

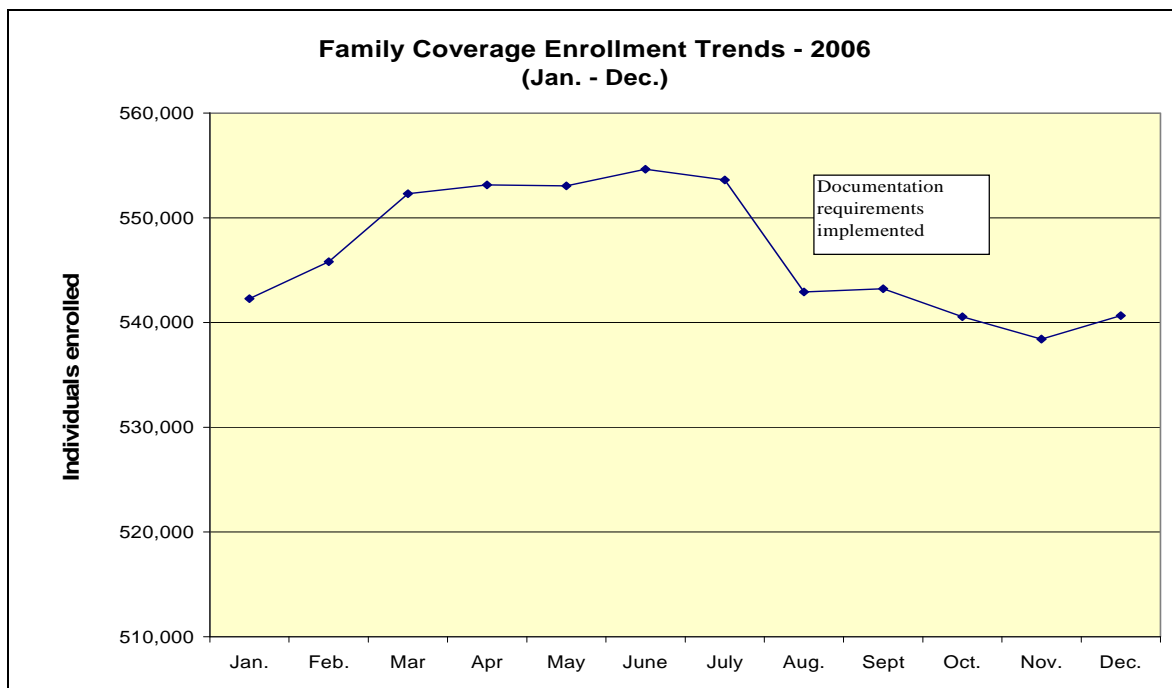
The Dramatic Effects of Federal Documentation Requirements on Participation of Citizens in Wisconsin’s Health Care Programs

Half of Wisconsin Denials and Terminations are Children under 16

In 2006 Congress passed the Deficit Reduction Act (DRA), which includes a provision requiring people applying for Medicaid or coming up for their review of eligibility to produce documentation of their citizenship. Interim federal regulations issued in late June expanded the law to include the requirement that applicants and participants produce documentation of identity as well as citizenship. Wisconsin began to apply the new requirements to Medicaid and BadgerCare on August 1, 2006.

