

# Vermont Legislative Joint Fiscal Office

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*ISSUE BRIEF*

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## **Medicaid Enrollments: A Methodological Comparison**

### **Executive Summary**

An estimate of the total number of adult Vermonters who would enroll in some sort of Medicaid-related health insurance program in fiscal year 2015 was quite close. However, the average number of adults enrolled in *full* Medicaid coverage as General Adults or New Adults in fiscal year 2015 was about 24,000 or 50 percent greater than the estimated number as of January 2014.<sup>1</sup> The number enrolled in full Medicaid coverage in February 2016 was about 19,000 or 29 percent greater than the estimated number as of January 2015. Over the 2-year span, the difference between the January 2014 estimate and the actual enrollment in February 2016 was about 37,000.

Not quite half of the difference between the early estimate and the February 2016 actual enrollment can be explained by two factors:

1. The Affordable Care Act (ACA) imposed new Medicaid eligibility rules in 2014:

- The income limit rose for some types of full Medicaid coverage
- The definition of income changed; some adults became newly eligible but others became ineligible

2. With approval from the Centers for Medicare & Medicaid Services (CMS), Vermont initially implemented the Affordable Care Act (ACA) under the old rules:

- A number of adults were automatically enrolled in Medicaid in 2014 using the old income definition, and no verification of eligibility was conducted for almost 24 months
- The original estimate for new enrollments in 2014 also relied on the old income definition

Problems with Vermont Health Connect prohibited eligibility redeterminations for adults, including those who had a change of circumstance, between January 2014 and late 2015. As a consequence, Vermont had not verified income eligibility since the new rules became effective. Verifying income is now underway, and the State should have better information on the number of eligible Medicaid enrollees by late fall of 2016.

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<sup>1</sup> Full Medicaid coverage means that Medicaid is the primary source of health coverage. The estimates were made by a joint administration-legislative staff working group based on the best information available at the time. The goal of this Brief is to explain the divergence in an effort to better inform future estimates.

This analysis will focus on applying the old and new eligibility rules to tax data from 2013 and analyzing the auto-enrollments. By doing so, JFO can explain up to 45 percent of the unexpected increase in the number of adults enrolled as General Adults or New Adults with full Medicaid coverage.

Explaining the rest is less clear but could arise from a number of factors. They include the new mandate for health insurance coverage, a less complex eligibility process under the ACA, increased outreach and publicity surrounding the ACA, and the possible eligibility of Medicaid adults for whom no tax data exist because they do not file tax returns.

In an illustrative exercise, JFO finds roughly 71,500 adults potentially eligible for full Medicaid in 2016. That estimate contrasts with actual enrollment of about 84,000 in February 2016.

**Estimated vs. Actual Enrollments and a Brief Description of the Analysis**

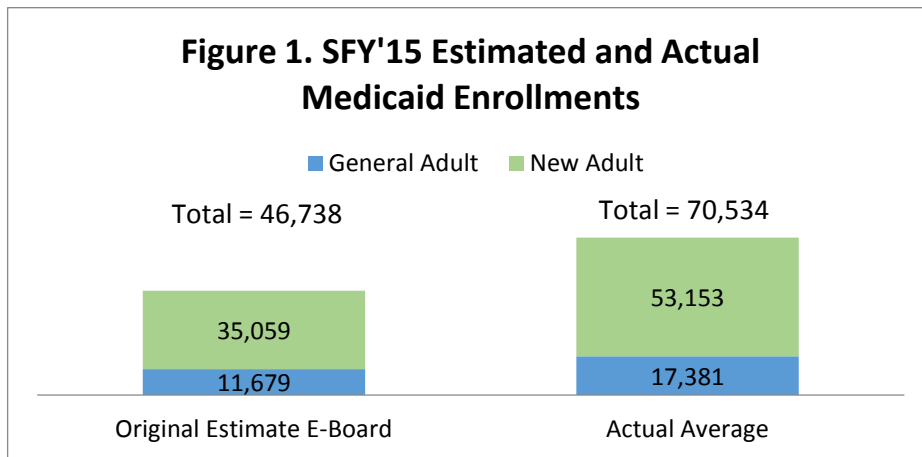
**1. Projections in January 2014 of the total number of adults who would enroll in some sort of Medicaid-related health insurance program in state fiscal year (SFY) 2015, including both full coverage and Vermont Premium Assistance, were not too far off the mark.** The table below shows the original estimate for SFY 2015 as presented to the E-Board in January 2014 as well as the actual average enrollment for SFY 2015.

