

Virginia Medicaid

Now and Under Health Reform

Estimating Medicaid Eligible and Enrolled Populations

By **Dustin A. Cable**

September 2010



Analysis of Virginia Population

Introduction

Created in 1965, Medicaid is a joint state and federal program that provides health insurance to low-income individuals who would not otherwise be able to obtain coverage. Medicaid is administered and paid for by state governments with the help of federal matching funds to provide health insurance for these residents. States determine the financial and non-financial eligibility requirements for their Medicaid programs, causing Medicaid eligibility rules to differ from state to state.

The recent passage of the new health care reform law will have significant effects on Medicaid and health care services across Virginia. One of the biggest changes will come from a federal mandate that all states expand their Medicaid programs to cover citizens under the age of 65 with income less than 133 percent of the federal poverty line. For a family of four, this means earning less than \$29,000 a year.¹ The new rules, to be fully implemented in 2014, will provide health insurance to a large percentage of Virginia's currently uninsured population.

Medicaid represents one of the largest expenses in Virginia's state budget. While the federal government is expected to pay for almost all of the cost of the coming expansion in the first few years, the commonwealth is also expected to contribute financially and to implement the new rules. Knowing the number of newly eligible people, and the characteristics of this population, will be invaluable for state policymakers in planning for the expansion. This report provides:

1. Estimates of the number of people who are currently eligible for Medicaid in Virginia;
2. Estimates of the number of newly eligible adult Virginians (ages 19 – 64) in 2014 (the year the new rules are implemented);
3. Demographic characteristics of the newly eligible population; and
4. Estimates of how many newly eligible people might enroll in Medicaid.

Background

Currently, the rules governing Medicaid eligibility in Virginia are complex. Coverage is available for poor individuals in four broad "covered groups:" those who are over age 65, blind, or disabled; children; parents; and pregnant women. Table 1 is a general summary of the income limits for each group by percentage of the federal poverty line (FPL):

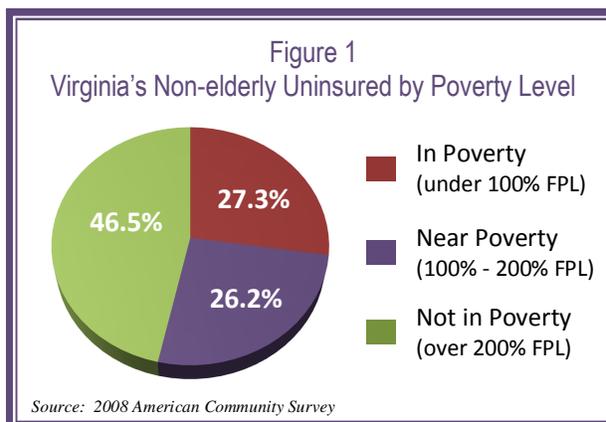
Table 1
Current Income Eligibility Limits for Virginia Medicaid²

Covered Group	% FPL	Family Income*
Aged, Blind, or Disabled	80%	\$17,640
Children	200%	\$44,100
Parents w/ young children	22% - 30% ³	\$4,851 - \$6,615
Pregnant Women	200% ⁴	\$44,100

*Amounts based on 2010 poverty guidelines for a family of four

While Virginia allows Medicaid eligibility for pregnant women at higher income levels than in other states, its requirements regarding children, parents, and the disabled are relatively more restrictive.⁵ Virginia parents must qualify under some of the most restrictive income limits in the nation (earning no more than between four and six thousand dollars annually for a family of four). The 2014 Medicaid expansion under the Patient Protection and Affordable Care Act (PPACA) will make more parents and disabled adults eligible for Medicaid. The law will also add childless adults (adults without dependent children) as a new covered group.

One of primary goals of PPACA is to cover more individuals who are currently uninsured; and poverty is a key predictor of being uninsured. Shown in Figure 1,



27 percent of uninsured people live under the federal poverty line and an additional 26 percent live in near poverty. If Medicaid income eligibility standards are revised to include those earning 133% of the federal poverty level (\$29,000 annually for a family of four), 36% of non-elderly uninsured Virginians will be eligible.

Current Eligibility and Participation

Due to the complexity of the eligibility requirements for Medicaid in Virginia, it is not feasible to determine the precise number of eligible Virginians from aggregate demographic data. Individual-level survey data must be used to simulate Medicaid eligibility on a person-by-person basis.