Caseload Trends

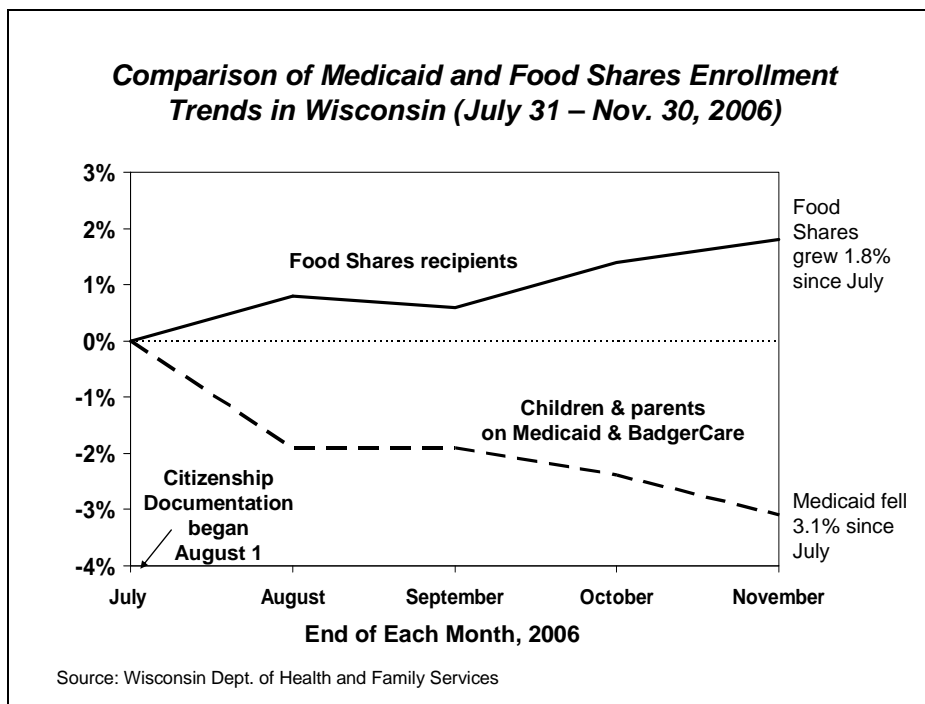
The effect of the new federal law has been dramatic. Wisconsin’s “family coverage” categories of Medicaid plunged sharply from August through November 2006, dropping by almost 17,000 people, or 3.1 percent, over that 4-month period.¹ (Fortunately, there was a modest rebound in the total family coverage categories in December – an increase of 2,230 people for the month.) Half of the denials and terminations for lack of identification were for children under the age of 16.



¹ The enrollment trends are calculated from the Department of Health and Family Services’ monthly statistics, which can be found online at: <http://dhfs.wisconsin.gov/medicaid8/caseload/481-caseload.htm>. “Family coverage” includes family Medicaid, Healthy Start, BadgerCare, and the Family Planning Waiver.

Looking at the last 5 months of 2006 (July 31 through Dec. 31), the enrollment drop was 2.7 percent. It has been quite pronounced for family MA (-4.7 percent) and the Family Planning Waiver (-6.2 percent), whereas BadgerCare grew by 1.1 percent over the same period. Those statistics show that lower income families have been the most adversely affected by the documentation requirements (particularly the requirement for identity documentation). The BadgerCare enrollment growth also suggests that the sharp Medicaid decline occurred during a period when employer coverage continued to drop, which should have resulted in a Medicaid enrollment increase, rather than a steep decrease.

Even stronger evidence that the Medicaid numbers should have been growing rather than falling is provided by comparing the trends in the Food Shares program and enrollment in Medicaid, as shown in the chart below (prepared with the assistance of the Center on Budget and Policy Priorities). From July 31 through the end of November (the latest month for which Food Shares figures were available), enrollment in the family coverage categories of Medicaid (including BadgerCare and the Family Planning Waiver) declined by almost 17,000 people or 3.1 percent, while the number of Food Shares recipients increased by more than 6,700, or 1.8 percent.



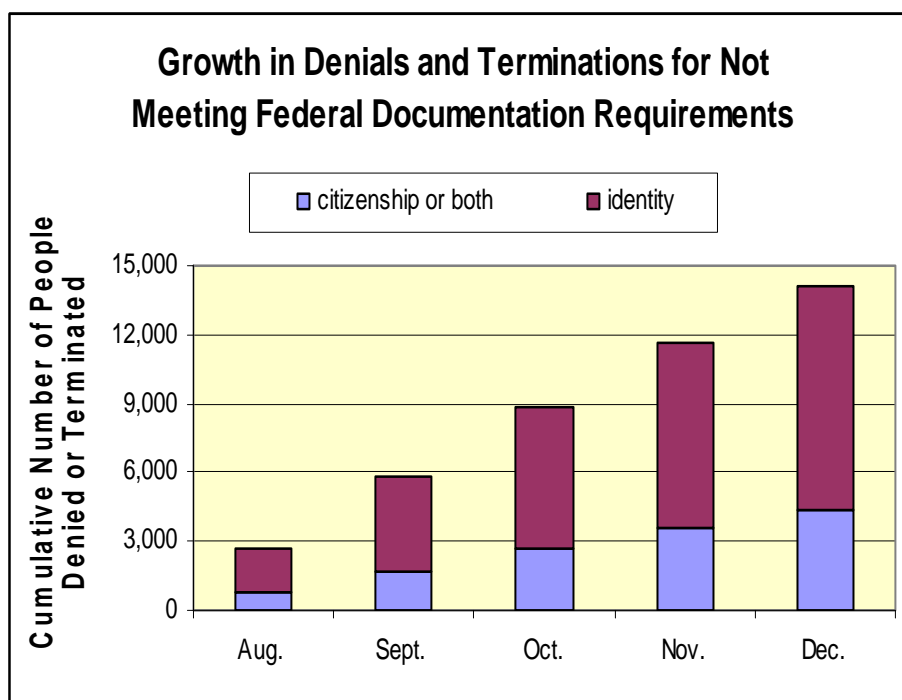
Analysis of Reasons for Denials and Terminations

