

January 22, 2009

Growing Need for Medicaid Strains States

By [KEVIN SACK](#) and [KATIE ZEZIMA](#)

LAWRENCEVILLE, Ga. — [Medicaid](#) rolls are surging, by unprecedented rates in some states, as the recession tightens its grip on the economy and Americans lose their employer-sponsored health coverage along with their jobs.

In a number of states, Medicaid populations grew by 5 percent to 10 percent in the last 12 months and, in many, the growth rate was at least double what it had been in the previous year. State Medicaid officials also say that because enrollment often lags behind job losses by several months, the growth in 2008 may represent only the leading edge of heightened demand.

In most states, much of the growth in Medicaid has been among children from low-income families, who constitute about half of all recipients. The program also provides coverage for those with disabilities, pregnant women, nursing home residents, and in some instances parents of covered children and childless adults.

In a nationwide survey, with 40 states responding, The New York Times found that in some cases the surge in enrollment had overwhelmed social services agencies, and prompted state fiscal analysts to shred estimates that were often only six months old.

Here in Gwinnett County, an Atlanta suburb that is home to a growing immigrant population, Medicaid enrollment ballooned by 26 percent from July 2007 to July 2008, according to state officials. One day last fall, the waiting area in the office of the county's Department of Family and Children Services was so packed with applicants that the fire marshal insisted that another room be opened for overflow.

“There’s just been a steady increase in the numbers, and it has followed the economy,” said Glenda G. McMillan, the regional director over the Gwinnett County office. “And there’s no one population. We’re seeing the newly unemployed, the underemployed. There’s just an array of need out there.”

But Georgia was hardly alone in seeing substantial jumps in enrollment. Kentucky, which had budgeted last year for increases of 1,000 new Medicaid enrollees per month, has averaged more than triple that since June. In Colorado, which had forecast enrollment growth of about 1 percent for this fiscal year, state officials now project it will be eight times higher.

In Florida, which is experiencing some of the fastest Medicaid growth in the country (10.4 percent for the 12 months ending in November), the current caseload is the highest since the program’s creation in 1965, officials there said. Utah officials expect their state’s Medicaid enrollment to grow by 13 percent this year, after declining by 3 percent a year earlier.

To help states handle what is rapidly becoming an unmanageable burden, President Obama and Congressional Democrats are negotiating a sizable increase in federal aid to state Medicaid programs as part of their economic [stimulus package](#). Among other initiatives, they are considering extending eligibility to those who have lost jobs that did not provide health benefits and who do not therefore have the option of continuing employer-sponsored coverage under the federal Cobra law.

Some details remain to be worked out, but a bill outlined by House Democrats would provide states with \$87 billion in additional Medicaid support from Washington over two years, in a recovery plan worth \$825 billion. It would be among the largest expenditures in the stimulus package, and a significant increase over the \$10 billion in Medicaid relief that the federal government sent to the states in 2003 and 2004, when the last recession also brought spikes in enrollment. As then, a

likely condition for the assistance would be that states not constrict eligibility for the program during the downturn.

Eligibility for the income-based program can vary widely by state. But at any one time last year, Medicaid was providing coverage to an average of 50 million people, or about one of every six in the United States. The cost of the program — \$333 billion in 2007 — is shared by state and federal governments, with Washington roughly matching the spending approved by the states. The federal government currently picks up about 57 percent of the tab, eating up 7 percent of the [federal budget](#), and the program is one of the largest drains on every state's budget.

As in any economic downturn, the countercyclical program now faces a grim fiscal paradox: by definition, demand for Medicaid coverage is highest precisely when states are least able to afford it because of shrinking tax revenues.

Lawmakers returning to state capitals across the country are preparing to negotiate significant reductions in Medicaid spending by freezing or reducing reimbursements to hospitals and physicians, by eliminating coverage options like dental and vision benefits, and by narrowing eligibility for the program.

Although some states are cutting benefits and eligibility, the reductions thus far have been concentrated on reimbursement rates for providers. In Nevada, for instance, the state cut payments for hospital stays by 5 percent in September, prompting the only public hospital in Las Vegas to shut down its outpatient cancer and dialysis clinics. Rates for pediatric specialists were reduced by as much as 41 percent. Provider payments also have been cut in California, Minnesota, New York, South Carolina and Utah, among others.

