

LOSING GROUND: DECLINING MEDI-CAL ENROLLMENT AFTER WELFARE REFORM



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CALIFORNIA BUDGET PROJECT

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California Budget Project
921 11th Street, Suite 502
Sacramento, CA 95814
(916)444-0500
(916)444-0172 (fax)
cbp@cbp.org
www.cbp.org

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EXECUTIVE SUMMARY

The 1996 federal welfare law delinked eligibility for Medicaid (Medi-Cal in California) from the receipt of cash assistance. In an effort to ensure continued eligibility for low income families, Congress required states to provide Medicaid coverage to recipients of state programs funded under the Temporary Assistance for Needy Families (TANF) block grant, as well as any individuals who would have been eligible for AFDC, the former cash assistance program. As a result of this change, individuals no longer need to receive cash assistance in order to qualify for Medi-Cal. Despite attempts to maintain health coverage, studies suggest that large numbers of families have lost Medicaid since the enactment of welfare reform.

This paper examines Medi-Cal enrollment trends in light of the substantial drop in welfare caseloads in recent years. Our findings show that while the number of persons receiving non-cash-related Medi-Cal has increased substantially, the gain is less than the number of persons who lost Medi-Cal coverage when they left cash assistance. Most of the decline in family-based coverage occurred before California's implementation of welfare reform in January 1998. Since January 1998, enrollment in non-cash-related Medi-Cal has exceeded the decline in cash-related Medi-Cal. However, enrollment trends have varied substantially between counties, and the drop in cash-related coverage exceeded the rise in non-cash-related enrollment in a majority of the state's counties in the most recent period studied (April 1999 through December 2000). This report concludes with an analysis of some of the factors that are and are not associated with Medi-Cal enrollment gains, and case studies of counties with significant gains or losses of family-based Medi-Cal enrollment.

MAJOR FINDINGS

- Family-based Medi-Cal enrollment declined by 194,029 between March 1995 and December 2000. Most of the drop occurred between the middle of 1996 and the beginning of 1998, with a partial recovery in 1999 and 2000.
- The decrease in coverage reflects fewer people enrolling in Medi-Cal as a result of receiving cash assistance through the CalWORKs program. Between March 1995 and December 2000, the number of persons receiving cash-related Medi-Cal fell by 1,268,050, while the number of persons enrolled in family-based Medi-Cal categories that are not linked to cash assistance rose by 1,074,021.
- Over the period studied, family-based enrollment shifted from being predominantly linked to cash assistance to predominantly non-cash related. In March 1995, three quarters (76.0 percent) of family-based Medi-Cal enrollment was cash-related, while in December 2000 less than half (42.8 percent) of family-based coverage was linked to cash assistance. Non-cash-related enrollment first surpassed cash-related enrollment in March 2000.
- Between March 1995 and December 2000, 84.7 percent of the decline in cash-related Medi-Cal enrollment was offset by an increase in non-cash Medi-Cal enrollment. We call this percentage offset a "replacement rate."
- Replacement rates varied significantly during the three phases studied in this analysis (March 1995 to January 1998, January 1998 to April 1999, and April 1999 to December 2000). The three phases correspond to different policy frameworks for family-based Medi-Cal. The replacement rate for the period

March 1995 to January 1998 was 6.8 percent. This is the period between the peak of welfare (then AFDC, now CalWORKs) caseloads and the implementation of welfare reform in California. In other words, only seven persons enrolled in non-cash-related Medi-Cal for every 100 persons who left cash-related Medi-Cal during this period. The replacement rate for January 1998 to April 1999 was 116.9 percent. This period covers the time from the “delinking” of Medi-Cal eligibility and cash assistance to the issuance of the final rules for the new 1931(b) category of Medi-Cal eligibility. The replacement rate for the final period was 163.0 percent. This period begins with the issuance of the final 1931(b) rules and ends in the final month for which data were available at the time of this analysis.

