

# *Managing Medicaid Take-Up*

## *Medicaid and Information Systems: Delays in Modifying Information Systems Contributed to the Decline in Medicaid Enrollment after Welfare Reform*

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## **Study Highlights**

### *De-Linking TANF and Medicaid Created Significant Information Technology Challenges for States*

- ❖ By 1996, most states had developed information systems that integrated the determination of eligibility for Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamps. Welfare reform, which replaced AFDC with the Temporary Assistance for Needy Families (TANF) program, de-linked TANF and Medicaid. This change immediately created challenges for states, because, in addition to the programmatic changes directly related to welfare reform, information systems had to be modified, both for TANF and Medicaid.

### *Many Individuals Lost Medicaid Coverage Due to the Failure to Actually De-Link the Programs*

- ❖ The welfare reform legislation included provisions designed to continue Medicaid eligibility for many individuals after their TANF benefits ended. However, many states did not implement manual processes, or modify information systems, to reflect these programmatic changes for a substantial period of time.

### *States Were Slow to Modify Information Systems*

- ❖ In many states, information systems were not modified for two or more years after welfare reform was implemented. A number of factors contributed to the delays. State systems are often based on decades-old technologies, making systems' modifications difficult. The Y2K computing crisis became the top priority in 1998 and 1999. And even in the best of times, major information systems modifications often take a substantial period of time to complete.

### *Why Didn't Enrollment Jump When Information Systems Were Finally Modified?*

- ❖ If information systems play such an integral roll in Medicaid eligibility processes, one would expect that enrollment would increase when systems modifications were completed. But this was not the case. Changes in Medicaid enrollment and the dates when information systems were modified do not correlate. Other factors affected Medicaid enrollment, masking the effect of information systems. For example, a state that immediately implemented manual processes to de-link TANF and Medicaid would show little change in Medicaid enrollment once information systems' modifications were completed.

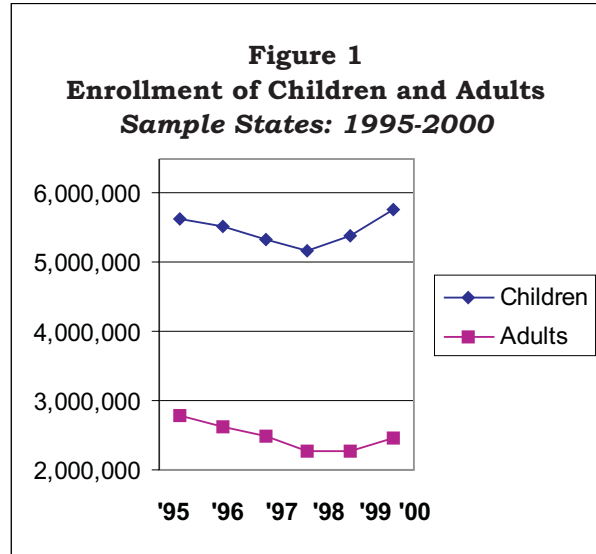
**Introduction**

This paper is one in a series of Medicaid Management Briefs that examine how states responded to the challenge of implementing major program changes resulting from enactment of welfare reform legislation in 1996. The Briefs describe how states organized, implemented, and marketed Medicaid enrollment efforts necessitated by the de-linking of eligibility for Medicaid from cash assistance. During the past year field researchers with the Nelson A. Rockefeller Institute of Government at the State University of New York closely examined these issues in 18 states. Information from their reports, as well as program data from the states and the federal government, provide the basis for the analyses in the Management Briefs. This paper focuses on the role of information technology in the transition from pre- to post-welfare reform Medicaid program management and suggests that delays in addressing information systems' issues contributed to the unexpected decline in Medicaid enrollment associated with welfare reform.

In the first brief in this series, Courtney E. Burke and Craig W. Abbey showed that for the population of low-income children and adults most affected by welfare reform, enrollment in the Medicaid program declined substantially from 1995 to a low point in mid-1997 and has been increasing since that time (see Figure 1).

A number of factors contributed to the decline. On the plus side, the TANF program's emphasis on employment and self-sufficiency, coupled with the strong economy and low unemployment rate, meant that fewer individuals needed Medicaid coverage. But that is only part of the story. The de-linking of Medicaid from the new TANF program meant that states were required to make major changes in the processes and tools used to determine and maintain eligibility for Medicaid, including information systems.