This analysis uses the individual-level data most recently available, the 2008 American Community Survey (ACS) integrated Public Use Microdata Series (iPUMS), to simulate eligibility based on variables including income, family size, health insurance coverage, and citizenship status.⁶ Using ACS data for this study has several distinct advantages over other commonly used data sources (like the Current Population Survey):

- The large sample size of the ACS allows for more precise state and local estimates on health insurance, and the ability to perform deeper cross-sectional analysis on smaller populations;
- The ACS includes households and people living in institutional group quarters such as nursing homes or military bases; and
- The health insurance questions on the ACS more accurately measure point-in-time health coverage and help minimize Medicaid under-reporting.⁷

The individual demographic information gathered by the ACS was compared against Virginia's eligibility requirements as reported in the Virginia Medicaid Manual from the Virginia Department of Social Services. Although most requirements can be captured through ACS survey variables, a few cannot. For instance, information on hospice care status, assets, or county-level distinctions are unavailable. In instances where eligibility requirements are based on this type of information, approximations were used.

Once the total number of people who were eligible for Medicaid in 2008 was estimated, full-year Medicaid enrollment administrative data from 2008 was obtained to calculate the percentage of the eligible population that actually enrolled in Medicaid. Table 2 presents the

total population eligible for Medicaid and participation rates in 2008.

Table 2
2008 Medicaid Eligible
And Percent Enrolled in Virginia

	Enrolled	Total Eligible	% Enrolled
Total*	1,076,000	1,231,000	87%
Children ⁸	659,000	731,000	90%
Adults	142,000	240,000	59%
Aged and Disabled	275,000	338,000	81%

Source: Enrollment data is derived from Kaiser Family Foundation reports
*Subgroups do not sum to the total due to dual eligibility between categories.

By far, children represent the largest portion of the Medicaid population - both in terms of the total eligible, and the total enrolled. Despite the commonwealth's outreach efforts to cover all eligible children, an estimated 72,000 children are still not enrolled. A significant portion of eligible adults and disabled individuals is not enrolled as well.

However, the recent recession and economic downturn dramatically increased Medicaid enrollment in Virginia. The Kaiser Family Foundation estimated a 5.6% increase in Medicaid enrollment from 2007 to 2008 (the beginning of the recession).⁹ In 2010, total eligibility and participation rates are expected to be higher than in 2008. If these economic conditions persist for years to come, total eligibility and enrollment in Medicaid among Virginians could be greater than estimates based on pre-recession data. Virginia may anticipate higher percent enrollment in 2014 due to the economic downturn, lost jobs, and increases in the number of Virginians in poverty.

The Newly Eligible Population

Under PPACA, nearly all people under the age of 65 with incomes less than 133 percent of the federal poverty line will be eligible for Medicaid in Virginia starting in 2014. This will include childless adults as a covered group and will expand eligibility to more individuals who are blind, disabled, or parents living in poverty.

Estimating eligibility in 2014 involved adding everyone who is eligible in 2008 to those who would be newly eligible if the law took effect in 2008, and then projecting these estimates forward to 2014 using standard demographic population projections.

Table 3
2014 Medicaid Eligible Populations for Virginia

Medicaid Eligible w/o reform	1,328,000
Newly Eligible	464,000
Total Medicaid Eligible	1,792,000

As shown in Table 3, it is projected that the new eligibility standards would expand the Medicaid eligible population by over 460,000 people. This would mean that about one-fifth of Virginia's total population will be eligible for Medicaid coverage in 2014. However, this does not necessarily mean that all who are eligible will enroll, or that enrollees will demand extensive medical services.

The demographic characteristics of this population will offer clues to how this population may change the Medicaid landscape in Virginia. The panel on the right presents key demographic characteristics of the newly eligible population.

- Figure 2 shows that half of the newly eligible population is younger than the age of thirty. Younger individuals tend to be healthier and are less likely than the old or disabled to require medical attention. Therefore, the newly eligible may not demand the same level of medical services relative to the currently eligible.
- Figure 3 shows that the newly eligible population is clustered around Virginia's major urban areas, Southwest, and Southside Virginia. Knowing where the newly eligible reside can provide the means to target outreach efforts and strategically allocate resources.
- Figure 4 shows that a very large, disproportionate share of these newly eligible currently has no health insurance compared to uninsured rates among the total population. Health insurance coverage will be a major driver in whether a newly eligible individual will actually enroll in Medicaid.