The primary reason for the enrollment drop is clearly the federal documentation requirements that the state began to implement in August, particularly the part of those requirements requiring proof of identity. Data from the Department of Health and Family Services (DHFS) on the reasons for terminations of coverage and denials of applications reveal the following for the period August through December 2006:

- **A total of 14,034 individuals were terminated or denied Medicaid and BadgerCare participation solely because of the federal documentation requirements.**

That total (14,034) does not include cases where documentation was not the only deficiency. People who are excluded for multiple reasons may also be adversely affected by the documentation requirements because some of them would have been more likely to remedy the other problem if it weren't for the added complication of meeting the documentation requirements. With respect to the 14,034 people for whom documentation was the sole reason for denial or termination, we have not seen any data on how many were later able to produce the documents and enroll, but the overall drop in enrollment suggests that it is not a large percentage.

- **The DHFS data show that 69 percent of the denials and terminations were solely because of failure/inability to provide identity documentation**, compared to about 17 percent for citizenship documentation only, and about 14 percent for both. This reflects the good job DHFS has done in using electronic records to help document citizenship, whereas the state is unable to do that as successfully for identity. More importantly, it documents the conclusion that has reached by states across the country – that the people being affected by the federal requirements are citizens. These statistics also show that **if Congress would at least repeal the identity documentation requirement, which is not part of the federal statute, the effect of the law on Wisconsin would be substantially diminished.**



- **There have been nearly twice as many denials of new applications as terminations of coverage.** This can be attributed to the fact that the federal regulations give people who were already enrolled additional time to produce their documents, whereas there is no presumptive eligibility period for new applicants while they attempt to get the required documents.
- The only available data examining the reasons for denials or rejections as well as the age of the individuals is from mid-November, and it showed that **about half of the denials and terminations for lack of identity documentation were children under age 16.** This indicates that the parent affidavit option for identification of children has been less effective than anticipated, though the reasons for that aren't clear.

- **There were still 2,372 denials or terminations in December solely for lack of documentation**, even though total enrollment in the family coverage categories of Medicaid grew in December. That enrollment growth probably reflects continued increases in the number of people losing employer sponsored coverage and may reflect the approval of coverage for some of the families who were previously denied or terminated (but subsequently obtained the required documents).

Costs and Benefits

The added workload necessitated by the documentation requirements creates significant additional cost for the state and counties. The state has set aside an additional \$1.8 million for those expenses in FY 2007, and that funding was approved by the Joint Finance Committee in December. The DHFS request submitted last September for the 2007-09 biennial budget seeks an increase of \$754,000 per year for the new workload of the documentation procedures.

On the other side of the ledger, the documentation requirements are clearly reducing state and federal spending for Medicaid, but not in the way intended. All or nearly all of the caseload reduction in our state appears to result from the obstacles that are created for citizens to participate – although it is impossible to know with certainty how many, if any, of the people who have lost coverage or whose applications were denied were non-citizens. What we do know for sure is that prior to the initiation of the new federal law, Wisconsin already had a requirement that applicants verify that they were citizens, and a review of cases and eligibility procedures by the Legislative Audit Bureau failed to turn up a single non-citizen who was improperly enrolled in Medicaid or BadgerCare.