For SFY'15	Orig. Est E-Board Jan'14	BAA Est E-Board Jan'15	Actual Average Enrollment SFY'15	Actual Minus Jan'14 Projected
General Adult	11,679	15,504	17,381	
New Adult	35,059	48,500	55,153	
Premium Assistance	42,785	18,007	16,906	
<b>Sum</b>	<b>89,523</b>	<b>82,011</b>	<b>87,440</b>	<b>-2,083</b>

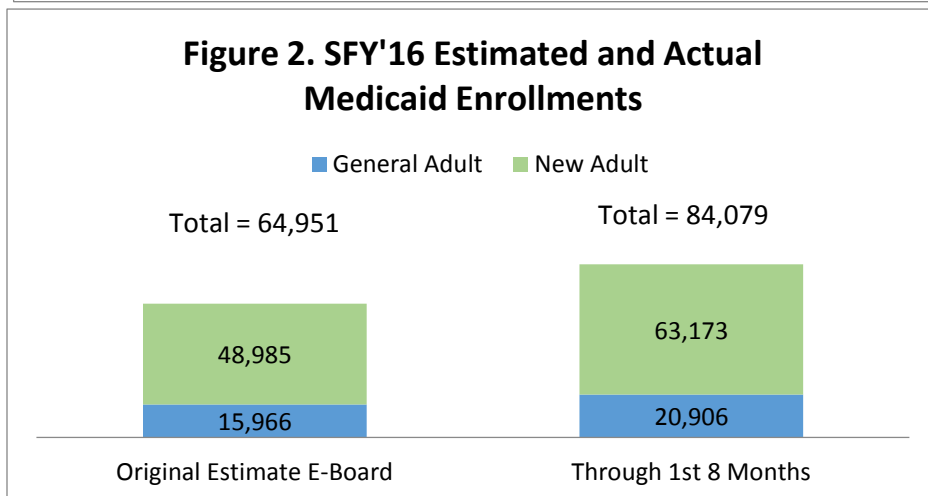
**However, the original projection in January 2015 of the total number of adults who would enroll in some sort of Medicaid-related health insurance program in SFY 2016 was not so close.**

For SFY'16	Orig. Est E-Board Jan'15	BAA Est E-Board Jan'16	Through 1st 8 Months Feb'16	Actual Minus Jan'15 Projected
General Adult	15,966	20,228	20,906	
New Adult	48,985	58,292	63,173	
Premium Assistance	18,368	17,244	13,242	
<b>Sum</b>	<b>83,319</b>	<b>95,764</b>	<b>97,321</b>	<b>14,002</b>

2. The number of adults with full Medicaid coverage enrolled as General Adults or New Adults in both SFY 2015 and SFY 2016 surpassed the number expected by quite a wide margin (see Figures 1 and 2 below).