While almost all states had the ability to continue Medicaid coverage for former welfare recipients under a variety of guises, states varied



widely in the speed with which they educated clients and workers about how to handle these situations and made the necessary changes to computer systems and other administrative processes to re-establish stable contact with a clientele that became less reliant on welfare.<sup>1</sup>

During the three decades preceding welfare reform, states became increasingly dependent on information technology to support the work of determining eligibility for income-support programs, such as TANF and Medicaid. By 1996 the technological infrastructure had become outdated in many states, and was unable to respond quickly to the programmatic changes brought about by welfare reform. States were forced to revert to manual processes to prevent eligible individuals from losing Medicaid coverage. Unfortunately, both manual and information systems' modifications were delayed in most states, resulting in the inappropriate termination of Medicaid. The decline in Medicaid enrollment was dramatic enough that the federal government issued a series of directives designed to encourage and assist states in addressing this issue. In fact, as late as August of 2002, the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services continued to issue guidance to states regarding information systems' modifications.

<sup>1</sup> Courtney E. Burke and Craig W. Abbey, *Managing Medicaid Take-Up Medicaid Enrollment Trends: 1995-2000*, Rockefeller Institute Federalism Research Group, August 2002, p. 3.

## **Background — Information Systems Are Integral to State Eligibility Processes**

From the 1970s through the 1990s, states invested significant amounts of state and federal funds to develop information systems that became integral tools in determining eligibility for needs-based programs. Until 1994, the federal government encouraged the development of Family Assistance Management Information Systems (FAMIS) by providing funds at enhanced levels when states met specific requirements for system functionality.

The early successes of MMIS (Medicaid Management Information Systems)<sup>2</sup> and welfare information systems prompted further Congressional support for technology as a tool to assist welfare management. During 1980, Congress passed and President Reagan signed into law PL 96-265 providing 90 percent FFP (Federal Financial Participation) toward the development of state-operated information systems to support welfare program management.<sup>3</sup>

By the mid-1990s, most states had developed complex information systems that were and are still used to manage the eligibility determination process for needs-based programs. In almost all local welfare offices, eligibility processes are at least partially, and in many states fully automated. Income and other information is input into automated systems to determine eligibility and establish electronic records used for administrative and management purposes.

In February 1994 the U.S. General Accounting Office (GAO) reported that “From fiscal years 1984 through 1992, ACF, HCFA and FNS provided over \$6.8 billion to support state activities related to the planning, design, development, installation, and operation of automated welfare

systems.”<sup>4</sup> In the same report, GAO indicated that by June 1993, 41 states were operating integrated eligibility systems (FAMIS) to determine eligibility for multiple needs-based programs, including AFDC, Medicaid, and Food Stamps. (At that time, 7 additional states were operating separate Medicaid eligibility systems.)

At the time of welfare reform in 1996, children and adults eligible for AFDC were considered “presumptively” eligible for Medicaid. As a consequence of this policy and the development of FAMIS systems, eligibility determinations for Medicaid were effectively automated in the majority of states. (For other categories of Medicaid eligibility, separate, and often manual processes were in place in many states.)

However, the fact that the majority of states had developed automated, and in most states, integrated systems by 1996 did not mean they were prepared to rapidly modify those systems to reflect programmatic changes in TANF and Medicaid. In 1997, in response to a requirement of PRWORA, the Department of Health and Human Services (DHHS) conducted a survey to determine how states were positioned to meet the information systems’ challenges of the legislation. DHHS found that two-thirds of state TANF programs were operating information systems first developed in the 1970s and 80s. Because many of the states with the largest caseloads were among the first to develop information systems, an even more troubling finding was that 74 percent of the national welfare caseload was administered with automated systems developed before 1990.<sup>5</sup> The age of these systems, coupled with other priorities, such as the Y2K computing problem and the need to make changes related directly to the TANF program, mitigated against rapid action by states to address Medicaid automation issues.

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<sup>2</sup> Medicaid Management Information Systems process Medicaid payments to service providers. These systems do not determine eligibility for Medicaid, and are separate from eligibility systems.

<sup>3</sup> Terrence Maxwell, “Information Federalism: History of Welfare Information Systems,” working paper, The Nelson A. Rockefeller Institute of Government, 1999, p. 5.

<sup>4</sup> *Automated Welfare Systems: Historical Costs and Projections*, U.S. General Accounting Office, GAO/AIMD-94-52FS, February 1994, p. 3.

<sup>5</sup> *Temporary Assistance for Needy Families: Report on Data Processing*, U.S. Department of Health and Human Services, December 1997, pp. 15, 16.

Ironically, unlike other human service programs, including child support enforcement, federal employment and training programs, and child welfare programs, in which states typically operate separate, “stove-pipe” information systems, FAMIS systems successfully integrated automation for the TANF, Food Stamp, and Medicaid programs. Unfortunately, with welfare reform de-linking TANF and Medicaid, this may have been more of a curse than a blessing.

