Georgetown University Health Policy Institute
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Program Design Snapshot: 12-Month Continuous Eligibility

Description

Continuous eligibility is a state option that allows children, ages 0-18, to maintain Medicaid or CHIP coverage for up to one full year, even if families experience a change in income or family status. By implementing this program element, a state ensures that for 365 days a year children get, and keep, the coverage for which they are already eligible. The result is healthier children and decreased state resources spent on unnecessary paperwork.

Legislative Background

Federal law requires that states conduct Medicaid and CHIP eligibility reviews for enrolled children at least every 12 months (though they may implement more frequent renewals). States must also establish procedures, between renewal periods, for families to report any changes in circumstances that may impact eligibility, unless a state chooses to implement continuous eligibility.[1] Under continuous eligibility, a child, ages 0-18, stays enrolled for up to a full year (states may implement a shorter period) during which the family would not be required to submit renewal forms or report on changes in circumstances. The only exceptions exist in Medicaid, in which if a child reaches age 19 or moves out of state, the child would be disenrolled.

Prior to 1997, continuous eligibility in Medicaid was only available for pregnant women for up to 90 days following delivery, and infants under age one. The Balanced Budget Act of 1997 extended to states the option to offer up to 12 months of continuous eligibility in Medicaid for children under age 19, and the same law created CHIP, which provided states the flexibility to provide continuous eligibility in that program.[2]

Where States Stand

As of January 2009, 30 states had 12-month continuous eligibility for one or both of their Medicaid and/or separate CHIP programs. However, only 18 of these states created a coordinated policy by offering 12-month continuous eligibility for both of their programs; 12 states had 12-month continuous eligibility for only their separate CHIP program.[3]

(See http://ccf.georgetown.edu/index/medicaid-and-schip-programs for Medicaid/CHIP continuous eligibility policies by state.)

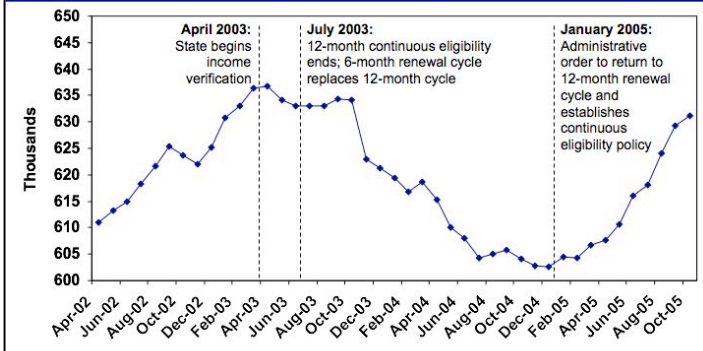
The Benefits of Continuous Eligibility

Continuous eligibility works similar to employer-based coverage. Families enroll a child into coverage once a year, eliminating the need to repeatedly complete renewal forms or report income changes during that time period. As a result, 12-month continuous coverage ensures that:

- **Children Stay Enrolled and Do Not Lose Coverage Unnecessarily**
  Studies show that state renewal requirements often generate large disenrollments, mostly attributable to the frequency of eligibility reviews and procedural complexity, such as difficult renewal forms and burdensome verification requirements.[4] Most troubling is that many of these children lose coverage but reenroll within a few months.[5] The finding that many families obtained coverage again so soon after disenrollment, called "churning," suggests that their children were dropped even though they remained eligible, or that they became eligible again soon after (due to fluctuations in family income). One study shows that as many as three million children leave Medicaid/CHIP each year and become uninsured, despite ongoing eligibility.[6]

A primary benefit of continuous eligibility is that it limits the cycling of children on and off of Medicaid and CHIP due to frequent renewal procedures or temporary fluctuations in income.[7] To understand this impact, Washington's experience is particularly instructive. In July 2003, their Medicaid program replaced its 12-month continuous eligibility option with a six-month renewal period. This, and other policy changes (not related to eligibility), resulted in more than 30,000 children losing coverage in the two years that followed. In January 2005 the program returned to 12-month continuous eligibility, which then resulted in 30,000 children gaining coverage by the end of that same year.[8]

Children's Enrollment in Washington's Public Insurance Programs, April 2002-October 2005



Source: Washington State Department of Social and Health Services, 2005, updated 2006.