SFY'15  
 Difference = 23,796  
 or 51% higher

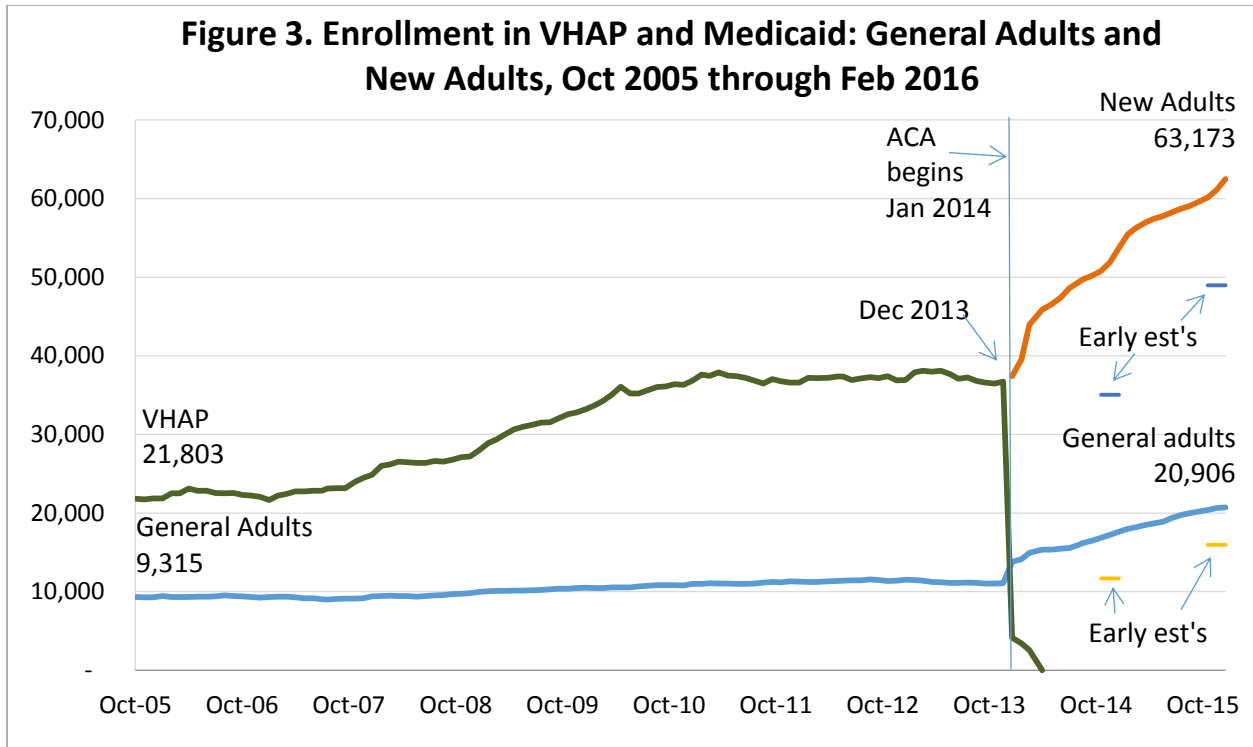


SFY'16  
 Difference = 19,128  
 or 29% higher

Over the 2-year period, the number of adults on full Medicaid in February 2016 was 37,341 above the January 2014 estimate for SFY 2015.<sup>2</sup>

As seen in Figure 3 below, actual enrollments jumped in January 2014 and have continued to grow.

<sup>2</sup> The January 2014 E-Board estimate was 46,738. Actual enrollment in February 2016 was 84,079. The difference is 37,341.



**3. Analyzing the effect of changes in the income rules and automatic enrollments from “old” Medicaid to “new” Medicaid can explain up to about 45 percent of the unexpected increase in enrollment.**<sup>3</sup> Using Vermont tax data from 2013 and data on the automatic enrollments from old to new Medicaid leads us to the following estimates:

- Between 9,700 and 11,700 adults might have been automatically transferred from VHAP and Catamount to new Medicaid based on the “old” definition of income for those programs but would not have been eligible based on the “new” definition of income for Medicaid. As noted on page 8, Vermont obtained a waiver from CMS allowing the state to auto-enroll individuals deemed eligible under the old rule methodology so that expenses associated with this population would be deemed eligible for Medicaid match. Because the redetermination process is just beginning, large proportions of those adults remain on Medicaid in early 2016.
- About 5,200 newly eligible self-employed adults and farmers might have been missed in the early estimates because the definition of income used to determine eligibility changed under the ACA.
- We do not have a complete understanding of the remaining 20,000 to 22,000 adults, but a number of factors may play a role. Some adults may have applied in response to the individual mandate for health insurance coverage; some may have been eligible under the “old” rules but were not on the rolls in 2013 because they were not up-to-date on paying premiums; some may have moved from another Medicaid eligibility category; others may have qualified through

<sup>3</sup> JFO thanks the Department of Taxation for providing aggregated tax data for 2013.

