

PROTECTING MEDICAID AND CHIP DURING BUDGET SHORTFALLS

Advocacy Action Guide for AAP Chapters

Overview

Medicaid plays a role in both state and federal budgets. The program is jointly funded by the state and federal governments with states receiving a federal match for every dollar they spend on the program. This match rate will vary by state depending on per capita income. Medicaid can make up a significant portion of state budgets. During times of economic downturn, states can see drops in revenue while simultaneously seeing Medicaid enrollment increase as more individuals and families become eligible. As a result of the COVID-19 pandemic, states are beginning to experience severe state budget deficits. It is estimated that state budget shortfalls for fiscal years 2020-2022 will be as high as \$555 billion in aggregate.

The Kaiser Family Foundation (KFF) estimates that between March 1 – May 20, 2020 more than 78 million people lived in a family where someone lost a job. Job losses often result in loss of employer sponsored insurance (ESI) for both the employee as well as dependent coverage. KFF additionally estimates that of the 27 million people who lose access to ESI almost half (12.7 million) will be eligible for Medicaid.

Research shows that an unemployment rate of 15% would increase Medicaid rolls from 50.3 million before the pandemic to 58.5 million, a 16.3% increase. A September 2020 report from Families USA shows continuous increases in month-over-month Medicaid enrollment in 39 states, with half of those states showing more than 7% increases since February. Data from the Centers for Medicare and Medicaid Services (CMS) reveals that overall Medicaid enrollment increased by 5.3% between July 2019 and June 2020, and child enrollment in Medicaid increased by 3.3% in the same time frame.

All of these factors will contribute to state budget deficits and potential cuts to Medicaid programs.

Why does this matter to the AAP and AAP chapters?

During times of budget crisis, states will often look to Medicaid and the Children's Health Insurance Program (CHIP) to reduce expenditures by reducing covered benefits, payment rates, and/or eligibility. According to June 2020 enrollment data from CMS, children make up 50% of all enrollees in Medicaid and CHIP. Any state cuts to the Medicaid and CHIP programs would disproportionately impact children.

There are currently some protections in place for the Medicaid program. The Families First Coronavirus Response Act (FFCRA) included a provision that temporarily increases the Federal Medical Assistance Percentages (FMAP) rate for states during the pandemic by 6.2 percentage points. In order to receive these increased dollars, states must abide by certain Maintenance of Effort (MOE) provisions, including no cuts to mandatory benefits, eligibility standards, or

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enrollment, and no increased premiums or cost-sharing for beneficiaries. In addition to this MOE, children are protected from changes to Medicaid and CHIP eligibility by an Affordable Care Act (ACA) MOE that was later extended through FY 2027; this also protects children in CHIP to 300% FPL. The MOEs leave states with limited options for reducing Medicaid spending.

- Under the FFCRA MOE provision, states can still cut some optional benefits such as prescription drugs or physical, occupational, and speech therapies.
- States could propose cuts to physician payment rates as a means to reduce Medicaid budgets. These types of cuts would hurt pediatricians on top of the losses they have faced due to reduced patient utilization and higher COVID-19 related expenses.
- Additionally, the increase in the federal funding for Medicaid will only last as long as the public health emergency is in effect. State budgets will continue to have deficits long after the emergency ends, so Medicaid cuts that could impact benefits, cost-sharing, payment rates, and enrollment and eligibility will continue to be of concern.

Impact of Physician Payment on Access to Care

In the short term while MOEs are in effect, physician payment rates in Medicaid could be at risk. Physician payment directly impacts physician participation in the Medicaid program and is a key factor in ensuring children's access to care. Nationally, on average, [Medicaid pays only 72%](#) of what Medicare pays for the same services, and [only 50% of what private plans pay](#). This average drops to 66% of Medicare, and 46% of private plans, for primary care services.