Children Receive Better Continuity of Care–Which Can Decrease Health Costs

Ongoing health insurance coverage is effective because it helps to ensure appropriate preventive, primary, and condition-based care, which ultimately can improve health outcomes. In fact, HEDIS, a tool used by health plans to determine performance on health care and service, requires a one-year standard of continuous enrollment to effectively measure children's quality of care.[9]

Research shows that even brief gaps in health coverage cause people to skip or delay care, while uninterrupted coverage can reduce avoidable hospitalizations for children by 25 percent.[10] Studies also show that children who had full-year insurance coverage have low rates of unmet health care needs and good access to care. Children with gaps in health insurance coverage commonly do not seek medical care, including preventive visits, and do not get prescriptions filled.[11] Additionally, health costs could decrease as acute episodes are prevented or treated at an earlier stage and the management of chronic conditions is improved. One study found that payment per child and payment per enrollee per month could drop by about 3 percent.[12]

States Save Staff Resources and Administrative Costs

Because continuous coverage eliminates many gaps in coverage, it reduces the number of disenrollments and reenrollments states must process. This in turn reduces administrative costs associated with unnecessary re-processing of applications.[13] In California, for example, a study of Medicaid (Medi-Cal in California) enrollees in 2003 showed that over 600,000 enrolled children had been disenrolled from the program within a three-year period, only to be later re-enrolled. It cost California over $120 million to re-process these eligible Medi-Cal children.[14] For these same reasons, providers like continuous eligibility--it saves them from expending unnecessary resources to regularly reprocess children, in addition to ensuring a child receives continuous preventive coverage.[15]

Issues to Consider

When implementing 12-months continuous eligibility there a few issues that states would want to consider.

- **Coverage Costs**: Because continuous eligibility keeps children covered for longer periods of time, the state will have additional coverage costs under the policy. However, as stated, experiences with churning show that the costs associated with continuous eligibility mostly relate to maintaining *eligible children* in coverage. As a result, continuous eligibility is one of the most effective strategies a state can take to ensure eligible but uninsured children are enrolled. But, as with any effective enrollment or retention strategy, there are costs for providing that coverage. However, 12-month continuous eligibility does offer potential administrative savings in Medicaid and CHIP to offset some of the new coverage costs.

- **Other Policy Options**: As of January 2009, 15 states had a 12-month renewal period instead of continuous coverage for both of their Medicaid and CHIP (if relevant) programs.[16] Reducing the frequency of renewals can be an important first step in addressing the problem of discontinuous coverage in these programs. However, without the provision that coverage is guaranteed to be continuous, families must comply with reporting requirements, and children's eligibility can be lost during the 12-month enrollment period due to fluctuations in family income and family structure.

- **Medicaid/CHIP Coordination**: Some states have chosen to implement 12-month continuous eligibility only for their CHIP programs. Having different continuous eligibility policies for Medicaid and CHIP severely limit the benefits that can be achieved by hampering a state's ability to better serve large numbers of low-income children, the population served by Medicaid. In addition, establishing the same renewal policies for Medicaid and CHIP makes the process for maintaining children's health coverage less confusing for families and health providers and facilitates transfers of children from one program to another, if needed, preventing gaps in coverage.

  States should also consider coordinating a 12-month continuous eligibility policy for children with parent coverage policies. While states do not have federal authority to implement 12-month continuous eligibility period for parents (not including pregnant women), they can implement a 12-month renewal period for this group. Aligning the policies in this manner would at least ensure that the renewal period and date is the same for enrolled parents and their children.

- **Other Renewal Simplifications**: While continuous eligibility can have a significant impact on limiting unnecessary disenrollments, it will not fully eliminate the problem. The benefits of a 12-month continuous eligibility policy can be enhanced, however, by implementing other policies aimed at simplifying program requirements, specifically renewal procedures. Such policies include: *ex parte* renewals where states review eligibility based on information available through other programs and government databases, streamlined re-enrollment requiring families to complete documents only if their income or family circumstances have changed, making the renewal form simple and easier to understand, eliminating unnecessary documentation requirements, and making premiums easier to pay.

  (See http://ccf.georgetown.edu/index/strategy-center for a discussion of state renewal strategies.)

- **Administration**: Continuous eligibility is fairly easy to administer. However, a state will want to put into place some administrative functions to ensure that children in Medicaid who move out of state or age out are appropriately disenrolled. In addition, some states ask enrollees to report a pregnancy or new birth in the family so that the program can offer coverage for the new child immediately after birth (and offer Medicaid coverage to the pregnant woman, if she is eligible). The federal poverty level is lower for families that have a greater number of children, so some families will shift from CHIP to Medicaid eligibility with the addition of a new child. Some states also require CHIP

enrollees to report decreases in income, so that the state can shift them into the regular Medicaid program.

Resources

- Instability of Public Health Insurance Coverage
  Laura Summer and Cindy Mann, The Commonwealth Fund, June 2006
  This report examines the extent, causes, and consequences of instability in public coverage programs for children and families, focusing particularly on the phenomenon of "churning," which occurs when individuals lose and regain coverage in a short period of time.

- The Effects of State Policy Design Features on Take-Up and Crowd-Out Rates for the State Children's Health Insurance Program
  Cynthia Bansak and Steven Raphael, Journal of Policy Analysis and Management, November 2006
  This report evaluates the effects of state policy design features on CHIP take-up rates. The authors found that several design mechanisms have significant and substantial positive effects on take-up.