Vermont Health Connect on self-attested income information that may not stand up when verified. In addition, we have no income information on the 8 percent of adult residents ages 23 to 64 who do not file taxes in Vermont, but many of them are likely to be eligible for full Medicaid coverage. The illustrative exercise in the section below suggests about 70,000 adults ages 18 to 64 might be expected to be eligible for full Medicaid coverage in total in 2016.

Illustrative Estimate. Under the ACA, adults are first assessed for eligibility under the new income rules that use Modified Adjusted Gross Income (MAGI) as the starting point. If they are found ineligible, states are required to re-assess them for other eligibility categories using the pre-ACA income guidelines. Based on analysis of 2013 tax data, about 58,000 tax-filing adults ages 23 to 64 appear eligible for full Medicaid under the post-ACA rules; others may have been eligible under the pre-ACA income rules. Some of the 58,000 tax-filing adults would have had employer-sponsored insurance through their workplace. In 2014, about 30 percent of people in U.S. households with income under \$25,000 had private health insurance. Because some with private insurance can remain eligible for Medicaid, we estimate between 17 percent and 20 percent of those low-income households in Vermont would not receive Medicaid. We have no data on the almost 29,000 non-filers but estimate that about 60 percent could be eligible for Medicaid. Moreover, the U.S. Census Bureau estimates the population of adults ages 23 to 64 is 5,837 smaller in 2016 than it was in 2013; one-fifth to one-quarter might have qualified for Medicaid. Based on those rough calculations and using the midpoint for each assumption, roughly 63,000 adults ages 23 to 64 might be expected to be eligible for Medicaid in 2016.

58,000	adult tax filers (23-64) who appear eligible for Medicaid in 2013 using post-ACA rules
- 10,730	if 17% to 20% have private health insurance and no Medicaid
<u>47,270</u>	
 +17,380	 if 60% of the non-filers (23-64) were eligible for Medicaid
<u>64,650</u>	
 -1,313	 if 1/4 to 1/5 of the adults no longer in the age group 23-64 would have qualified for Medicaid
<u>63,337</u>	 Rough estimate of population ages 23-64 eligible for Medicaid in 2016

In addition, a number of Vermonters ages 18 to 22 are eligible for full Medicaid as General Adults or New Adults. In December 2015, 9,658 Vermonters ages 18 to 22 were enrolled as General Adults and New Adults. However, two issues arise. First, 2,250 Vermonters enrolled in Medicaid at ages 19-22 are enrolled in the Dr. Dynasaur Child category. Dr. Dynasaur covers children in low-income families until they turn age 19. Many of those enrollees will qualify for Medicaid in a different category as they become ages 19 and 20. To continue the illustrative exercise, we assume half of them will do so and the other half will be found ineligible. Second, the Vermont State Auditor reports that 22 percent

of Dr. Dynasaur customers were delinquent on premium payments.<sup>4</sup> Applying that percentage to the age 18 Dr. Dynasaur enrollees and removing half of the age 19 to 22 Dr. Dynasaur enrollees leaves about 8,200 Vermonters ages 18 to 22 in full Medicaid. Adding those younger people to the estimate above yields a rough estimate of about 71,500 Vermonters ages 18 to 64 who are likely to be eligible for full Medicaid in 2016. That rough estimate is about 15 percent below current enrollment.

9,658	ages 18-22 enrolled Dec 2015	63,337	estimate for ages 23-64
-1,125	if half Dr D ages 19-21 ineligible	+8,226	estimate for ages 18-22
8,533		71,563	total rough estimate
-307	if 22% Dr D delinquent, age 18		
8,226	Rough estimate for ages 18-22		

84,079	actual enrollment in Feb 2016
85.1%	rough estimate vs. actual

A better idea of Medicaid enrollments will come after the current round of redeterminations is completed. Some of the findings here may inform what to expect from those redeterminations.