- Medicaid and CHIP payments are often already low, do not cover costs, and limit the ability of physicians in the state to provide care. The impact of COVID-19 on physician offices has only exacerbated these issues.
- A 2002 study in [Pediatrics](#) demonstrated that providers in states with lower Medicaid payment rates have significantly lower program participation rates than providers in higher paying states.
- A 2012 [Health Affairs](#) article established that acceptance rates of new Medicaid patients were higher in states with higher Medicaid-to-Medicare fee-for-service fee ratios.
- Maintaining payment for Medicaid providers will also help children keep their medical homes as their usual sources of care, eliminating the need for more expensive episodic care in emergency departments. The pediatric medical home provides comprehensive and coordinated care across all elements of the health system.
- As more parents lose their jobs and health benefits due to COVID-19, Medicaid and CHIP only become more vital for children and families. However, coverage does not ensure access to care if pediatricians and other health care providers cannot afford to participate in Medicaid and CHIP. Reducing physician payment will limit access to health care services.

Being Uninsured Negatively Affects Children

When the public health emergency ends, and despite ACA MOE protections, states may seek to make changes to eligibility standards, enrollment processes, and the scope of benefits that are provided under Medicaid. Cutting Medicaid and CHIP coverage will result in negative health outcomes for children. Chapters should work to limit any such cuts that could impact children and their families.

- Even before the pandemic, the uninsured rate for children [increased](#) over the last several years, with about 4.3 million children under the age of 19 going without coverage in 2018. This was an increase of 425,000 children and brought the overall rate of uninsured children to 5.5%.
- A [September 2020 Census report](#) shows that the uninsured rate for children under the age of 19 again increased from 5.5% to 5.7% between 2018 and 2019.
- Between 2016 and 2019, the [child uninsured rate](#) increased by a full percentage point, or 726,000 children, with the largest increase being between 2018 and 2019 when the number of uninsured children increased by 320,000.
- To see **state specific data** on the child uninsured rate, AAP chapters can use the Georgetown Center for Children and Families (CCF) [Children's Health Care Report Card Data Hub](#).
- Having a reliable, continuous, and affordable source of health care is vital for children's health and well-being.
- [Uninsured children](#) are less likely to have a usual source of care and are more likely to delay care and have unmet health care needs. Uninsured children who do have common illnesses or injuries do not receive the same level of care and are at higher risk of hospitalization for preventable illness or missed diagnosis.
- Children without health coverage are also less likely to receive [well-child visits](#). In 2017, only 66% of uninsured children received a well-child visit compared to more than 91% of children with public or private insurance.
- Parents potentially losing Medicaid or ESI coverage will also negatively impact children. Parents who are enrolled in coverage are more likely to have children who are enrolled in coverage and more likely to maintain that coverage over time.

- [Research](#) also demonstrates that coverage of parents has spillover effects in terms of increased use of preventive services by their children.
- Medicaid coverage also has [positive effects](#) in terms of coverage, access to care, utilization, affordability, health outcomes, and many economic measures.
- [Research shows](#) that people of color have faced a disproportionate impact of COVID-19, with Black and American Indian and Alaska Native (AIAN) people facing a larger incident of death, while Hispanic populations are facing a larger number of cases compared to their White counterparts. These same minority communities are also [disproportionately enrolled in Medicaid and CHIP](#).
- Loss of Medicaid and CHIP coverage for individuals from these communities would only serve to exacerbate the current gaps in health equity.

Increased Cost-Sharing Would Decrease Access

States could increase premiums or copays for Medicaid beneficiaries in an effort to alleviate the financial obligations of the program. Low income children and families are more vulnerable to the adverse effects of cost-sharing than others and can significantly reduce health care utilization because of unaffordable out-of-pocket costs. In order to avoid potential loss of or reduced coverage, chapters should work to educate policy makers as to how increased cost-sharing would negatively impact low-income families.

