

**MEASURING THE DECLINE IN CHILDREN'S
PARTICIPATION IN THE MISSOURI MEDICAID PROGRAM:
AN UPDATE**

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In the late 1990s, the State of Missouri expanded Medicaid coverage of children by using funds provided by the State Children's Health Insurance (SCHIP) Program, which was established by Congress in 1997. This expansion helped to reduce the number of uninsured children in the United States and in Missouri.¹ According to a recent study, the number of uninsured children decreased by nearly 24,000 from 1997-98 to 2003-04, in spite of a substantial decline in children's private health insurance coverage during the same period.² This decline in uninsured children coincided with the implementation of SCHIP, which expanded coverage to Missouri children under 300% of the federal poverty level.³ Recently, however, children's participation in the Missouri Medicaid program has declined substantially, especially in the SCHIP component of the program.

This paper updates a prior analysis of the decline in children's participation in Medicaid MC+ with an emphasis on the (SCHIP) component of the program.⁴ It examines SCHIP participation data over the last ten months and children's overall Medicaid participation (SCHIP and non-SCHIP) since January 2005. While Medicaid participation of children in the traditional (non-SCHIP) Medicaid program has remained relatively constant, recent changes in the SCHIP program appear to have caused children's enrollment to decline by 28,500 children since the new rules were implemented in September 2005.

I. 2005 Policy Changes

In 2005, the Missouri General Assembly enacted Senate Bill 539. That legislation made two key policy changes affecting children's health coverage in Missouri:

- **Premiums:** The legislation expanded premium requirements to more families in the SCHIP program.⁵ While premiums previously were applied only to families in the highest SCHIP income tier (226% to 300% of the federal poverty level), they now are applied to lower tiers, beginning at 151% of the federal poverty level or just over \$24,900 per year for a family of three. The state implemented premiums at 1%, 3% and 5% of the poverty level, depending on family income.⁶ These premiums were modified slightly beginning July 1, 2006.⁷
- **Affordability Test:** The legislation expanded the application of the "affordability test" to these same families – a test which also had previously applied only to households with incomes at or above 226% of the federal poverty level. Under this test, families who are found to have access to "affordable" private or employer-based health insurance are denied SCHIP coverage, regardless of whether they are willing or able to pay the premiums. Under this legislation, if a family had access to a private or employer-based health insurance policy of \$342 per month or below, that family would not be eligible for SCHIP coverage for their children.⁸ For example, a two-person family with income at 151% of the federal poverty level that would have been charged a \$16 premium to participate in the SCHIP program would be denied access to the program altogether if it had access to private insurance with monthly premiums of no more than \$342. This policy was modified on July 1, 2006, so that the affordability amounts are somewhat less restrictive for people at the lower-income tiers of the SCHIP

program.⁹ The State has estimated that 5418 additional children will come onto the program in fiscal year 2007 as a result of the revised “affordability” test.¹⁰

II. Decline in SCHIP Participation

There has been much discussion about the decline in children’s participation in the Missouri Medicaid program, but there is still confusion about the extent of the decline and the reasons for it. This paper examines the decline in participation in the SCHIP component of the Missouri Medicaid program since the 2005 legislative changes went into effect. Based on data from the Missouri Department of Social Services, participation in Missouri’s SCHIP program declined from 92,053 children in September 2005 to 63,553 in July 2006 – a decrease of 28,500 children. See Table 1.¹¹ The significant decline in participation in SCHIP is a result of the new premium and “affordability” requirements that were applied to lower-income SCHIP participants beginning in September 2005.

The State’s data show a significant decline in the number of “non-premium” children (children in families who do not have to pay a monthly premium in order for their children to participate in the SCHIP program). This decrease was predictable because the new legislation made SCHIP children at much lower-income levels subject to premium requirements. Some of these children went into the premium group, but still others are no longer in the Medicaid program at all. Since, as indicated in Table 2 below, there has been a much smaller decrease in participation among non-SCHIP children in the Missouri Medicaid program during the same time period, it is reasonable to conclude that this decline is a result of the new premium and affordability requirements in the SCHIP program.