The remainder of this memo will explain

- How eligibility rules changed for Medicaid and the Vermont health insurance programs
- The extent to which 2013 tax data is useful in examining the pre-ACA and post-ACA transition
- How information about automatic enrollments in Vermont helps to understand the transition

How did eligibility rules for Medicaid and Vermont health insurance programs change in 2014?

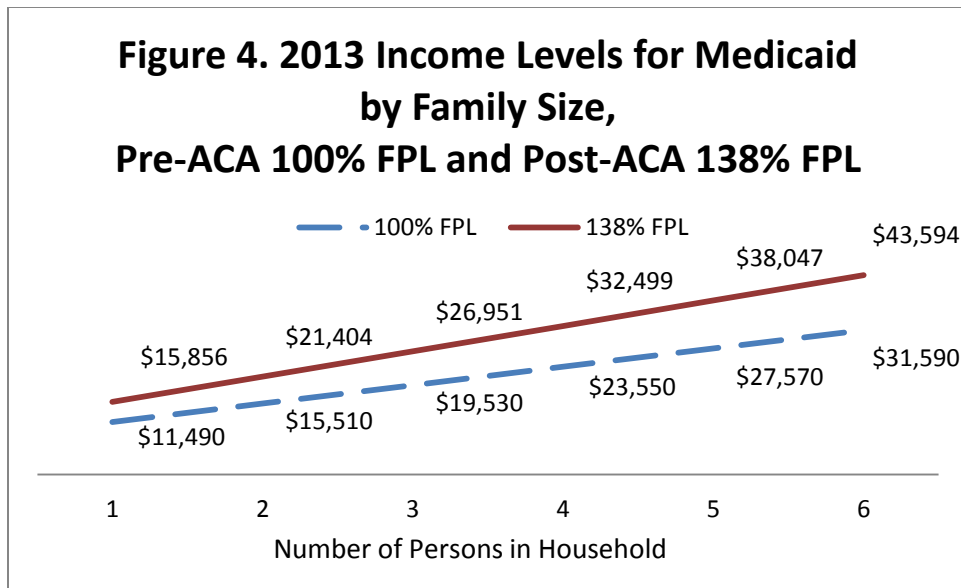
Categorical eligibility for General Adults did not change, but income eligibility rules for Medicaid changed in two important ways in 2014:

- The income limit rose, making more adults eligible, and
- The definition of income used to determine eligibility changed, causing some adults to become eligible but others to become ineligible. Adults who are ineligible under the new income test may still be eligible under a different eligibility category using the former income rules.

1. The income limit for Medicaid rose from 100 percent of the Federal Poverty Level (FPL) to 138 percent of FPL. Note that FPL depends on the number of persons in the household (see Figure 4).

The federal poverty level thresholds are updated each year by the Census Bureau. Federal poverty level thresholds for 2013 determine Medicaid eligibility in 2014.

<sup>4</sup> Report of the Vermont State Auditor, “Vermont Health Connect: Future Improvement Contingent on Successful System Development Project.” April 14, 2015. Available at <http://auditor.vermont.gov/sites/auditor/files/Final%20VHC%20Report%20Repost%206.9.2015.pdf>.



2. The definition of income was changed to become less complex; the resource test was eliminated for people who qualify under the new income definition (modified AGI, or MAGI). Some eligibility categories retain a resources test. VHAP and Catamount did not have a resource test.

The pre-ACA definition of income for Medicaid and Vermont’s health insurance programs started with a broad measure of income—including veterans’ benefits, worker’s compensation, and child support received—and then allowed several important deductions. In particular,

- earners could deduct up to \$1,080 per year as a “standard employee expenses deduction” (SEED)
- earners with dependent care expenses could deduct up to \$2,100 per child age two or older per year and up to \$2,400 per child under age 2 per year

The post-ACA definition of income includes all the additions and deductions that are part of adjusted gross income (AGI). It thereby allows two deductions that can be significant for a number of Vermonters:

- business losses and depreciation for self-employed individuals
- business losses and depreciation for farmers

The table below summarizes the changes in the definition of income pre- and post-ACA.