- The increase in family-based coverage after the implementation of the policy changes related to the 1996 federal welfare law suggests that the “delinkage” of Medi-Cal and cash assistance, as well as measures taken to encourage Medi-Cal enrollment among individuals who are not receiving cash assistance, have helped to improve health coverage, particularly among children. However, the effectiveness of these policies varies substantially among counties.
- Medi-Cal enrollment trends varied substantially among counties. Replacement rates for the March 1995 to December 2000 period ranged from a high of 134.1 percent in Los Angeles County to a low of 5.8 percent in Plumas County (a replacement rate of more than 100 percent means that the increase in non-cash enrollment was larger than the decline in cash enrollment).
- The magnitude of Los Angeles County’s enrollment gain significantly affects the replacement rate for the state as a whole. If Los Angeles County is excluded, the overall replacement rate for the state is 66.9 percent (as compared to 84.7 percent); the replacement rate for Phase One excluding Los Angeles County was 21.3 percent (as compared to 6.8 percent); the replacement rate for Phase Two excluding Los Angeles County was 81.3 percent (as compared to 116.9 percent); and the replacement rate for Phase Three was 127.7 percent (as compared to 163.0 percent).
- Counties with high poverty rates tend to have higher replacement rates, while low replacement rates are associated with larger decreases in unemployment rates. The share of children enrolled in the Healthy Families Program is not statistically related to county replacement rates. The percentage of uninsured county residents was positively associated with replacement rates. In other words, counties with higher rates of uninsurance tend to have higher replacement rates. County policies and practices appear to be the most significant factor influencing family-based Medi-Cal enrollment trends.

Strategies for Boosting Coverage

The case studies described in this report, as well as other research, identify a number of strategies that can be used to boost enrollment in the Medi-Cal and Healthy Families Programs:

- *Counties with high replacement rates made maintaining and increasing coverage a major priority.* Strong leadership can help ensure that eligible families receive the Medi-Cal coverage they are entitled to. In counties with high replacement rates, this message often originated with the key department heads and/or elected officials. In particular, counties with strong cooperation between county health and social services departments tended to have higher replacement rates.
- *Counties should use every available opportunity to encourage families leaving welfare to maintain health coverage.* Counties should aggressively seek to ensure that families have health coverage when they leave welfare for work. Studies suggest that many “welfare leavers” obtain jobs without employer provided coverage. The new 1931(b) and Transitional Medi-Cal programs are designed to ensure that families do not lose coverage when they leave welfare for work. Enrollment remains particularly low in Transitional Medi-Cal, which provides health coverage to individuals whose in-

come rises above the eligibility limit for other programs. Further research is needed to determine why utilization of this program remains low.

- ***Increase outreach efforts.*** A large number of California's uninsured are eligible for, but not enrolled in Medi-Cal or the Healthy Families Programs, including families that lost coverage when they left the welfare rolls. Promising outreach strategies include the use of bilingual staff and programs that collaborate with schools and community clinics.
- ***Foster simplicity.*** Many observers cite the complexity of the Medi-Cal application form and the burden of the previously required quarterly reports as barriers to enrollment. The state should continue efforts aimed at simplifying application forms and procedures, including "express lane" eligibility, which links health coverage to participation in other programs such as the school lunch program, and streamlined income verification procedures.
- ***Improve computer support for county caseworkers.*** County officials identify inadequate computer support systems as a barrier to encouraging enrollment. Automated redetermination systems could expedite enrollment and help caseworkers catch errors that may delay coverage. Improved systems could also help identify families that are eligible for, but not enrolled in, Medi-Cal who are receiving other county services.
- ***Remove barriers to coverage.*** Currently, adults applying for Medi-Cal are subject to assets limits, while children applying for Medi-Cal or the Healthy Families Program are not. The assets test prevents families with very low incomes from obtaining coverage if they have even minimal savings, and adds complexity to the application process.