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# Issue Brief

KANSAS HEALTH INSTITUTE

## Children's Enrollment in HealthWave and Medicaid: Where Do We Stand?

*By R. Andrew Allison, Ph.D. and Robert F. St. Peter, M.D.*

*This is the third in a series of reports from the Kansas HealthWave Evaluation Project, a three-year evaluation of HealthWave, Kansas' State Children's Health Insurance Program (SCHIP) for low-income children.*

### Main Findings

- ***Kansas appears to have had mixed success in covering uninsured children.*** *Enrollment of children in HealthWave and Medicaid has risen by more than 49,000 since the introduction of HealthWave, but disenrollment has been identified as a significant concern.*
- ***The often-cited estimate of 60,000 low-income uninsured children in Kansas may be inappropriate.*** *This estimate is outdated, imprecise, and potentially biased. A better source of information about the remaining number of low-income uninsured children is a recently completed survey of 8,000 Kansas households.*
- ***The current HealthWave and Medicaid programs cannot cover all uninsured children.*** *Some uninsured children are not eligible for HealthWave or Medicaid, either because their family's income exceeds the limit set by the state, or because of federal policies such as those excluding some immigrants and dependents of state employees.*
- ***The number of children eligible for HealthWave and Medicaid may grow.*** *Increasing health care costs, continuing changes in the job market, and a looming slowdown in the economy suggest that the number of children eligible for and in need of public health insurance may grow. If the economy does weaken, enrollment — and spending on public health insurance — could rise dramatically.*

## Background

The HealthWave program was introduced in January 1999 to provide health insurance to low-income uninsured children in Kansas. How successful has the state been in enrolling eligible children since that time? On the one hand, 49,224 more Kansas children were enrolled in public health insurance in March 2001 than at the end of 1998. On the other hand, prior to HealthWave's implementation in 1999 it was estimated that there were 60,000 low-income uninsured children in Kansas. This number quickly became the "target" for enrollment efforts. Should we now assume that there are 11,000 children left in Kansas who could benefit from public health insurance?

This Issue Brief discusses the actual and potential enrollment of children in public health insurance,

## Kansas HealthWave Evaluation Project

This three-year, $1.4 million evaluation of the HealthWave program includes a survey of 1,500 HealthWave and Medicaid families, focus groups with HealthWave families, analysis of enrollment and other administrative data, and extensive discussions with program administrators and health care providers from around the state. The project runs through September 2002. KHI serves as the lead organization for the project, where Robert St. Peter, M.D., is the principal investigator and R. Andrew Allison, Ph.D., is the project manager and co-investigator.

### Collaborating Organizations

Kansas Health Institute

Kansas Department of Social and Rehabilitation Services

Kansas Department of Health and Environment

University of Kansas Medical Center: Department of Health Policy and Management; School of Nursing; Department of Preventive Medicine, School of Medicine-Wichita

Kansas State University: Survey Research Laboratory

Kansas Foundation for Medical Care

### Project Funding

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some of the challenges of assessing success, and implications for these programs in the future.

### Enrollment Gains in Public Health Insurance

After 27 months, enrollment in the HealthWave program reached 20,154 children. In addition, the total number of children enrolled in Medicaid increased by more than 29,000 over the same period. In sum, enrollment of children in Kansas' two public health insurance programs increased by 49,224 — a remarkable 50 percent increase.

While this is an impressive accomplishment, the gains might have been even greater. More than 80,000 children have been newly enrolled in these two programs since January 1, 1999. However, due to the large number of children who have left public health insurance since that time, total enrollment of children in the two programs had increased by the net of only 49,224. This attrition is due to dropout from the programs during the first year of eligibility, coupled with additional losses occurring at the one-year anniversary re-enrollment date. While some of this attrition is expected and appropriate (due to changes in eligibility), much of it is unexplained and poses a significant challenge to program growth [see Issue Briefs Number 10 and Number 11 for a more extensive discussion of attrition].

### Is the Prevailing Estimate of Uninsured Kansas Children Useful?

The prevailing estimate is that there were 60,000 low-income, uninsured children in Kansas before HealthWave. However, this estimate is so imprecise and contains so many potential biases that it should not be used to determine how many children were eligible to be enrolled in public health insurance when the HealthWave program began — nor should it be used to determine how many remain unenrolled today.