### ***Programmatic De-Linking vs. Automated Systems De-Linking***

The welfare reform legislation in 1996, which replaced the AFDC program with the TANF block grant, eliminated the link between receipt of cash assistance and Medicaid. Section 114 of the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) required states to extend Medicaid eligibility to low-income families who met the pre-welfare reform AFDC income and resource standards, i.e., the AFDC standards in effect as of July 16, 1996. Under Section 1931 of the Act, states could lower income standards for Medicaid eligibility, but not below the AFDC standards in effect as of May 1, 1988. States could also increase income or resource standards based on a percentage that did not exceed the percentage increases in the Consumer Price Index that had occurred since July 16, 1996. In addition, states could use income and resource methods that were less restrictive than the methods used under the AFDC State plan as of July 16, 1996.

Given that before welfare reform eligibility for AFDC also conferred Medicaid eligibility, and that in most states the process of determining eligibility for AFDC was automated, the programmatic de-linking of TANF and Medicaid meant that additional steps were required to determine eligibility for Medicaid, particularly where eligibility factors between the programs diverged, or when TANF eligibility was lost. Unfortunately, most states did

not take immediate action to implement alternative procedures to address the divergence of these programs, or to modify automated systems. Many individuals who were otherwise eligible for Medicaid were dropped from the roles.

Another way to describe the problem is that the drop-off in Medicaid enrollment was caused in part not by the de-linking of TANF and Medicaid, but by the *failure* to de-link the programs in an operational sense, either through information systems’ modifications or manual eligibility processes. The result was the inappropriate termination of Medicaid eligibility for many thousands of poor individuals and families, a phenomenon noted early on by welfare advocacy groups.

Although section 1931 requires states to establish a new, separate category of Medicaid eligibility based on pre-welfare reform eligibility criteria, states are continuing to link Medicaid eligibility to eligibility for cash assistance. Forty-seven states report using a consolidated application form for both TANF and Medicaid. States also are aligning eligibility rules for their TANF and Medicaid programs to minimize administrative burden and complexity and to foster coordination. However, absent a clearly established alternate route to Medicaid, these policies and procedures are endangering Medicaid eligibility for recipients who do not want to receive TANF benefits or are no longer eligible to receive them due to a time limit or sanction.<sup>6</sup>

The fact that information systems played a role in the decline in Medicaid enrollment was apparent to field researchers, as well as the U.S. General Accounting Office (GAO).

In site visits to a number of states, Ellwood (1999) found that automated eligibility systems could not meet the requirements of Medicaid’s new rules. The systems were designed to meet welfare, rather than Medicaid, needs. Medicaid workers indicated that clients were sometimes erroneously terminated due to the automated system.<sup>7</sup>

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<sup>6</sup> Claudia Schlosberg and Joel D. Ferber, *Access to Medicaid Since the Personal Responsibility and Work Opportunity Reconciliation Act*, National Health Law Program, first published in the Clearinghouse Review, January/February 1998, a publication of the National Center on Poverty Law.

<sup>7</sup> *Access To and Participation in Medicaid and the Food Stamp Program: A Review of the Recent Literature*, Mathematica Policy Research, Inc., Washington DC, March 7, 2000 at <http://www.acf.dhhs.gov/programs/opre/med-fs.htm>.

## GAO on Medicaid and Welfare Reform<sup>A</sup>

The growing number of Medicaid-only cases concerns eligibility workers, who previously handled very few of these cases and consider Medicaid too complex given its many eligibility categories for differing income, resource, and family composition criteria. The addition of the section 1931 eligibility category has added to this problem. Officials in the 21 states we contacted reported numbers of welfare-related Medicaid eligibility categories that ranged from almost 30 to over 100. According to state officials and workers, the proliferation of eligibility categories is challenging for workers in most states and is particularly troublesome for workers in states with computer systems that have not kept up with welfare policy changes. For example, we were told that workers in Florida must either manually determine Medicaid eligibility or understand the policies well enough to verify the accuracy of the state's computerized eligibility determinations. California officials told us that workers must manually determine Medicaid eligibility for the section 1931 eligibility category. They also said that most of California's programming expertise has been devoted to ensuring that more vital state systems are year 2000 compliant.

<sup>A</sup> *Medicaid Enrollment: Amid Declines, State Efforts to Ensure Coverage After Welfare Reform Vary*, U.S. General Accounting Office, GAO HEHS-99-163, September 1999, p. 23.

### Modification of Information Systems Has Been Protracted

Progress in actually de-linking TANF and Medicaid — putting in place manual processes and modifying information systems to reflect the programmatic changes — was slow in many of the study states. Although welfare reform legislation was enacted in 1996, and all states had TANF plans in place by September 1997, manual and automated processes that would have prevented inappropriate termination of Medicaid eligibility, ironically for members of a population for whom Medicaid is a critical employment support, took two years or longer.

