

## **Over a Million Low-income Washington Residents Face New Health Care Barriers**

### ***Introduction***

On February 8, 2006 President Bush signed the budget conference bill that funds health care, welfare, student loans, child care, and other programs vitally important to public well-being. The new law includes numerous funding cuts for these programs alongside several policy changes. The combination of these changes is likely to reduce the number low-income Washington residents accessing services.

Changes to Medicaid are some of the most significant included in the new law. The Congressional Budget Office (CBO) estimates a national reduction of 11 billion dollars over five years in the health care program for low-income people. Reductions will be achieved largely through provisions that increase costs to Medicaid recipients. These and new administrative barriers are likely to also reduce Medicaid costs by simply reducing the number of people receiving Medicaid. Already nearly one in ten Washingtonians do not have health insurance and the number of uninsured is rising.<sup>1</sup> These changes could rapidly increase the number of people without health care in Washington State.

### ***Key Medicaid Provisions in the 2006 Conference Agreement***

- **Steep increases in co-payments and premiums** directly shift costs to beneficiaries. Currently adults, other than pregnant women, can be charged a three dollar co-payment for each appointment.<sup>2</sup>

- **Providers would be allowed to deny services when individuals cannot afford the co-payment** potentially leading to increases in uncompensated emergency room care. Currently, individuals remain financially responsible for the payment but cannot be denied services.
- **Fewer health care services covered by Medicaid.** Washington will be allowed to reduce health care services currently provided under Medicaid for parents at any income level as well as for children over six and above 100 percent Federal Poverty Line (FPL) and children under six above 133 percent of FPL.
- **Requirements to verify U.S. citizenship will affect an estimated 1,085,000 Washington residents** imposing new barriers to individuals enrolling in Medicaid and to beneficiaries retaining coverage while eligible.<sup>3</sup>

### **Cost Increases Could Affect 920,000 Low-income Washington Medicaid Beneficiaries**

To achieve cost saving goals, the federal government will allow states to implement measures that increase costs and decrease access to health care for Medicaid beneficiaries. Combined these cost shifting measures account for 75 percent of the five and ten year "savings".<sup>4</sup> One such provision creates a steep income-tiered system of increases in co-payments and premiums. Washington State has considered, but does not currently impose co-payments. For example:

- For a family of three earning less than \$16,000 a year (under 100 percent FPL) co-payments can rise twice as fast as income. These co-payments will be tied to the medical care component of the Consumer Price Index, which has been rising twice as fast as inflation. This measure could impact 669,000 current Washington beneficiaries.<sup>5</sup>
- For a family of three earning between \$16,000 and \$24,000 (100-150 percent of FPL) co-payments can increase up to ten percent of the total cost of service including hospital stays which can cost several thousand dollars a day. This measure could impact 167,000 current Washington beneficiaries.<sup>6</sup>
- Increases in co-payments up to 20 percent of the total cost of service for a family of three earning more than \$24,000 (above 150 percent of FPL). This measure could impact 90,000 current Washington beneficiaries.<sup>7</sup>

<b>Impact of Co-Payments in Washington State</b>			
<b>Income for Family of 3</b>	<b>Current Co-Payment Allowed</b>	<b>Increase in Co-payment</b>	<b>Beneficiaries affected in Washington</b>
Less than \$16,000	\$3 per visit for adults	2X rate of inflation	669,000
\$16,000-\$24,000	\$3 per visit for adults	10% of total service cost	167,000
Above \$24,000	\$3 per visit for adults	20% of total service cost	90,000

Fully implementing these cost sharing measures will result in low-income Washington families bearing up to 30 percent of Medicaid cost “savings” over five years.<sup>8</sup> This burden is greatly disproportionate for families earning incomes less than 60 percent of all Americans.

