures, "Legislative Budget Procedures: Budget Framework," (October 8, 2009).

16 The maintenance-of-effort requirements also include prompt payment, and in the current extension in the Senate, a requirement that the Governor affirmatively request the additional federal funding.

17 P. Oliff, J. Shure, & N. Johnson, "Federal Fiscal Relief is Working as Intended," Center on Budget and Policy Priorities (June 29, 2009).

18 Over the course of 2009, three states (Arizona, California, and Tennessee) froze enrollment in their CHIP programs. Arizona is the only state that has not lifted the cap.

19 V. Smith, et al., "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2009 and 2010," Kaiser Commission on Medicaid and the Uninsured (September 2009).

20 *ibid.*

21 op. cit. (14), Heberlein, Guyer, & Horner.

22 L. Dadayan, "Final Quarter of 2009 Brought Still More Declines in State Tax Revenue," Rockefeller Institute of Government (February 23, 2010).

23 D. Boyd, "What Will Happen to State Budgets When the Money Runs Out?," Rockefeller Institute of Government (February 19, 2009).

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25 N. Johnson, E. Williams, & P. Oliff, "Governors' New Budgets Indicate Loss of Many Jobs if Federal Aid Expires," Center on Budget and Policy Priorities (March 8, 2010).

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27 M. Pitzl, "Plan for State Budget Counts on Steep Cuts," Arizona Republic (March 9, 2010).