



## Governor's Proposed Red Tape Costs 300,000 Children Their Health Insurance

### BUDGET PROPOSAL : QUARTERLY STATUS REPORTING

Governor Schwarzenegger has proposed to help fill the state's budget deficit by dropping eligible children from health insurance. The Governor's 2008-09 budget calls for increasing red tape for families, which will lead to **almost 300,000 California children losing their health insurance. This loss in coverage increases the number of California's uninsured children by nearly 40%.**

The Governor's proposal would force families to renew their Medi-Cal health coverage every 3 months (quarterly status reports), rather than the current once-a-year. In effect, the proposal **buries children in paperwork so those who can't keep up** are dropped—and the state no longer has to pay for their health coverage. This would not only put California in the backwater of state efforts to streamline enrollment for children, but is a huge step backwards from the shared goal of covering all California's children.

Furthermore, the excess bureaucracy would significantly **increase the state's administrative costs** due to processing more paperwork. Because virtually all children tangled in the new red tape would still qualify for health insurance, this unnecessary paperwork will result in these children having to come back to re-enroll more often. Enrollment workers will not only have to process four times more paperwork for these children, they will also have to re-enroll children who were dropped from coverage because of this needless bureaucracy.

#### **California has been a leader in cutting red tape to cover more eligible children.**

- California has made significant progress in reducing the number of uninsured children by reducing red tape for enrolling and keeping 3 million children enrolled in Medi-Cal coverage.
- For example, California prevented children from losing their Medi-Cal health insurance by providing uninterrupted coverage for one year – or “12-month continuous eligibility.”

#### **Keeping children covered is not easy.**

- While California has made enrollment progress, half of California's uninsured children are eligible for Medi-Cal or Healthy Families; they just are not enrolled.<sup>1</sup>
- Complex and burdensome enrollment paperwork is a primary reason eligible children are not enrolled in health coverage.<sup>2</sup>
- Inundating poor families with more paperwork is cruel: it is unnecessary, wasteful, and only causes more confusion. Adding more bureaucracy to poor families juggling multiple jobs will easily result in missed deadlines and children routinely losing their coverage.
- Children falling off available coverage is a major reason for children's uninsurance rate. Nationally, almost half of low income uninsured children were enrolled in either Medicaid or SCHIP programs the previous year.<sup>3</sup>

#### **The Governor's plan to bury children in paperwork would put California in the backwater.**

- The state estimates that **287,000 Medi-Cal children** will not be able to keep up with the paperwork and will be dropped from coverage altogether (157,000 starting in 08/09), despite remaining eligible for the program.
- The Governor proposes to take away \$92.2 million in children and families' health coverage in just the first year of adding this red tape.

- This proposal would make California one of only two states to impose such harsh barriers to children’s coverage. Only one other state – North Dakota – requires families to report eligibility information more often than the Governor’s proposal.<sup>4</sup>

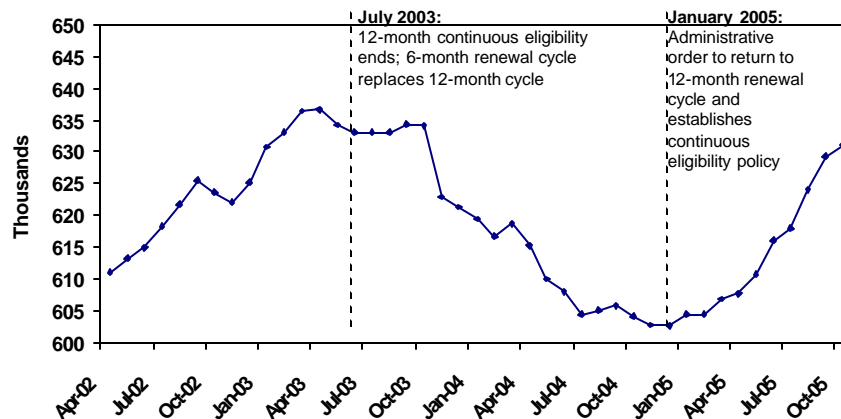
**States across the nation overwhelmingly embrace policies to keep children covered.**

- States almost universally apply the most effective strategy for keeping kids covered--having children renew their coverage only once a year. Annual renewals are available to children in 44 states.<sup>5</sup>
- California currently is among 15 states that offer 12-month continuous eligibility, whereby children remain eligible within the year despite income change. States offering this policy include Alabama, Louisiana, and Mississippi.<sup>6</sup>

**States have experienced huge drops in enrollment when they added red tape.**

- When Washington State replaced its 12-month continuous eligibility policy with a 6-month renewal requirement, their children’s health insurance enrollment rate dropped by over 15%. It returned to higher levels after reinstating the 12-month continuous eligibility policy.<sup>7</sup>
- Washington State’s administrative costs grew by \$3.5 million as a result of its 2003 policy of imposing more frequent reviews and eliminating continuous eligibility.<sup>8</sup>

**Washington:  
Impact of Continuous Eligibility Policy Changes**



Source: Washington State Department of Social and Health Services, 2005, updated 2006, presented by Center for Children and Families, Georgetown University and Center for Budget and Policy Priorities, January 2008

**More bureaucracy wastes taxpayer’s dollars.**

- California already spends about \$30 million a year re-enrolling children who are unnecessarily dropped from Medi-Cal.<sup>9</sup> The Governor’s proposal will magnify this wasteful spending.
- When children have gaps in coverage and do not get timely preventive care, they often end up requiring more expensive health care, such as hospitalizations and emergency room visits.<sup>10</sup>
- Conversely, a study of 9 California local Children’s Health Initiatives (CHI) found that providing children health insurance reduced hospitalizations in the CHI counties by 25% and saved up to \$7.35 million annually in preventable hospitalizations.<sup>11</sup> If all low-income children had health insurance, the state could save \$24.3 million per year in preventable hospitalizations.<sup>12</sup>
- While the Governor has spent the past year talking about the “hidden tax” of the uninsured, this plan will do nothing but add to the numbers of the uninsured and increase the “hidden tax” which he has been working to eliminate.