As indicated in Table 1, modification of information systems to reflect the de-linking of TANF and Medicaid occurred at widely varying points in time, from immediate action in Wisconsin stretching into 2001 and later in other states. In fact, as of September 2002, systems' modifications were not yet complete in two of the study states. Even after systems have been modified, manual processes remain in place to ensure correct eligibility decisions in a number of these states.

Table 1 shows the approximate date when major information systems' modifications were completed in the study states. Given the complexity of eligibility systems, in most states this involved a series of modifications, so that for some states, only a year is shown.

While Table 1 illustrates the delays and variation in the dates when information systems were modified, attempting to associate a specific date with information systems' modifications is an oversimplification of complex processes that varied from state to state. There is no universal Medicaid eligibility system. Each state had developed its eligibility system (usually a FAMIS system) in response to its specific needs and reflecting state resource constraints. Although the system might have been state-of-the-art when it was developed, by 1996 it likely employed technical architecture that was decades old. Many of these systems were and still are mainframe-based. Most have not been updated to take advantage of Internet-based technologies.

The level of automation also varied from state to state. Some states, like Florida, had relatively sophisticated systems that automated eligibility pro-

<b>Table 1: Automation of Medicaid Eligibility Determinations and Approximate Dates of De-linkage of Medicaid and TANF Automated Eligibility Processes</b>		
<i>State</i>	<i>Eligibility Fully Automated<sup>A</sup></i>	<i>Date Systems Modifications Completed<sup>B</sup></i>
Arizona	Yes	7/1999
Colorado	Yes	1999
Florida	Yes	10/1999
Georgia	Yes	7/2000
Kansas	Yes	3/2001
Maryland	Yes	4/2000
Michigan	Yes	2000
Missouri	No	n/a
New Jersey	TANF-related only	3/2000
New York	No	n/a
Ohio	Yes	Not yet complete
Oregon	No	n/a
Tennessee	Yes, except for section 1931 cases	Not yet complete
Texas	No	n/a
Utah	Yes	8/2001
Washington	Yes	1999
West Virginia	Yes	1998
Wisconsin	Yes	9/1997
<p><sup>A</sup> States in which the process of determining eligibility for Medicaid was for the most part automated (e.g., information input by workers is processed by the information system, which produces a determination of the correct Medicaid category) by September, 2002. States that are shown as “No” have some automation, (e.g., an automated budget calculation), but worker intervention is needed to determine the correct Medicaid eligibility category.</p> <p><sup>B</sup> Dates of completion of information systems’ modifications de-linking TANF and Medicaid provided by state staff in September, 2002.</p>		

cesses. Other states, like Missouri, depended much more on manual processes, with relatively little automation. This situation created another irony — states that were automation-dependent were in a worse position than those that depended on manual processes, because they had to revert to manual processes, sometimes called workarounds.

Further complicating the picture is the Medicaid program itself. Because the program includes multiple eligibility categories, programming is problematic. Modifying systems, particularly older systems, to reflect programmatic changes is time-consuming, even in the best of circumstances. Modifications require securing programmers’ time, translating new

program rules so that programmers understand the changes, programming the changes, testing changes, implementing the changes in an operational environment, instructing workers on the changes, and making adjustments when inevitable problems arise.

As a consequence, when eligibility rules change, states often institute temporary manual processes until systems' modifications are completed. In a sense, what happens is that workers trick the system. For example, they might manually determine eligibility, and then input information that causes the system to make a determination that an individual is eligible, when working directly with the system would have led to an incorrect denial. But even though manual alternatives may be implemented more quickly, doing so is still time-consuming and error prone.

### ***Why Were Information Systems' Modifications Delayed?***

There are many factors that contributed to the delays in modifying information systems to reflect the de-linking of TANF and Medicaid. In addition to the technical challenges described above, other issues played a major role. The Y2K computing crisis was *the* major focus of attention of information systems staffs during the period from 1997 through December 1999. During the same period, nearly all states were facing potentially significant losses of federal funding for failure to successfully implement child support enforcement information systems, and many states were simultaneously implementing child welfare information systems with enhanced federal funding that was due to expire in 1997. Some states in the study were in the midst of developing new information systems for TANF and Medicaid (e.g., West Virginia and Washington). The change from AFDC to the TANF program created additional priorities.

Another contributing factor was the organizational separation of staff responsible for Medicaid policy from eligibility staff often located in the separate welfare agency.