<u>Pre-ACA Income Definition</u>	<u>Post-ACA Income Definition</u>
Wages (1040 line 7) + Taxable Interest (1040 line 8a) + Ordinary Dividends (1040 line 9a) + Social Security Benefits (1040 line 20a) + Pensions and Annuities (1040 line 16a) + Unemployment Compensation (1040 line 19) + Alimony Received (1040 line 11) + Self-Employed Income (Schedule C line 7) + Farm Income (Schedule F line 9)  - First \$50 received in child support - Standard Employee Expenses Deduction up to \$1,080/year. - Dependent Care Expenses up to \$2100/year. - Certain Self-Employment Deductions - Certain Farm Income Deductions	AGI (1040 line 37) + Non-taxable social security benefits (1040 line 20a-20b) + Tax-exempt interest (1040 line 8b) + Foreign Earned Income      - Scholarships, Awards, Fellowships, and Grants - American Indian Income - Lump Sums
Indicates data not available and therefore not included in Tax/JFO analysis	

3. Vermont health insurance programs pre-ACA generally used the same income definition as pre-ACA Medicaid but higher income cut-offs, except for students. Those higher income cut-offs together with the changes in income definition are important when looking at the transition from “old” public insurance programs to “new” Medicaid.<sup>5</sup> VHAP and Catamount did not have a resource test.

VHAP = Vermont Health Assistance Program

- Required no access to employer-sponsored insurance (ESI) and no health insurance within 12 months
- Income up to 150% FPL for childless adults; up to 185% FPL for parents or caretakers

VHAP ESIA = VHAP Employer Sponsored Insurance Assistance: premium assistance

- Must be eligible for VHAP and have access to employer-sponsored insurance

CHAP = Catamount Health Assistance Program: premium assistance

- Must be uninsured for 12 months with no access to ESI or have a “qualifying event”
- Must not be eligible for VHAP and have income at or below 300% FPL; if income between 200% and 300% of FPL, disregard \$400 in earned income per household

<sup>5</sup> Source: <http://humanservices.vermont.gov/on-line-rules/esd/premium-assistance-5900/view>



Catamount ESIA = Employer Sponsored Insurance Assistance: premium assistance

- Must be uninsured for 12 months with access to ESI, or have a “qualifying event”
- Must not be eligible for VHAP, income at or below 300% FPL; if income between 200% and 300% of FPL, disregard \$400 in earned income per household

The “old” higher income thresholds suggest that some adults who were on VHAP and many adults who were on Catamount might not be eligible for “new” Medicaid, but only careful analysis can put all the pieces together.

### What can be learned from tax data regarding enrollments from 2013 to 2014?

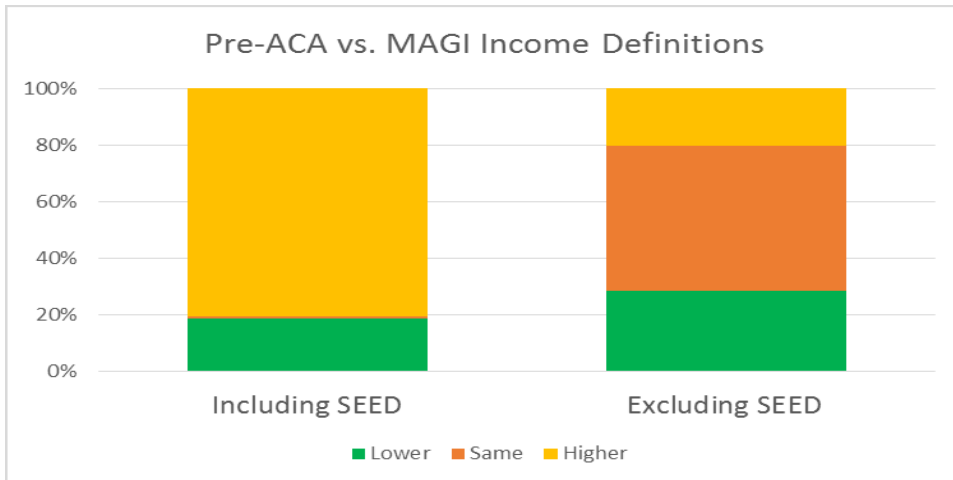
We can use data on Vermont tax filers from 2013 to look at tax filers only; tax filers represent about 92 percent of Vermont adults ages 23 to 64.