In addition, DHFS data on reasons for case closures and application denials since August 1, 2006, show that 69 percent are citizens who cannot produce identity documentation. For the other 31 percent, there is no reason to assume that they are non-citizens. Their problem, similar to that of the 69 percent, is not that they are ineligible; it's that they simply do not have or are not able to locate a passport or birth certificate.

Recommendations

In general, the Department of Health and Family Services has done a very good job of trying to reduce the number of eligible people who are denied coverage, using the small degree of flexibility given the states by the federal regulations. Although there may be a little more that the state can do, remedying the severe problem of eligible families losing access to health insurance will require action by Congress.

However, there is also one significant thing the state legislature can do to reduce the negative effect of the documentation requirements on citizens applying for or participating in Medicaid and BadgerCare. Under the federal regulations, states have the option when they enroll children or pregnant women to provide them additional time to produce the required documents, if the states use the “presumptive eligibility” process. Wisconsin does that for pregnant women, so they are less adversely affected by the documentation requirements, however, Wisconsin statutes do not currently allow the use of presumptive eligibility for children.

The BadgerCare Plus proposal would remedy that problem by extending presumptive eligibility to children, which would significantly reduce the large number of children who are citizens but

whose applications are being denied or delayed because of lack of identity documentation. The DHFS data show that a large percentage of the people who are unable to get or continue health care coverage are children who meet the citizenship documentation portion of the requirements, but who lack identity documents.

While the presumptive eligibility portion of the BadgerCare Plus plan would reduce the burden of documentation for children, it would not lessen the problems also being encountered by parents attempting to participate in Medicaid and BadgerCare. Addressing that problem will require Congressional action.

Optimally, Congress should repeal the DRA documentation requirements, in light of the thousands of eligible Wisconsin families who are being denied access to health care, and because the substantial costs of implementing the new requirements far exceed whatever negligible savings might result from finding a few non-citizens who were participating or attempting to participate in these programs. A reasonable fallback option would be to require states to have procedures for verifying citizenship, but without imposing the inflexible and counter-productive federal requirements that are keeping eligible children and parents from getting health care.

Conclusion

Wisconsin is poised this year to make health insurance accessible to all children in the state, but reaching that goal will require removing a significant obstacle to enrollment that has been created by recent federal requirements to produce documentation of identity and citizenship.

Medicaid caseloads have dropped sharply in Wisconsin and many other states since the documentation requirements were first implemented in 2006. From the end of July through the end of November, total enrollment in the family coverage categories of Medicaid (including BadgerCare and the Family Planning Waiver) declined by almost 17,000 people, or 3.1 percent, while the number of Food Shares recipients increased by more than 6,700, or 1.8 percent.

The DHFS data show that 14,034 people had applications denied or coverage terminated (during the period August 1 to December 31, 2006) solely because they were unable to produce the required documents, and in 69 percent of those cases it was just because of an inability to meet the identification requirement. It is impossible to know with certainty how many, if any, of the other 31 percent who have lost coverage or whose applications were denied were non-citizens, but the evidence (including the 2004 audit report) suggests that all or nearly are citizens who were simply unable to produce the required documents.

As of mid-November, about half of the people who had applications denied or terminated for lack of identity documentation were children under the age of 16. Not surprisingly, the data also suggest that lower income families, who are less likely to have drivers licenses and other required documents, are being adversely affected much more than those who are less poor.

Optimally, Congress should repeal the DRA documentation requirements because they are denying access to health care coverage for thousands of eligible Wisconsin families. In addition the substantial costs of implementing the new requirements (\$1.8 million in FY 2007 alone) far exceed whatever negligible savings might result from finding a few non-citizens who were improperly participating or attempting to participate in these programs.

A reasonable fallback option would be to require states to have procedures for verifying citizenship, but to give states more latitude in how they can design and implement application procedures that do not deter eligible children and parents from getting health care. In addition, the state should adopt the proposal contained in BadgerCare Plus to use a presumptive eligibility process for enrolling children, which is an allowable way under the federal regulations to reduce the number of citizen children whose applications are denied or delayed.

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