The State of Florida has developed a unique and somewhat complex organizational structure for managing TANF, Medicaid, CHIP and food stamps. Currently, four agencies of state government and two public/private entities are employed in managing these three programs. Adding to this complexity is the separation of eligibility determination from service delivery.<sup>8</sup>

In some states the situation was further complicated by the separation of eligibility staff from the agency responsible for information systems. This separation of responsibilities may have resulted in a lack of awareness on the part of state Medicaid officials that there were problems with eligibility systems and processes. In some cases, it was not until these problems were raised by the federal government or advocacy groups that corrective actions were initiated (see below).

### ***Did Information Systems' Modifications Result in Increases in Medicaid Enrollment?***

One would expect that if information systems were an integral tool in Medicaid eligibility processes there would be an obvious correlation between the dates when systems were modified to reflect programmatic de-linking and increases in Medicaid enrollment. However, an examination of overall Medicaid enrollment, Medicaid-only enrollment, and other enrollment data analyzed in the first in this series of Management Briefs, in conjunction with the dates when systems were modified (Table 1 of this paper), does not confirm this hypothesis. There appears to be no direct correlation between the date of information systems' modifications and obvious changes in Medicaid enrollment trends in the study states.

While overall Medicaid enrollment in the study states decreased from 1995 through the middle of 1997 and increased thereafter, information systems' modifications seem to have had little impact. For example, the two study states that modified systems earliest, Wisconsin and West

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<sup>8</sup> *Wisconsin Field Report: Medicaid Take-up and Welfare Reform* prepared for the Nelson A. Rockefeller Institute of Government, November 2001, p. 1.

Virginia, were two of only six of the states for which Medicaid enrollment decreased from 1995 through 2000. In other states, such as Florida, Kansas, Maryland, Michigan, and Utah, the change in the trend from decreasing to increasing Medicaid enrollment appears to have occurred before information systems were modified.

Table 2 shows the approximate dates when information systems' modifications delinking Medicaid and TANF were completed, the percentage change in Medicaid enrollment from 1995 through 2000, and, for the same period, the general trend in enrollment for Medicaid-only (non-cash) cases, which were most likely to be affected by delays in modifying systems. Like the comparison of the date of systems' modifications and overall Medicaid enrollment, there is no obvious correlation between information systems' modifications and Medicaid-only enrollment.

By mid-1999, states were at widely different points in terms of information systems' modifications. Some moved quickly to modify systems. But these states (Wisconsin and West Virginia), were not as aggressive as many of the other states regarding strategies for enrolling individuals in the Medicaid program, such as simplifying the application process, conducting outreach, and outstationing eligibility workers to provide easier access. Even though they addressed information systems' issues earlier than other states, average monthly Medicaid enrollment declined from 1995 through 2000, unlike the majority of states in this study.

Most of the states completed modifications in 1999 and 2000, including Arizona, Colorado, Florida, Georgia, Maryland, Michigan, New Jersey, and Washington. Kansas and Utah completed modifications in 2001, and two states, Ohio and Tennessee, had not completed modifications as of September of 2002.

For some states, like Missouri, automation was not as significant an issue because while management of the Medicaid program was at least partially automated and some systems' modifications were necessary, eligibility determination was basically a manual process. Changing the manual process was relatively simpler than for those states that were more highly automated. In addition, Missouri

moved more aggressively than many of the other study states in such areas as outreach, application simplification, and outstationing Medicaid eligibility workers. As a consequence, average Medicaid enrollment in that state increased between 1995 and 2000 to a greater extent than any of the other study states.

While the lack of a clear correlation between systems' modifications and increases in Medicaid enrollment might suggest that information systems had little impact on enrollment, it is more likely that other factors that influenced enrollment trends masked the effects of information systems. For example, many states reverted to temporary manual processes, some sooner, some later, before information systems' modifications were completed. The date when manual processes were put in place, the level of automation, the accuracy of policy implementation, the strength of outreach efforts, simplification of application processes, economic conditions, and other factors all played a role. Although there is no obvious correlation between the Medicaid enrollment trends and the dates when information systems' modifications were completed, other available information illustrates the problems that resulted from delays in modifying systems.

### ***Federal Reviews of Medicaid Eligibility Processes Documented Information Systems' Problems***

In the period between enactment of welfare reform legislation and 1999, the federal Department of Health and Human Services (DHHS) became increasingly concerned with the decrease in Medicaid enrollment. As a consequence, on-site reviews of Medicaid eligibility processes, including the status of information systems, were conducted in all the states by the Health Care Financing Administration (HCFA), now the Centers for Medicare and Medicaid Services (CMS).