*How the estimate might understate potential enrollment in HealthWave and Medicaid.* The 60,000-child estimate is based on data from the Census Bureau's Current Population Survey (CPS). It represents the number of children in families with annual incomes below 200 percent of the federal poverty level who were without health insurance of any kind for a full calendar year. However, many additional children may be in families whose income drops, or who lose insurance coverage, for part of the year. Including such children would certainly have increased the 60,000-child estimate. Another group of children that could have been included in the 60,000-child estimate is the "under-insured"; i.e., low-income families with insurance that is not adequate to make the care they need affordable. For example, insurance that excludes certain services, has deductibles and co-pays that are not affordable, or has very low coverage caps.

*How the estimate might overstate potential enrollment.* The 60,000-child estimate included some children who were not eligible for either program, even though they were uninsured. For example, children in low-income families who have a parent eligible for the state benefit plan (e.g., state employees and some school district employees) and children who are undocumented aliens or recent immigrants. In addition, the CPS is known to routinely underestimate the number of children covered by Medicaid, mischaracterizing 17-24 percent of Medicaid recipients as uninsured.

*How the estimate is imprecise.* Even without these biases and limitations, the number 60,000 itself is too imprecise to be used to assess HealthWave's enrollment success. In small states like Kansas there are not

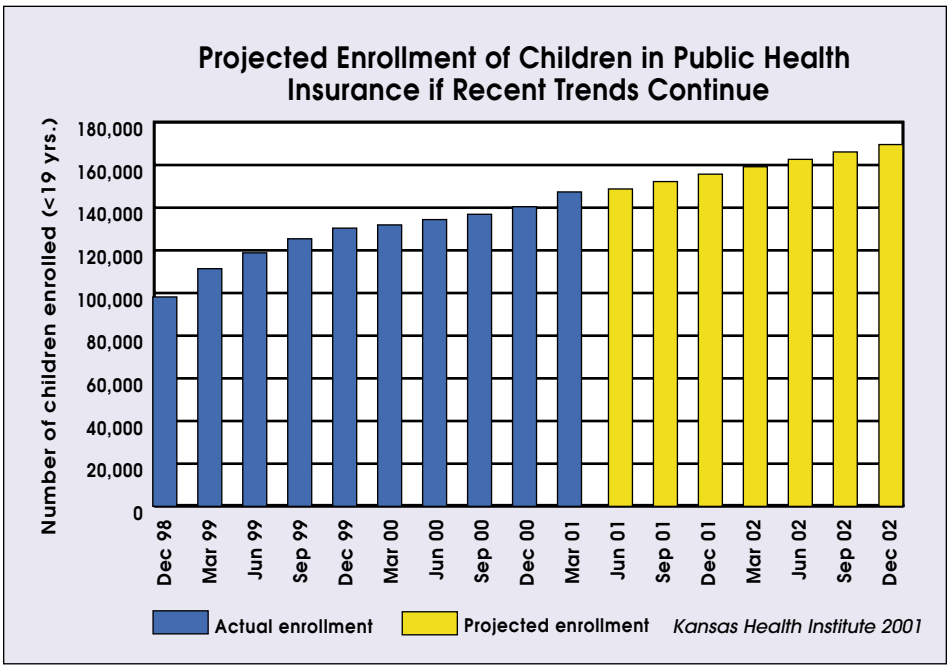
enough survey participants to get accurate statewide estimates of insurance rates for children; e.g., fewer than 500 Kansas children are included in each year's sample. To try to make the CPS data useful for small states, the Census Bureau combines data from three years to give a "rolling average." The 60,000-child number of eligibles in 1999 is based on data collected for the years 1993-95. Even after combining three years of data, the CPS estimates are highly imprecise for small states, easily varying by +/- 12,000 children.

*A better estimate to come.* Fortunately, Kansas soon will have better data on the number of uninsured children. A recently completed 8,000-household survey, funded by a grant from the federal Health Resources and Services Administration to the Kansas Insurance Department, will support a much more precise estimate of health insurance coverage in the State than has ever before been possible.