- How Health Insurance Stability Impacts the Quality of Health Care
  Gerry Fairbrother and Arfana Haidery, New America Foundation, July 2005
  This issue brief finds that unstable health insurance and gaps in health insurance coverage can put individuals and families at financial risk, add to the administrative costs of care, and adversely affect the quality of health care.

- Children in the United States with Discontinuous Health Insurance Coverage
  Lynn Olson, Suk-fong Tang, and Paul Newacheck, New England Journal of Medicine, July 2005
  This analysis uses the 2000 and 2001 National Health Interview Surveys to show that in comparison to children with discontinuous health insurance coverage children who had full-year insurance coverage (private or public) had low rates of unmet health care needs and good access to care.

- Staying Covered: The Importance Of Retaining Health Insurance For Low-Income Families
  Leighton Ku and Donna Cohen Ross, Center on Budget and Policy Priorities, December 2002
  This report shows that if every person with public or private coverage at the beginning of a given year retained coverage throughout the next 12 months, the number of low-income children who are uninsured would decline by close to two-fifths over the course of a year.

- The Consequences of States' Policies for SCHIP Disenrollment
  Andrew Dick, *et al.,* Health Care Financing Review, Spring 2002
  This study examines the relationship between disenrollment and state policies in four states. It found that state renewal requirements generate large disenrollments and that requiring renewals every 6 months rather than every 12 months is accompanied by even higher levels of disenrollment.

- Discontinuous Coverage in Medicaid and the Implications of 12-Month Continuous Coverage for Children
  Carol Irvin, *et al.,* Mathematica Policy Research, October 2001
  The analysis focuses on the extent to which a policy of continuous coverage improves the continuity of Medicaid coverage and decreases the incidence of gaps in coverage. Among other things it found that the administrative costs associated with disenrollment, re-enrollment, and redetermination would fall substantially in states utilizing continuous coverage.

Endnotes

[1] The CHIP law provides states with greater flexibility than Medicaid in establishing renewal procedures, for example, a state only has to put such procedures in place if it decides to require reporting of changes in circumstances. Note: states may use longer intervals for Medicaid reviews of blindness and disability. 42 *CFR* 435.916 (Medicaid); 42 *CFR* 457.320(e)(2); and 42 *CFR* 457.960 (CHIP).
[2] 1902(e)(12) of the Social Security Act.
[3] D. Cohen Ross & C. Marks, "Challenges of Providing Health Coverage for Children and Parents in a Recession," Kaiser Commission on Medicaid and the Uninsured, (January 2009.
[4] A. Dick, *et al.*, "The Consequences of States' Policies for SCHIP Disenrollment," *Health Care Financing Review*, 23 (Spring 2002); L. Ku & D.C. Ross, "Staying Covered: The Importance Of Retaining Health Insurance For Low-Income Families," Center on Budget and Policy Priorities (December 2002); and I. Hill & A.W. Lutzky, "Is There a Hole in the Bucket? Understanding SCHIP Retention," Urban Institute (2003).
[5] *Ibid*; B. Sommers, "From Medicaid to Uninsured: Drop-Out Among Children in Public Insurance Programs" Health Services Research, 40: 59-78 (2005); and L. Summer & C. Mann, "Instability of Public Health Insurance Coverage," The Commonwealth Fund (June 2006).
[6] *Ibid* (B. Sommers).
[7] C. Bansak & S. Raphael, "The Effects of State Policy Design Features on Take-UP and Crowd-Out Rates for the State Children's Health Insurance Program," *Journal of Policy Analysis and Management*, 26: 149-175 (June 2005).
[8] Washington State Department of Social and Health Services, 2005, updated 2006.
[9] The one-year continuous requirement does allow for no more than a single one-month break in enrollment. HEDIS is the acronym for Healthcare Effectiveness Data and Information Set. Also see http:// http://www.ncqa.org. G. Fairbrother, "Churning in Medicaid Managed Care and its Effect on Accountability," Journal of Health Care for the Poor and Underserved, 15.1:30-41 (2004).
[10] L. Ku, "New Research Shows Simplifying Medicaid Can Reduce Children's Hospitalizations," Center on Budget and Policy Priorities (June 2007).
[11] L. Olson, S. Tang, & P. Newacheck, "Children in the United States with Discontinuous Health Insurance Coverage," *New England Journal of Medicine,* 353: 382-391 (2005); and G. Farbrother & A. Haidery, "How Health Insurance Stability Impacts the Quality of Health Care," New America Foundation (July 2005).
[12] C. Irvin, *et al.*, "Discontinuous Coverage in Medicaid and the Implications of 12-Month Continuous Coverage for Children," Mathematica Policy Research (October 2001).
[13] *ibid*.
[14] G. Fairbrother, "How Much Does Churning in Medi-Cal Cost?," The California Endowment (April 2005).
[15] L. Summer & C. Mann, *op. cit.* (5).
[16] Note that this does not include states that offer 12-month renewal for both their Medicaid and CHIP programs but only offer continuous coverage for their CHIP program *op. cit.* (3).

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