As it is, many physicians will not accept Medicaid patients because they say reimbursement rates are too low to be profitable.

“We had been on a march to increase our provider rates over the last few years,” said Dr. Sandeep Wadhwa, Medicaid director for Colorado, “and

that march has come to a complete halt as we try to come up with a plan to manage the increase in caseload with the shortfall in revenues.” The stimulus plan being negotiated in Washington would most likely divide about half of the Medicaid relief evenly among states, said officials close to the discussions. The rest would be allocated according to a formula that would favor states hit hardest by job losses.

In the House proposal, states would be allowed to extend Medicaid eligibility to people who have lost jobs since Sept. 1, with the federal government paying all of the costs. It also would provide a 65 percent subsidy for the first 12 months of Cobra coverage for those who have lost jobs since Sept. 1, as many unemployed people find they cannot afford to continue that insurance without their employer’s contributions.

The bill would extend Cobra coverage, which is currently limited to 18 months, for terminated workers who are at least 55 or who had kept the same job for 10 years. They would be allowed to maintain Cobra, at their own expense, until they become eligible for [Medicare](#) at age 65 or secured health benefits through a new job.

Taken together, those measures are expected to cost \$38.9 billion and to help 8.5 million people maintain coverage, according to Congressional aides.

The House stimulus bill also includes \$20 billion to speed the computerization of health records, \$3 billion to bolster prevention and wellness programs, \$1.5 billion to expand community health centers, \$1.1 billion to gather data on the effectiveness of medical practices, \$600 million to help train primary care providers, and \$550 million to modernize Indian Health Service clinics and hospitals.

Congress is also expected to pass a significant expansion of the [State Children’s Health Insurance Program](#), financed largely by an increase in the federal tobacco tax. That program is intended to cover children of the working poor who earn too much to qualify for Medicaid, but too little to afford insurance.

Last week, the House approved a bill that would add \$32.3 billion to the program over four and a half years by raising the tobacco tax by 69 cents, to \$1 a pack. Supporters believe the bill, which is similar to one vetoed in 2007 by President [George W. Bush](#), could add about four million children to the program, which currently insures about seven million people. Mr. Obama has said he would sign the measure.

Government economists expect the unemployment rate, which rose to 7.2 percent in December from 4.9 percent a year earlier, to approach double-digits this year. A study conducted last April for the Kaiser Family Foundation projected that every increase of 1 percentage point in unemployment would generate 1.1 million more uninsured and 1 million more recipients of Medicaid and the State Children's Health Insurance Program.

The Center for Children and Families at [Georgetown University](#) estimated in November that 4.1 million people — including 1.2 million children — had lost employer-sponsored health coverage in the previous year, and that 1.7 million of them had enrolled in public insurance programs.

Here in Gwinnett County, Candice N. Freeman, 27, lost her health benefits along with her \$41,000-a-year job as an administrative assistant when she was laid off in October after four years with a flooring company. Earlier this month, with her 4-year-old daughter in tow, she found herself applying for the first time for food stamps and Medicaid at the Gwinnett office. Her daughter is already covered under the Children's Health Insurance Program, but Ms. Freeman said that because she had lost her insurance she had been deferring treatment for a gynecological condition, as well as for persistent headaches.

“It would be a blessing to be able to get it,” she said. “Just being able to go and make sure I'm O.K. would be a big thing to me because I have to take care of my child.”

In many states, the growth in Medicaid caseloads has been particularly striking because it reversed the trend line of two years ago, when

enrollment declined nationally for the first time in a decade. That was at least partly because of new federal requirements that applicants provide verification of their identity and citizenship.

In the last recession, annual enrollment growth peaked at 9.5 percent in 2002. Few states approached that level last year, but many are now on the way and project double-digit increases this year. In the Times's survey, which was conducted over the last month, 16 of the 40 states that responded had experienced growth of at least 5 percent during the last 12 months that data was available. Many states also reported enrollment increases, albeit smaller, in their Children's Health Insurance Program.

Dr. Rhonda M. Medows, commissioner of the Georgia Department of Community Health, said the depth and breadth of this recession had made it difficult to forecast caseloads for this year and next.

"Normally, when people lose their jobs or fear they're going to lose their jobs they have some confidence they may find something in a couple of months," Dr. Medows said. "But this recession is unlike any other because it's housing, it's credit, it's the financial industry, it's everything and I don't know that consumers have that confidence."