	September 2005	January 2006	July 2006
Non-Premium SCHIP Children	88,414	43,692	42,771
Premium SCHIP Children	3,639	27,560	20,762
Total SCHIP Children	92,053	71,252	63,553

*These figures reflect the number of children that received SCHIP coverage any time during a given month, rather than the number receiving SCHIP at a particular point in time.

III. Decline in Children’s Medicaid Participation (SCHIP and Non-SCHIP)

The reasons for the decline in SCHIP participation are even clearer in light of other relevant statistics on children’s participation in the Missouri Medicaid program. In January 2005, the overall number of children on Medicaid MC+ (SCHIP and non-SCHIP) was 559,563. In January 2006, children’s Medicaid enrollment was down to 508,461 – a decrease of 51,102 children.¹² By the end of July 2006, children’s Medicaid MC+ enrollment was down to 489,019 -- a total decrease of 70,544 children.¹³

This overall decline is only *partly* attributable to changes in the SCHIP program. The new SCHIP premiums and affordability requirements did not take effect until September 2005,¹⁴ but there had been a decline of 25,095 in children’s Medicaid participation *before* SB 539 went into effect.¹⁵ An array of factors such as an increased focus on Medicaid reinvestigations, declines in enrollment related to an improved economy, or other unknown factors may have affected the rate of children’s participation in the Medicaid program during that time period. It is worth noting, however, that much of *the pre-SB 539* decline came in the non-SCHIP component of the Missouri Medicaid program, whereas **nearly all of the decline in Medicaid participation for children since August 31, 2005 is in the SCHIP component of Missouri’s Medicaid program.** See Table 2.

Moreover, there was a relatively modest reduction in both SCHIP and non-SCHIP children (3 to 5%) from January 31, 2005 to August 31, 2005. See Table 2. **But after August, SCHIP enrollment fell by nearly one-third while regular Medicaid enrollment (non-SCHIP) hardly changed at all.** This difference suggests that most of the reduction in SCHIP coverage is due to SCHIP-specific policy factors, such as the new premium and affordability requirements.

	Jan. 31, 2005	Aug. 31, 2005	% Change Jan. to Aug. 2005	July 31, 2006	% Change Aug. 2005 to July 2006
Non-SCHIP Medicaid Children	466,844	444,615	-4.8%	427,354	- 3.9%
SCHIP Children	92,719	89,853	-3.1%	61,665	-31.4%

IV. Drop in SCHIP Participation is No Surprise

These results are not surprising given that studies have clearly documented a drop in Medicaid and SCHIP participation in states that impose or increase premiums on low-income families. Research examining the impact of premiums in public health insurance programs has found that participation falls off sharply as the premium amount increases.¹⁶ For example, one multi-state study found that participation in three states' publicly funded health insurance programs declined from 57% to 18% as premiums rose from 1% to 5% of family income.¹⁷ The same study showed that even premiums set as low as 1 percent of a family's income were estimated to lead to a 15 percent reduction in enrollment.¹⁸ And a study of Oregon's premium policies showed that one-half of those enrolled lost coverage due to new premium policies, and *about three-quarters of those who were dropped became uninsured*.¹⁹ Moreover, while the Missouri General Assembly may have initially assumed that families would simply pay the new SCHIP premiums, the Department of Social Services estimated that *one-half* of the children newly subject to premiums would no longer maintain coverage.²⁰ This prediction is borne out by the precipitous decline in SCHIP coverage since the new premiums went into effect.

And while the Missouri General Assembly may not have originally anticipated the impact of applying the "affordability test" to families at lower income levels, subsequent estimates from the Department of Social Services indicate that 11,774 children in the 151%-225% (of poverty) income range are denied coverage due to the affordability test in a single year.²¹

Therefore, it is hardly surprising that the imposition of new premiums and "affordability" requirements on lower income families in Missouri's SCHIP program would cause substantial numbers of children to lose health care coverage.