In 1999, DHHS reviewed State Medicaid application and eligibility policies and procedures in all 50 States, plus the District of Columbia and some Territories. Working closely with States, we have analyzed the findings of those reviews and have identified practices that need improve-

**Table 2: Date of Completion of Information Systems' Modifications and Medicaid Enrollment Trends**

<i>State</i>	<i>Approximate Date of Information Systems Modification</i>	<i>Change in Total Medicaid Enrollment 1995 to 2000<sup>A</sup></i>	<i>Medicaid-Only Enrollment Trend 1995 to 2000<sup>B</sup></i>
Missouri*	N/A	46.31%	Steady Increase
Maryland*	04/2000	23.40%	Steady Increase
Washington	1999	20.06%	Increased beginning 1997
Florida*	10/1999	13.68%	Steady Increase
Michigan*	2000	13.07%	Steady Increase
Utah**	8/2001	6.49%	Steady Increase
Georgia	7/2000	4.73%	Data Unavailable
Arizona	7/1999	2.97%	Steady Increase
Colorado**	1999	2.36%	Steady Increase
New Jersey*	3/2000	1.27%	Steady Increase
Wisconsin*	9/1997	-1.75%	Steady Increase
West Virginia*	1998	-11.15%	Decreased in 1999
Kansas	3/2001	-12.11%	Steady Increase
Ohio*	Not Yet Complete	-14.08%	Increased beginning 1997
Oregon	N/A	-16.96%	Decrease
Texas*	N/A	-21.35%	Increased beginning 1999

\* Indicates states with Medicaid data that include the Children's Health Insurance Program.

\*\* Calculations in column three are based on 1996 enrollment since data were not available for 1995.

<sup>A</sup> Courtney E. Burke and Craig W. Abbey, *Managing Medicaid Take-Up Medicaid Enrollment Trends: 1995-2000*, Rockefeller Institute Federalism Research Group, August 2002, p. 4.

<sup>B</sup> *Ibid*, p. 11.

ment as well as some promising practices that will be interesting models for other States.

A major finding that emerged from the DHHS Medicaid/TANF de-linking reviews is that, at the time, many States had not reprogrammed their computer eligibility systems to de-link Medicaid from cash assistance.... An ad-

ditional finding ... was that there is wide variation among States as to the degree of modernization and automation of integrated eligibility systems. The number of eligibility categories has grown over the last several years. Each category has a set of complex rules and many options, and States need to exhaust all categories of possible

eligibility before denying or terminating Medicaid. Computer systems can more effectively and efficiently manage these complexities than manual procedures. A manual determination process, or a process that requires manual intervention by the caseworker, is much more likely to be error prone and to create problems for applicants, beneficiaries and the agency.<sup>9</sup>

Though the state reports from the reviews were not officially released by HCFA, they have been made available by the National Health Law Program.<sup>10</sup> The reviews reveal widespread problems created by delays in implementing manual processes and modifying information systems to de-link Medicaid and TANF, and provide a point-in-time picture of the status of Medicaid eligibility processes and de-linking. The states listed in Table 3 were selected because they are included in this series of Management Briefs. Reports for other states indicate that similar problems existed throughout the country.

### ***The Federal Government Repeatedly Encouraged States to Address TANF/Medicaid De-Linking***

As evidence mounted that Medicaid enrollment was declining after 1996, DHHS took a number of steps to encourage states to address the problem. HCFA informed states of the requirement to redetermine eligibility for Medicaid when eligibility for cash assistance ended. Guidance was also provided regarding the availability of enhanced funding for tasks related to Medicaid enrollment after welfare reform, including information systems' modifications. In a series of letters to state administrators, HCFA expressed concern that states had not implemented processes to address the de-linking of TANF and Medicaid, as indicated below:

❖ From a Medicaid State Letter dated February 6, 1997 — “States generally are not permitted to terminate an individual until they have

determined that the individual is not eligible under any other eligibility group. States are expected to not drop individuals from the Medicaid rolls while the redetermination process is underway.”

❖ From a Medicaid State Letter from the administrators of HCFA and the Administration for Children and Families dated June 5, 1998 — “States are reminded that they cannot deny a family Medicaid eligibility simply because the family is ineligible for TANF. Accordingly, States should separately determine Medicaid eligibility for families that make a joint Medicaid/TANF application if TANF benefits are denied.”

❖ From a Medicaid State Letter dated January 6, 2000 — “[T]he elimination of the sunset on these funds [the \$500 million fund – see below] now makes it possible for states to move forward to devise new systems and strategies to assure that de-linking is implemented properly and to develop other effective enrollment strategies. These funds are intended to help States assure that systems and strategies are in place so that eligible families receive the assistance to which they are entitled.”