1. The availability of the standard employee expenses deduction (SEED) pre-ACA made a significant difference to many people. Most Vermont incomes are *higher* using the post-ACA income definition, implying that fewer people would qualify for Medicaid, contrary to expectation when thinking about moving from 100 percent of FPL to 138 percent of FPL.

Under the pre-ACA income definition, anyone who was working was eligible for the “standard employee expenses deduction (SEED).” It was \$90/month or up to \$1,080/year, but monthly income is not known. The analysis of tax data used the lesser of wages or \$1,080, so most people got the whole deduction. That \$1,080 seems to trump all the other adjustments included in the post-ACA income definition.

When the \$1,080 SEED is included in pre-ACA incomes, 81 percent of households with pre-ACA incomes below 300 percent of FPL who filed taxes in 2013 had higher post-ACA incomes compared to pre-ACA incomes (see Figure below). 19 percent of households had lower post-ACA incomes and 1 percent of households had about the same income.

When the \$1,080 SEED is omitted, 20 percent of households with pre-ACA incomes below 300 percent of FPL who filed taxes in 2013 had higher post-ACA incomes compared to pre-ACA incomes. 29 percent of households had lower post-ACA incomes; 51 percent of households had about the same income.



2. The availability of the deductions for business losses and depreciation for the self-employed and farmers makes a difference as well.

Of the filers who could be called self-employed (filed a schedule C), about 7,000 adults would have qualified for Medicaid using the post-ACA income definition but not for Medicaid or VHAP using the pre-ACA definition. The reverse is true for about 2,500 adults. The net gain is up to 4,500 self-employed. Some may have qualified for VHAP/Medicaid earlier, but we have no information on their deductions related to being self-employed.

Of the filers who could be called farmers (filed a schedule F), about 800 adults would have qualified for Medicaid using the post-ACA income definition but not for Medicaid or VHAP using the pre-ACA definition. The reverse is true for about 100 people. The net gain is up to 700 farmers. Again, some may have qualified for VHAP/Medicaid earlier, but we have no information on their farm business deductions.

Taken together, newly available business losses for the self-employed and farmers could have added about 5,200 adults on net to the Medicaid enrollments. Those additions may not have been included in the early enrollment estimates but account for almost 1/7 of the increased enrollment since the early estimate in January 2014.

What can be learned from automatic enrollments?

In early 2014, with approval of the Centers for Medicare & Medicaid Services (CMS), Vermont automatically enrolled 33,549 plans from VHAP and Catamount into Medicaid.<sup>6,7</sup>

<sup>6</sup> Waiver approval received in a letter from CMS to Douglas Racine, Secretary of the Vermont Agency of Human Services, dated February 27, 2014.

Analysis of tax filers in 2013 showed that about 60 percent of the group that appeared eligible for VHAP in December 2013 would qualify for Medicaid post-ACA, but actual enrollment in October 2014 was 85 percent of December 2013 VHAP enrollees (DVHA).

The CHAP population is harder to pin down. It seems reasonable that between 5 percent and 20 percent of CHAP enrollees might qualify for Medicaid post-ACA, but actual enrollment in October 2014 was about 34 percent (DVHA).