- Health care premiums [serve as a barrier to obtaining and maintaining Medicaid coverage](#) for families with low incomes and can result in more children not being covered. Premiums increase disenrollment from Medicaid and CHIP, shorten lengths of enrollment, and deter eligible children and their families from enrolling at all.
- Even small increases in cost sharing in the \$1 to \$5 range are associated with reduced use of necessary services. For example, studies find that increased cost sharing is associated with reduced treatment for [children with asthma](#).
- [Another study](#) showed that imposing Medicaid cost-sharing resulted in lower uptake of flu vaccine for adults in Medicaid.
- [Research](#) has also shown that increases in cost-sharing can cause patients to use more expensive and episodic means of care. For example in [Oregon](#), cuts to Medicaid, including increased cost sharing, also resulted in [increased emergency department use](#).

- There are also studies (1, 2) that show decreases in health care utilization by individuals with chronic illness due to small increases in copayments. These studies demonstrate the impact of increased copayments for prescription drugs negatively impacted health outcomes.
- It is also not clear that increases to premiums and co-pays provide any significant savings to state Medicaid budgets when implemented. The increased administrative burden to both Medicaid agencies as well as physician practices likely [negate any intended benefit to states](#).

Enrollment and Eligibility Changes Can Reduce Coverage

Despite the ACA MOE, states have made administrative changes in Medicaid that have resulted in children losing coverage. Changes to Medicaid enrollment or eligibility requirements that have increased the burden on families have a negative impact on coverage rates and health outcomes.

- Many children have recently lost coverage due to changes in administrative procedures or additional paperwork:
 - Between 2016 and 2018, more than 220,000 children in [Tennessee](#) lost Medicaid coverage in part due to overly burdensome or incomplete paperwork, in spite of being otherwise eligible.
 - In [Missouri](#), 70,000 people, including 50,000 children, lost Medicaid coverage as a result of a newly instituted eligibility renewal process that heavily relied on families receiving and filling out lengthy forms through the mail.
 - In 2017, more than 835,000 [Texas](#) children lacked health coverage, an increase of approximately 80,000 children from 2016, in part due to periodic Medicaid eligibility checks that were instituted in 2014 but are not required by federal or state law.
- A May 2020 study from [George Washington University](#) shows that 12-month continuous Medicaid eligibility policies for children result in increased access to specialty care, preventive care visits, and fewer gaps in coverage.
- Enrollment and eligibility processes that cause children to churn off and on of Medicaid and CHIP coverage burden families, fragment care coordination, and worsen health outcomes, but do nothing to improve state budget outlooks.

What Can AAP Chapters Do to Protect Medicaid and CHIP

As states begin to review their budgets, it is important to both educate policymakers and advocate for the best interests of children and families. Monitor budget proposals in your state and engage with legislators to ensure they are educated on the importance of the Medicaid and CHIP programs to their constituents. Working with other child

advocates and medical societies as well as other organizations who advocate for both Medicaid and children can help offset messaging on a push to cut Medicaid programs.

- Become educated on how to quantify the loss of federal funds if state Medicaid spending decreases. For every dollar a state cuts in Medicaid spending, it could potentially lose between [\\$1.28 and \\$8.26 in federal funding](#). Cuts to CHIP funding could result in even further reductions in federal support.
- Educate lawmakers and policy makers on the importance of sufficient and appropriate Medicaid payment rates for pediatricians and other physicians. Again, working with other medical and physician groups can help to make the arguments on the negative impact of low Medicaid payment on access to care.
- Work with AAP chapter leaders and members to reach out to their state representatives so they are made aware of the impact of Medicaid or CHIP cuts to the families and communities in their legislative districts. Focusing conversations on the consequences for a specific legislator's constituents can be effective.
- To the extent possible, engage families in these efforts. Stories of how children and families are positively affected by the Medicaid and CHIP programs are helpful tools in your advocacy efforts.
- Write and submit op-eds and letters to the editor across a wide-ranging number of state and local newspapers and publications.
- Invite lawmakers and legislative staff to visit local pediatric practices so they can see the impact of the Medicaid program firsthand.
- Utilize social media. As an example, the [#IAmMedicaid campaign](#) in Alabama helped to personify the program in the face of possible cuts.