Significant evidence exists to show that cost increases results in fewer individuals accessing care.<sup>9</sup> The CBO estimates 80 percent of the savings of this bill will be derived from fewer health services provided rather than the collection of co-payments.<sup>10</sup> While Washington has proven to be a leader in health care, significant revenue decreases over the past four years have prompted the state to consider implementing higher premiums and co-pays. The 2003-2005 Washington State budget, which initially included the introduction of premiums, assumed cost savings through a subsequent loss of 24,000 Medicaid beneficiaries.<sup>11</sup>

Poor health outcomes have much wider public effects in addition to economic impacts. The Congressional Budget Office also estimates that increased emergency room care by individuals unable to pay co-payments and premiums will reduce projected savings.<sup>12</sup> When the uninsured seek emergency care, they are often more sick than if they had been continuously covered.<sup>13</sup> In Washington State, \$318 million dollars was paid in uncompensated care in 2002.<sup>14</sup> This number will rise if individuals are forced to forgo health care services due to increased costs.

### **Reduced Health Care Services**

The bill allows Washington to reduce health care services provided to certain groups of Medicaid beneficiaries, including non-disabled parents. These include mental health, dental care, and vision care. States can also reduce the duration and amount of other services usually covered by Medicaid.

The bill also includes a new method for providing the services required under children's Medicaid, which could result in children going without necessary medical care. Medicaid currently provides health care to one in three children in Washington.<sup>15</sup> Implementing this measure could weaken the program's ability to provide children with comprehensive care.<sup>16</sup>

## Verifying Citizenship

U.S. citizenship will need to be verified for new Medicaid applicants and current participants claiming to be citizens. Medicaid participants will be required to show a valid driver's license and birth certificate or passport. Currently Washington State only requires this verification when an individual's citizenship status is questionable. Over one million Washington residents will be subject to this type of citizenship verification. This change does not affect the eligibility of individuals with other qualifying immigrant status.

This new verification requirement will create an administrative barrier for eligible citizens. A new poll shows that about eight percent of adults with incomes below \$25,000 do not have these documents available and the percent is higher for children of these adults.<sup>17</sup> Based on these findings approximately 87,000 Washington residents could be denied enrollment or experience a delay in services due to this requirement. A 2004 Health Policy Analysis Program (HPAP) report found that the recent addition of numerous administrative requirements, such as increasing the number of eligibility reviews, contributed to a decrease in enrollment. For example, when Washington State added new Medicaid administrative requirements in 2003, enrollment decreased by 20,000 individuals over an eight month period.<sup>18</sup>

Obtaining these documents will create new administrative burdens on the state without additional funds for implementation. States cannot require individuals to pay for documents necessary to enroll in Medicaid. Therefore, in addition to staff resources necessary to accommodate the new verification process, Washington will also need to cover the fees to help individuals obtain these documents. Securing birth certificates and passports will incur significant costs, ranging from \$5-\$23 and \$87-\$97 per person respectively.<sup>19</sup> The Washington State Department of Social and Health Services assume a large administrative cost to implementing this measure.

## Conclusion

Washington State now faces a number of critical policy decisions. A number of measures described in this provision are optional. Though the state is not required to implement them, they are the only mechanism available to achieve projected federal Medicaid savings. In addition, though the state's federal share of Medicaid dollars will increase very slightly, mandatory provisions are unfunded and will incur substantial costs. Implementing any of the mandatory or state option measures could increase the number of individuals without access to health care. Without coverage, individuals are forced to seek emergency room care, costs that are eventually paid through state general fund revenues. Though the high costs of uncompensated care could be prevented, they highlight the importance of providing health care as a matter of public good. Though Washington policy makers must make serious implementation choices there is no question that insuring quality health outcomes matters for all Washington residents.