Higher automatic enrollments than seem reasonable today may be explained by the process of automatic enrollment in early 2014 and the lack of redeterminations since then. Under Vermont's transition plan approved by CMS, adults were considered eligible for automatic enrollment in Medicaid based on the pre-ACA definition of income using 138 percent of FPL. The understanding was that the post-ACA definition of income would be applicable when individuals came up for renewal in 2014. No renewals or redeterminations occurred until late 2015, however, owing to problems with Vermont Health Connect. The delay in redeterminations was approved in a waiver from CMS such that redeterminations should be completed by February 2016 for "legacy" enrollees who had received Medicaid prior to January 2014.<sup>8</sup> That same waiver required that redeterminations should be completed by November 2016 for Medicaid enrollees who first entered through Vermont Health Connect using the new income definition. The State is acting within those guidelines.

Using tax filers only and rough measures of income eligibility suggests up to 1/4 of the transferred VHAP adults (about 7,300 adults) and a large portion of the transferred Catamount adults (between 2,400 and 4,400 adults) would not have been eligible for Medicaid under the post-ACA definition of income. If true, the number of adults enrolled in Medicaid today could be reduced significantly through redeterminations. The difference would explain up to 1/3 of the increased enrollments since the early estimate in January 2014.

Many of the former VHAP/Catamount adults no longer eligible for Medicaid could be eligible for Vermont Premium Assistance at lower cost, of course.

#### Important caveats and considerations

- a. Adults who are tax filers represent about 92 percent of resident adults ages 23 to 64; we don't know whether non-filers have high incomes or low incomes, and we don't know the proportion of Medicaid enrollees who are non-filers. Adults ages 18 to 22 were not included in the tax analysis.
- b. Available tax information for filers is incomplete, both pre- and post-ACA.

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<sup>7</sup> Vermont Health Connect Update, Commissioner Mark Larson, April 29, 2014.

<http://legislature.vermont.gov/assets/Documents/2014/WorkGroups/House%20Health%20Care/Vermont%20Health%20Benefit%20Exchange/W~Mark%20Larson~Vermont%20Health%20Connect%20Update%204-29-14~4-29-2014.pdf>.

<sup>8</sup> A waiver from CMS dated November 13, 2015 allowed Vermont to delay income verification until 2016.

- c. The Medicaid resource test was dropped for people who qualify based on the new income rules. VHAP and Catamount Health did not have a resource test, consistent with the New Adult rules.
- d. The test regarding recency of health insurance no longer applies. Eligibility for VHAP and CHAP required no health insurance coverage during the previous 12 months or a qualifying event such as the loss of insurance through a spouse. That type of test is inconsistent with the federal insurance mandate.
- e. A complex and tedious eligibility process has become much easier. VHAP carefully checked monthly income and dropped or added enrollees monthly. The ACA established a preference for annual income redeterminations in order to reduce churn and ensure continuity of coverage.
- f. ACA outreach and publicity increased awareness of Medicaid for many people. Vermont Health Connect put income-eligible applicants in Medicaid as the default.
- g. The new federal mandate for health insurance matters for a number of people.
- h. Family size reflected in tax filings may differ from family size claimed for Medicaid eligibility.

Key acronyms and terms

ACA = the Affordable Care Act passed by Congress, effective in January 2014

BAA = Budget Adjustment Act, the budget act passed in the middle of a state fiscal year

CHAP = Catamount Health Premium Assistance Program

FPL = the federal poverty level, varies by family size, used to determine eligibility for Medicaid

MAGI = modified adjusted gross income, the new definition of income used for Medicaid eligibility under the ACA

SFY = State fiscal year for Vermont, July 1 to June 30

VHAP = Vermont Health Assistance Program

Full Medicaid coverage types:

General Adults = adults with dependent children or pregnant women who qualify for full Medicaid coverage based on a number of eligibility categories as well as income tests

New Adults = adults ages 18 to 64 who qualify for full Medicaid coverage based on their Modified Adjusted Gross Income (MAGI)

*Note: Any comments from the Administration will be posted on the JFO website.*