## Projecting Enrollment in HealthWave and Medicaid

One might expect program growth to taper off as the HealthWave program and its associated outreach and enrollment efforts mature. On the other hand, increasing health care costs and/or an economic downturn could significantly increase the number of eligible uninsured children in the state, with a concomitant effect on enrollment. As a point of reference, the figure illustrates what would happen to the number of children covered by public health insurance if recent trends continue. Under this assumption, the number of children in the HealthWave and Medicaid programs would grow from 147,387 in March 2001 to about 170,000 at the end of 2002. This would bring to 71,000 the total increase in the number of children with public health insurance since the introduction of HealthWave in January 1999.

Future enrollment growth depends on at least four key factors: (i) the future success of marketing, outreach, and enrollment efforts aimed at a difficult-to-reach group of eligible but unenrolled children; (ii) the state's success in keeping eligible children enrolled in the program; (iii) changes to the state's eligibility standards for HealthWave and Medicaid; and (iv) economic conditions affecting private insurance coverage and eligibility for Medicaid and HealthWave.




## What Does the Future Hold?

The economic expansion of the last decade brought the nation an extended period of strong economic growth, with the lowest unemployment rates in 30 years. Despite this prosperity, however, there were nearly 4 million more uninsured Americans in 1999 than there were in the recession year 1992. This is because of increases in health care costs and, to a lesser extent, changes in the work force such as the shift in jobs to the service sector and to part-time employment without health insurance benefits. While the country has enjoyed relatively low inflation and a drop in health care spending as a percentage of Gross Domestic Product over the last few years, medical prices have continued to rise faster than overall prices, and there has been a recent upturn in health insurance premiums of at least 12-20 percent per year both nationally and in Kansas. For example, Blue Cross Blue Shield of Kansas, the state's largest private insurer, reports average premium increases in 2001 of 21 percent for small businesses and predicts large increases again for next year.

If premiums continue their steep rise, employers may pass more of these costs on to employees (who may not be able to afford them) or choose to reduce or eliminate benefits altogether for employees or dependents. The Kansas State Health Care Commission, for example, recently decided to increase deductibles and co-pays for state employees and retirees in order to temper the effect of the 12-15 percent claims cost increase expected in FY 2002.

An economic downturn would compound pressure on employers. In a recent article in the New York Times,

**"We've enjoyed a strong economy over the past several years and I hope we can avoid a significant downturn. As we've seen in the past, an economic slowdown can have significant consequences for health insurance coverage."**
***— Gov. Bill Graves***

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Dan Danner, a senior vice-president at the National Federation of Independent Business, warned that "as the market softens and there isn't fierce competition for employees in the marketplace, the result is that more small businesses will drop health care, and the uninsured will go up substantially." Governor Bill Graves has voiced his concern about how these trends could affect the state of Kansas: "We've enjoyed a strong economy over the past several years and I hope we can avoid a significant downturn. As we've seen in the past, an economic slowdown can have significant consequences for health insurance coverage."

All of this suggests that the number of children eligible for and in need of public health insurance may grow, especially for children in middle and low-income working families. A pressing issue for the state is the potential impact of these emerging trends on the state budget. The state already is experiencing significant increases in public health insurance costs, according to Robert Day, Ph.D., the director of the Medicaid and HealthWave programs. These increases likely will continue if enrollment in public health insurance continues at its current pace. The April 2001 consensus revenue and spending estimates that formed the basis for this year's final budget deliberations in the Kansas Legislature did not anticipate increases in caseload due to changes in the economy. If the economy does weaken, enrollment — and state spending — could rise dramatically, forcing ever more difficult choices among a host of state priorities.

*The contents of this report are solely the responsibility of the authors and do not necessarily represent the views of the funding organizations.*

## Future Issue Briefs

*Will describe the health care experiences of families prior to enrolling in HealthWave. For additional information, see the first two Issue Briefs in this series. "Children's Enrollment in Kansas Public Health Insurance Programs Since the Introduction of HealthWave," and "Dynamics of HealthWave and Medicaid Enrollment: Into, Out of, and Between Two State Programs."*