❖ From a Medicaid State Letter dated April 7, 2000 — “States have an obligation under Federal law to ensure that their computer systems are not improperly denying enrollment in, or terminating persons from, Medicaid.... HCFA recognizes that Y2K delayed other priorities, and we know that it takes time to make computer changes. However, States have an obligation to move expeditiously to correct computer programming problems that are leading to erroneous Medicaid denials and terminations. HCFA will be working with States to correct computer problems and will provide whatever assistance we can to help resolve the problem. In the meantime, no person should be denied

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<sup>9</sup> *Continuing the Progress: Enrolling and Retaining Low-Income Families and Children in Health Care Coverage*, U. S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, August 2001, pp. i, 24, 25.

<sup>10</sup> The Medicaid/TANF de-linking reviews are at <http://www.healthlaw.org/pubs/HCFAstaterreviews/index.shtml>.

**Table 3: Excerpts from CMS Medicaid/TANF De-Linking Reviews**

**Arizona** — “Until November 1999, Arizona used a manual process to implement Section 1931. Cases closed with certain reason codes were electronically referred to DES [Department of Economic Security] central office, where the Research and Analysis Unit staff would manually calculate cases to determine eligibility under Section 1931. When a case was found eligible, the case was referred back to the local office for reopening. Though labor intensive, this process resulted in about 800 families retaining Medicaid eligibility. After November 1999, this process was automated.”<sup>A</sup>

**Florida** — “Because of the integration of Food Stamps, TANF and Medicaid, State officials indicated re-programming the FLORIDA system is more difficult. In making a change in one program, systems staff must look for impacts on all programs. (Advocates described this problem as “trying to turn around the Titanic”.) Consequently, as policy has changed over the last few years, the State has had to issue system manual override procedures, called “work-arounds”, for caseworkers so that policy can be implemented without waiting for re-programming. Currently the State has issued approximately 70 “work-arounds”, many due to Welfare Reform policy changes.... Regional Office staff confirmed with State DCF staff that Phase I de-linkage of Medicaid from other programs in the FLORIDA computer system was implemented October 1999.”<sup>B</sup>

**Georgia** — “The State acknowledges that SUCCESS has limitations when pursuing LIM [Low Income Medicaid] and TMA [Transitional Medical Assistance] eligibility. When a family is receiving TANF, they are not in LIM in the computer system although that is their source of Medicaid eligibility under Federal law. Although SUCCESS houses both TANF and Medicaid, it does not link the programs. Thus, a caseworker must initiate and manually process LIM cases when she denies, pends or terminates TANF cases for TANF-related reasons. The State advised that it is addressing this problem by reprogramming the system.”<sup>C</sup>

**Maryland** — “The State notified the region [the HCFA regional office] during November, 1999 that between January 1997 and April 30, 1999, 36,914 households were terminated when TANF eligibility ended and another 23,699 were denied Medicaid in the application process when failing TANF eligibility.... The State decided to offer benefits to all those terminated and denied improperly from Medicaid following TANF actions between January 1, 1997 and April 30, 1999. Maryland sent 36,914 information packets to households of selected TANF related codes who had been terminated (which involved 61,646 individuals).”<sup>D</sup>

**New Jersey** — “One aspect of the computer system that was cited by the workers as burdensome was that the eligibility computations for all groups other than section 1931 had to be done manually.”<sup>E</sup>

**New York** — “According to State staff, New York’s WMS is a code-driven system that relies heavily upon caseworkers knowing and properly entering the appropriate categorical eligibility code. As the system cannot determine categorical eligibility, the process relies on county workers to enter such information into the system as well as provide the correct codes.”<sup>F</sup>

**Texas** — “We are concerned about inadequacies in the State’s computer system. At present the eligibility process requires a number of manual transactions leaving ample room for worker error and confusion. One of the biggest challenges for Texas Medicaid is to fully automate the eligibility process.”<sup>G</sup>

**Washington** — “According to State representatives, central to the State’s difficulties in implementing welfare reform has been the inability of the State’s eligibility computer system to transition some families that are terminating from Section 1931 Medicaid onto Transitional Medicaid.”<sup>H</sup>

**Wisconsin** — “Although TMA [Transitional Medicaid Assistance] is part of the computer cascade of all Medicaid categories, advocates cited that the system does not always place families with earnings (or increased child support) who are leaving Section 1931 into TMA. Thus, inappropriate terminations of coverage occur.”<sup>I</sup>