Estimates on Enrollment

Those newly eligible individuals who are without insurance are likely to enroll in Medicaid at higher rates than those who have insurance.¹⁰ Urban Institute researchers Holahan and Headen (2010) estimated enrollment rate assumptions similar to those made by the Congressional Budget Office (CBO) in scoring the health care reform bill.¹¹ Table 4 shows the projected enrollment rates by health insurance coverage. Holahan and Headen assume not only that the newly eligible will enroll, but factors such as word of mouth or simpler enrollment processes will increase participation among the currently eligible as well.

Demographics of the Newly Eligible Population

Figure 2
Newly Eligible by Age

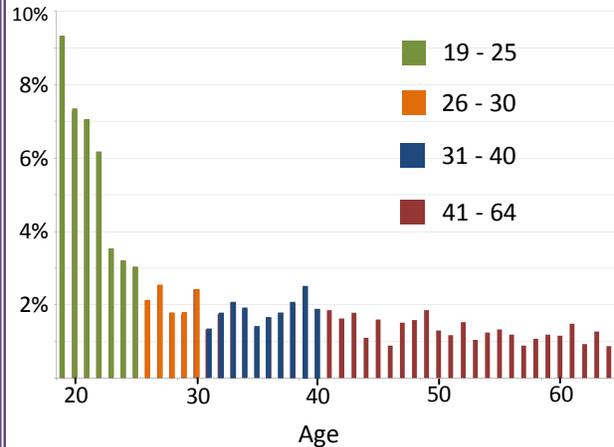


Figure 3
2014 Newly Eligible by County

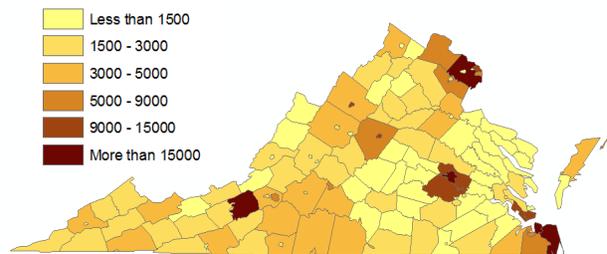
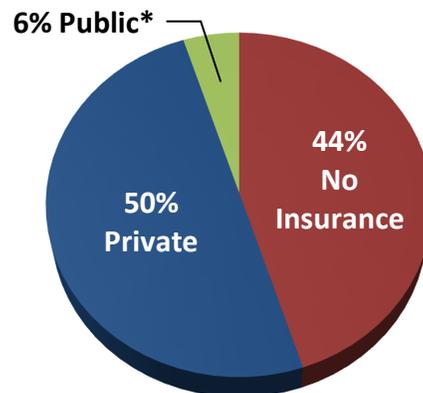


Figure 4
Newly Eligible by Health Coverage



* Includes Medicare, VA, IHS and other public insurance as reported in ACS

Table 4
 Holahan and Headen's Estimates of Enrollment Rates

Group	Enrollment Rate
Currently Eligible	
Employer-based Coverage	3% - 5%
Non-group Coverage	7% - 10%
Uninsured	10% - 40%
Newly Eligible	
Employer-based Coverage	25%
Non-group Coverage	54% - 60%
Uninsured	57% - 75%

Source: Holahan and Headen (2010), *Medicaid Coverage and Spending*

Using these enrollment rate assumptions and the results obtained from the eligibility simulation in this analysis, it is estimated that between 240,000 and 339,000 additional individuals in Virginia will enroll in the first few years after the implementation of the new Medicaid rules.¹³ This growth in the Medicaid population will likely occur over the course of several years, not only in the first year of implementation.¹⁴

The added enrollment would represent a significant reduction in Virginia's uninsured population. This could account for as much as a 21 percent decrease in the total number of uninsured Virginians, and a 70 percent reduction in the total number of uninsured Virginians below 133% of the federal poverty line.

Discussion

The Medicaid expansion under the new health care law will have a dramatic impact on Virginia's health care landscape. With an addition of almost half a million newly eligible individuals, among which an estimated 240,000 and 340,000 people enrolling, the expansion alone could reduce the total number of uninsured Virginians by as much as 21 percent and provide insurance to a segment of the population that has largely been out of the reach of both private and public coverage in the past. Aside from the statewide estimates of future eligibility and enrollment, this study also provides several unique insights.