V. Recent SCHIP Decline Accelerates Missouri's Rising Rate of Uninsured Children.

The discussion above demonstrates a significant SCHIP-related decline in children's health insurance coverage. This decline comes on the heels of Missouri's already rising rate of uninsured children. For example, Missouri's rate of uninsured children increased from 12.2% (61,071 children) in 2003 to 13.7% (76,784 children) in 2005, according to recent Census data.²² This increase results largely from a decline in employer-sponsored coverage in Missouri.²³ The increasing decline in SCHIP coverage, resulting from new premiums and the affordability test, accelerates the rising rate of uninsured children and the resulting loss of children's access to health care.

Conclusion

Children's participation in the Missouri Medicaid program has declined substantially since January 2005. In particular, the number of children in the SCHIP component of the Missouri Medicaid program has declined by more than 28,000 children *since* the 2005

legislative changes were enacted, while Medicaid participation among other children has remained relatively constant. These data indicate that this substantial drop in such a short period of time is the direct result of the changes in SCHIP requirements enacted in SB 539. This conclusion is consistent with research on the impact of premiums on Medicaid and SCHIP participation as well as the Missouri data discussed above. This decline will not be reversed by the recent modifications to the Missouri SCHIP program, since those changes restore coverage for only 5418 children.

These reductions are all the more regrettable since they save Missouri little and cost the state a substantial amount of federal funding. The federal government pays almost three-quarters (73%) of the costs of SCHIP. Reducing children's health insurance coverage costs the state about three times as much in federal matching funds as it saves. Moreover, this recent decline in SCHIP coverage accelerates the increasing rate of uninsured children in Missouri, placing even greater strain on the health care system and further limiting children's access to health care.

Endnotes

¹ Because of Medicaid and SCHIP, the percentage of uninsured children in the United States has remained steady, despite the decline in employer-based coverage. See Robert Mills, *Health Insurance Coverage in the United States: 2002*, Current Population Reports P60-223, U.S. Census Bureau, September, 2003.

² Covering Kids and Families, *The State of Coverage*, August 9, 2006 (prepared for the Robert Wood Johnson Foundation by the State Health Access Data Assistance Center, University of Minnesota), Appendix A: Estimated Change in Number of Children (0-17 year) by Health Insurance Status and State, 1997-98 to 2003-2004.

³ Census data show that Missouri's rate of uninsured would have been far worse if not for the role of Medicaid and SCHIP in responding to increased need during the recession a few years ago. The Center on Budget and Policy Priorities found that from 2000 to 2002, the percentage of uninsured low-income Missouri children fell from 12.2 percent to 7.2 percent – a rate reduction that was entirely attributable to children being enrolled in Medicaid and SCHIP. Joel Ferber, *Economic and Health Benefits of Missouri Medicaid*, Missouri Foundation for Health, April 2004, (“MFH Report”) and the citations therein, at 8-9.

⁴ MC+ is Missouri's Medicaid program for low-income families, pregnant women and children. MC+ includes both traditional Medicaid (non-SCHIP) and the newer SCHIP program. The remainder of this document simply refers to the program as Medicaid.

⁵ SCHIP is a component of the Missouri Medicaid program rather than a separate or independent children's health insurance program as it is in some other states.

⁶ 13 C.S.R. 70-4.080.6. Missouri Family Health Care Programs Manual, § 0920.020.15.

⁷ The State has slightly lowered the premium amounts for some families in the SCHIP premium group, while increasing premiums for other members of the premium group. It is not anticipated that this would have any significant impact on the number of children in the program. See 31 Mo. Reg. 1048 (July 17, 2006) (Emergency Amendment); Family Support Division, Income Maintenance Memorandum, IM-65, June 19, 2006.