### Important Facts about the Washington Medicaid Debate:

- Nearly 1 in 10 Washington residents do not have health insurance
- Nearly 2/3 of the uninsured earn less than 200% of the Federal Poverty Level
- The number of people without health insurance is increasing
- Medicaid is Washington's largest health care program covering 950,000 Washingtonians
- Medicaid provides health care to 1/3 of Washington State's children
- 75% of adults receiving Medicaid are working
- 370,000 Medicaid participants earn incomes below the Federal Poverty Level (FPL)
- 167,000 Medicaid Participants earn incomes between 100-150% of the FPL
- 90,000 Medicaid Participants earn incomes between 150-200% of the FPL

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## Endnotes:

<sup>1</sup> Burchfield, Erin. 2004 Washington State Uninsured Statistics from the 2004 State Population Survey. Community Health Network of Washington. 2004

<sup>2</sup> The maximum currently allowed under federal law is three dollars, but Washington State does not currently require any copayments for adults. The budget reconciliation law gives states broader authority on copays,

<sup>2</sup> Broaddus, Matt and Leighton Ku. New Requirements for Birth Certificates or Passports Could Threaten Medicaid Coverage for Vulnerable Beneficiaries: A State by State Analysis. Center on Budget and Policy Priorities. January 5, 2006.

<sup>4</sup> Park, Edwin. New Congressional Budget Office Estimates Indicate Millions of Low-Income Beneficiaries Would be Harmed by Medicaid Provision in the Budget Bill. Center on Budget and Policy Priorities. January 29, 2006, pg. 5.

<sup>5</sup> Ten Things to Know about Washington's Medicaid Program. Community Health Network of Washington. July 2005.

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>7</sup> Based on Center on Budget and Policy projections in which increases in cost sharing would account for about 3.2 billion of the 11 billion or 30% of savings over 5 years.

<sup>8</sup> Greenstein, Robert, Edwin Park and Sharon Parrott. Assessing the Effects of the Budget Conference Agreement on Low-income Families and Individuals. Center on Budget and Policy Priorities. January 9, 2006.

<sup>10</sup> Park, Edwin. New Congressional Budget Office Estimates Indicate Millions of Low-Income Beneficiaries Would be Harmed by Medicaid Provision in the Budget Bill. Center on Budget and Policy Priorities. January 29, 2006,

<sup>11</sup> Gardner, Mark, Terry Lew and Patricia Lichiello. The Cost of Enrollment Instability in Washington State's Medicaid Program. Health Policy Analysis Program. March 5, 2004., pg. 15. Though the final budget included the premiums they were ultimately vetoed by the Governor.

<sup>12</sup> Park, Edwin. New Congressional Budget Office Estimates Indicate Millions of Low-Income Beneficiaries Would be Harmed by Medicaid Provision in the Budget Bill. Center on Budget and Policy Priorities. January 29, 2006, pg. 5.

<sup>13</sup> Gardner, Mark, Terry Lew and Patricia Lichiello. The Cost of Enrollment Instability in Washington State's Medicaid Program. Health Policy Analysis Program. March 5, 2004., pg. 15. pg. 10

<sup>14</sup> Washington State Office of the Insurance Commissioner.

Please see

[www.insurance.wa.gov/new/release/newsdetail.asp/rcdNum=41](http://www.insurance.wa.gov/new/release/newsdetail.asp/rcdNum=41)

5

<sup>15</sup> Ten Things to Know about Washington's Medicaid Program. Community Health Network of Washington. July 2005.

<sup>16</sup> Early and Periodic Screening Diagnosis and Treatment was required for all children as were services such as dental care. While those services are still required states can offer them as "wrap around" packages to children of adults for whom these services are no longer required adding a layer of complexity to how children receive basic care.

<sup>17</sup> Ku, Leighton, Donna Cohen Ross and Matt Broaddus. Survey Indicates Budget Reconciliation Bill Jeopardizes Medicaid Coverage for 3 to 5 Million U.S. Citizens. Center on Budget and Policy Priorities. January 26, 2006

<sup>18</sup> Gardner, Mark, Terry Lew and Patricia Lichiello. The Cost of Enrollment Instability in Washington State's Medicaid Program. Health Policy Analysis Program. March 5, 2004., pg. 4.

<sup>19</sup> Ku, Leighton, Donna Cohen Ross and Matt Broaddus. Survey Indicates Budget Reconciliation Bill Jeopardizes Medicaid Coverage for 3 to 5 Million U.S. Citizens. Center on Budget and Policy Priorities. January 26, 2006.