First, the demographic characteristics of the newly eligible population may play a significant part in how many will enroll in Medicaid and how much the expansion will cost. Young and relatively healthy people are less likely to obtain health insurance, public or private.¹⁵ Since the bulk of the newly eligible population is younger than 30, enrollment could very well be less than what many researchers have been predicting, even accounting for enhanced outreach efforts.

This study suggests that covering the newly eligible should cost the commonwealth less per person than what is spent on currently eligible aged or disabled individuals. Presently, children and parents together comprise the vast majority of Medicaid enrollees in Virginia, but constitute the lowest cost to the commonwealth. Instead, the majority of Medicaid costs come from old and/or disabled enrollees. For every one dollar spent on a non-disabled adult enrollee, \$4.65 is spent on a disabled enrollee.¹⁶ Since the majority of the newly eligible are relatively young, it is unlikely they will demand medical services at nearly the same rate as the elderly or disabled. Only around 4 percent of the newly eligible population might be considered disabled based on the variables and definitions from ACS data.

Second, by using ACS data, this study estimates how many newly eligible people there will be in each county. Health care is not only a state and federal matter; localities have significant influence and a large stake in reform. Virginia's large urban centers will have the greatest number of newly eligible people, but the commonwealth's more poverty stricken areas in Southwest and Southside Virginia will have a substantial number as well. This information can help direct targeting and outreach efforts or determine future demand in localities for more Medicaid providers.

Using the new 2008 ACS dataset has afforded the opportunity to derive local estimates and deeper cross-sectional analyses relating to health care and Medicaid. Previous studies have not focused on Virginia and its Medicaid program specifically and may have missed nuances particular to Virginia. This analysis acknowledged these state-specific factors by accounting for more detailed eligibility requirements, providing local-level estimates, and assessing demographic characteristics particular to the commonwealth. All of this should provide researchers and state policymakers a more reliable basis for informing decisions and implementing the new health care reform legislation.

For additional information, please contact Dustin Cable, Policy Associate, Demographics and Workforce Group, Weldon Cooper Center for Public Service, The University of Virginia. Phone: 434-982-3199, or by email dac2t@virginia.edu.

Notes

¹ Amount based on 2010 federal poverty guidelines.

² This includes Virginia's Family Access to Medical Insurance Security (FAMIS) programs. The data is a broad summary of the income requirements from Virginia's Medicaid Manual provided by the Virginia Department of Social Services.

³ Income eligibility for parents is different depending upon where the family lives in Virginia.

⁴ Eligibility for pregnant women recently expanded last year to include all pregnant women below 200% FPL (Kaiser State Medicaid Fact Sheets). However, when calculations were made regarding 2008, the income limit was set to its 2008 amount of 185% FPL.

⁵ State Medicaid Facts (2010), Kaiser Family Foundation.

⁶ Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek (2010), *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database], Minneapolis: University of Minnesota.

⁷ See Michael Davern et al (2009), "The American Community Survey and Health Insurance Coverage Estimates: Possibilities and Challenges for Health Policy Researchers," *Health Services Research*, Vol. 44, No. 2. See also Brett O'Hara (2009), "Is there an undercount of Medicaid participants in the ACS Content Test?," U.S. Census Bureau, Small Area Estimates Branch, Washington, DC, p. 2.

⁸ Includes children's Medicaid, FAMIS, and all persons under the age of 21 in order to include foster care and adopted children who are eligible up to age 21.

⁹ Eileen Ellis et al (2010), *Medicaid Enrollment in 50 States: December 2008 Data Update*, The Kaiser Family Foundation.

¹⁰ See The Lewin Group (2009), *The Health Benefits Simulation Model (HBSM): Methodology and Assumptions*, p. A-5.

¹¹ Holahan and Headen (2010), *Medicaid Coverage and Spending*, p. 8 and p. 20.

¹² The map was generated from a combination of PUMA and county-level data from ACS 1-year and 3-year data.

¹³ Projections are based on five years after implementation (2019). This is the same time frame used by Holahan and Headen.

¹⁴ The Commonwealth Institute (2010), *Medicaid Expansion in Virginia under the New Health Care Law*, pp. 2-3.

¹⁵ A bulk of the uninsured population is young. The Lewin Group's (2009) report on their simulation model shows a greater negative correlation with younger people with enrolling in Medicaid (p. A-5).

¹⁶ State Medicaid Fact Sheets, Kaiser Family Foundation, dollar amounts are based on FY 2007