⁸ For a discussion of how the affordability test works, see Joel Ferber, *The “Affordability” Test in Missouri's State Children's Health Insurance (SCHIP) Program: Making Children's Health Care Unaffordable For Low-Income Working Families*, January 2006 (“Affordability Test”).

⁹ Family Support Division, Income Maintenance Memorandum IM-64, June 15, 2006.

¹⁰ The Department of Social Services has estimated that the Missouri Medicaid program will include approximately 5418 SCHIP children as a result of the changes adopted in the 2006 legislative session. 31 Mo. Reg. 1048 (July 17, 2006) (Emergency Amendment). The new affordability amounts are \$209 per month for families with incomes from 151% to 185% of the federal poverty level, \$255 per month for families with incomes from 186% to 225% of the federal poverty level, and \$375 for families with incomes from 226% to 300% of the federal poverty level.

¹¹ These statistics are taken from Table 7 of the Department of Social Services (DSS) Monthly Management Reports. These data include everyone who participated in SCHIP at *any* point during the months in question. Other DSS data yield slightly different numbers. For example Table 23 of the same report provides “point in time” participation in the program. Thus, Table 23 shows the number of people participating on a given date such as January 31, 2006. The Table 7 data are used here because they provide a breakdown of participation in the “premium” and “non-premium” components of SCHIP. The “point in time” data that are currently available do not provide such a breakdown. However, the

differences in the numbers for the “point in time” data and the Table 7 data are very slight. The “point in time” numbers for the last date of a given month are generally slightly lower than the number of people who were eligible at *any* point during a given month. For example, the number of SCHIP children on January 31, 2006, is slightly lower than the number of children who may have had SCHIP coverage at *some* point during the month of January.

¹² Department of Social Services, Research and Evaluation, *Medicaid Enrollees*, January 31, 2006 to June 30, 2005. The data in Table 2 are taken from these same reports.

¹³ *Id.*

¹⁴ Overall Medicaid participation also declined by 175,314 people (children and adults) during this same time period. Medicaid participation was 1,003,857 in January 31, 2005, while on July 31, 2006, participation was 828,543. *Id.*

¹⁵ *Id.*

¹⁶ Julie Hudman and Molly O’Malley, *Health Insurance Premiums and Cost-Sharing: Findings from the Research on Low-income Population*, Kaiser Commission on Medicaid and the Uninsured, March 2003, at 5; Leighton Ku and Victoria Wachino, *The Effect of Increased Cost-Sharing in Medicaid: A Summary of Research Findings*, Revised July 7, 2005, at 7-9.

¹⁷ Hudman and O’Malley at 5.

¹⁸ Ku and Wachino at 7-8.

¹⁹ *Id.* at 8.

²⁰ 30 Mo. Reg. 1134-1136 (Fiscal Note to Proposed 13 CSR 70-4.080), June 1, 2005. Budget documents analyzing the House version of SB 539 (which included higher premiums than the final version) assumed that one-half of the children affected by the legislation (23,709 children) would no longer receive SCHIP coverage but an analysis of the final version assumed that the lesser premiums would be paid by all SCHIP families and that no one would lose coverage. Department of Social Services, *Medicaid Caseload Reductions SB 539 and Budget Actions through TAFP*. As indicated above, the Departments’ regulation assumes that one-half of the new premium children would lose coverage.

²¹ Department of Social Services, *Fiscal Impact of Reducing Private Insurance Affordability Standard for SCHIP Eligibility*. See also Ferber, *Affordability Test*, *supra* at 3-4 (noting that 4445 children were denied coverage due to the affordability test in the four-months of implementing the SB 539 changes).

²² Center on Budget Priorities, *Trends in Insurance Coverage of Parents and Children in Missouri Based on Current Population Survey*, September 2006.

²³ *Id.* The rate of employer-sponsored coverage declined from 26.8% (133,651 children) in 2003 to 18.7% (104,823 children) in 2005.