## **More red tape sets us back from our shared goal of covering all children.**

- Quarterly reviews run counter to the Governor's and California voters' stated interests to cover all children.
- The 300,000 children who would lose coverage will join the 763,000 uninsured children in California today, an increase of nearly 40% more uninsured children.
- This one policy could undo much of the progress California has made over the past decade to cover more uninsured children.
- This proposed barrier would also compound the negative impacts of new federal identity/citizenship documentation requirements. Children who lose coverage as a result of quarterly reviews would have to remain uninsured while they find documentation to prove their citizenship. These eligible children otherwise would have been insured while they sought the proper citizenship documentation.

## **California should cover all kids, not fewer.**

- Be clear, this is a backdoor way of saving money by reducing the number of children covered through Medi-Cal. In other words, the Governor proposes to balance the budget on the backs of children.
- The Legislature should reject the proposal to bury children in paperwork in order to balance the budget.
- The Legislature should, instead, finish the job of covering all uninsured children.

*The 100% Campaign, a collaborative effort of The Children's Partnership, Children Now and Children's Defense Fund, was created to ensure that all of California's children obtain the health insurance they need to grow up strong and healthy. <http://www.100percentcampaign.org/>*

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<sup>1</sup> California Health Information Survey 2005, UCLA Center for Health Policy Research.

<sup>2</sup> Michael Perry, et al., *Medicaid and Children: Overcoming Barriers to Enrollment, Findings from a National Survey* (Washington, D.C.: Kaiser Commission on Medicaid and the Uninsured, Jan. 2000)

<sup>3</sup> Benjamin D. Sommers, "Why Millions of Children Eligible for Medicaid and SCHIP Are Uninsured: Poor Retention Versus Poor Take-Up," *Health Affairs*, Vol. 26, No. 5 (2007): w560-w567.

<sup>4</sup> In North Dakota, families with children enrolled in Medicaid must report their income monthly. A full review of eligibility is done annually. Donna Cohen Ross, et al., *Health Coverage for Children and Families in Medicaid and SCHIP: State Efforts Face New Hurdles: A 50-State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2008* (Washington, DC: The Henry J. Kaiser Family Foundation, January 2008) 46 (<http://www.kff.org/medicaid/upload/7740.pdf>).

<sup>5</sup> Donna Cohen Ross, et al., *Health Coverage for Children and Families in Medicaid and SCHIP: State Efforts Face New Hurdles: A 50-State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2008* (Washington, DC: The Henry J. Kaiser Family Foundation, January 2008) 44 (<http://www.kff.org/medicaid/upload/7740.pdf>).

<sup>6</sup> Ibid.

<sup>7</sup> David Mancuso, et al., "Understanding the Children's Medical Caseload Decline: Part II: What the Survey Findings Tell Us," *Children's Medical Caseload: Why the Decline?*, Olympia, WA: Washington State Department of Social and Health Services Research & Data Analysis Division, August 2005) (<http://www.dshs.wa.gov/rda/research/9/74.shtm>).

<sup>8</sup> Mark Gardner, et al., *The Costs of Enrollment Instability in Washington State's Medicaid Program* (Seattle, WA: Health Policy Analysis Program, Mar. 5, 2004) in Laura Summer and Cindy Mann, *Instability of Public Health Insurance Coverage for Children and Their Families: Causes, Consequences, and Remedies* (Washington DC: The Commonwealth Fund, June 2006) 9.

<sup>9</sup> Gerry Fairbrother, *How Much Does Churning in Medi-Cal Cost?* (The California Endowment, April 2005).

<sup>10</sup> Uninsured children are 5 times more likely to use the emergency room. American College of Physicians-American Society of Internal Medicine. *No Health Insurance?: It's Enough to Make You Sick*. American College of Physicians-American Society of Internal Medicine, Philadelphia, November 1999.

<sup>11</sup> Michael R. Cousineau, et al., *Covering California's Kids Evaluation: Children's Health Initiatives Have Helped Prevent Over 1,000 Unnecessary Child Hospitalizations Annually*, (Center for Community Health Studies, University of Southern California, December 2007) ([http://communityhealth.usc.edu/USC%20Center%20for%20Community%20Health%20Studies/Center%20for%20Community%20Health%20Studies%20at%20USC\\_files/Preventable%20Hospitalizations%20Brief.%2012-7.pdf](http://communityhealth.usc.edu/USC%20Center%20for%20Community%20Health%20Studies/Center%20for%20Community%20Health%20Studies%20at%20USC_files/Preventable%20Hospitalizations%20Brief.%2012-7.pdf)).

<sup>12</sup> Michael R. Cousineau, et al., "Preventable Hospitalizations Among Children in California Counties After Child Health Insurance Expansion Initiatives," *Medical Care*, Vol. 46 (2008): 142-147.