**Table 3: CMS Medicaid/TANF De-Linking Reviews (Continued)**

- <sup>A</sup> *Final Review Report; Medicaid Welfare Reform Implementation Review, Arizona*, review conducted in August 1999, U. S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, p. 7.
- <sup>B</sup> *FLORIDA — TANF/Medicaid State Review: Final Report*, Centers for Medicare and Medicaid Services, April 9, 2001, p. 21.
- <sup>C</sup> *Georgia TANF/Medicaid State Review*, Centers for Medicare and Medicaid Services, undated, p. 24.
- <sup>D</sup> *Maryland TANF Review Report*, Centers for Medicare and Medicaid Services, May 25, 2001, p. 7.
- <sup>E</sup> *Medicaid Welfare Reform Implementation Review - New Jersey*, Centers for Medicare and Medicaid Services, February 14, 2001, p. 17.
- <sup>F</sup> *Medicaid Welfare Reform Implementation Review - New York*, Centers for Medicare and Medicaid, undated, p. 17.
- <sup>G</sup> *Texas TANF/Medicaid Report*, Centers for Medicare and Medicaid Services, May 25, 2001, p. 32.
- <sup>H</sup> *Washington TANF/Medicaid Review*, Centers for Medicare and Medicaid Services, undated (review conducted in October, 1999), p. 7.
- <sup>I</sup> *Wisconsin Medicaid/Temporary Assistance for Needy Families Report*, Centers for Medicare and Medicaid Services, November, 2001, p. 6.

Medicaid inappropriately due to computer error, and no person should have his/her Medicaid coverage terminated erroneously due to computer error. Once a problem with a State’s computerized eligibility system has been identified, the State must take immediate action to correct the problem. If programming changes cannot be made immediately, an interim system to override computer errors must be put in place to ensure that eligible individuals are not denied or losing Medicaid.”

On March 22, 1999, HCFA sent states a guidebook entitled *Supporting Families in Transition: A Guide to Expanding Medicaid Coverage in the Post-Welfare Reform World*, which described policies and funding sources related to the section 1931 group. In August 2001, CMS issued another guidebook entitled *Continuing the Progress: Enrolling and Retaining Low-Income Families and Children in Health Care Coverage*. Among other issues addressed in this guidance was computer systems. This guidance was based, in part, on the on-site reviews conducted by HCFA regional office staff, described above.

As recently as August 2002 CMS continued to provide guidance to states regarding automation is-

sues. In *8 Critical Building Blocks: A Self-Help Guide to Improving Automated Medicaid Eligibility Determinations*, CMS addresses problem areas related to eligibility and redetermination processes that were identified in the on-site reviews. The fact that five years after welfare reform was enacted the federal government continues to send guidance to states regarding automation of Medicaid eligibility processes is evidence of the persistence of the problem.

This guide also includes information on funds remaining from the \$500 million fund established in PRWORA for Medicaid eligibility processes related to welfare reform. The funds were made available at enhanced federal matching rates for a multitude of activities, including information systems’ modifications. As of April 2002, more than one-third of the fund had not been drawn down by states. Not surprisingly, states that show the highest Medicaid enrollment rates, such as Missouri, Maryland, and Washington, have expended most, if not all of the available funds, while the state that fares worst among the study states, Texas, had drawn down less than 5 percent of its allotment.<sup>11</sup>

<sup>11</sup> *8 Critical Building Blocks: A Self-Help Guide to Improving Automated Medicaid Eligibility Determinations*, Centers for Medicare and Medicaid Services, August 2002, p. 99.

## ***One Consequence of Delays in Modifying Information Systems – Legal Problems***

In addition to pressure from the federal government, advocates and the legal system played a role in drawing attention to Medicaid enrollment problems. Delays in modifying information systems or implementing interim manual processes that would have prevented termination of Medicaid for otherwise-eligible individuals prompted legal action in a number of states in the study (e.g., Colorado, Florida, New York, Ohio, and Texas).

## ***What Can We Learn From the Experience of De-Linking TANF and Medicaid?***

A number of lessons can be drawn from the experience of de-linking the Medicaid and TANF programs, including the impact of information systems.

*Implementation Matters* — Until *all* of the policy changes in PRWORA were actually implemented at the state and local level, welfare reform was incomplete. States were quick to implement the TANF program; they had already implemented many of the changes as a consequence of waivers under the AFDC program. Changes in Medicaid eligibility processes, which should have been made simultaneously, were delayed. The consequence was the inappropriate termination or denial of Medicaid coverage for thousands of poor families.

*Information Systems Matter* — Failure to modify information systems that are integral to the administration of human service programs can result in serious negative consequences for poor families. In the case of TANF/Medicaid de-linking, information systems programmed with out-of-date program rules clearly played a role in the drop-off in Medicaid eligibility from 1996 through 1998.

*Information technology receives little attention among legislators and policymakers* — Although welfare reform legislation provided enhanced federal funds for state expenditures related to Medicaid eligibility processes and

de-linking, funding covered a broad range of activities, only one of which was modification of information systems. There was no explicit language in the legislation about computer systems, nor, for that matter, were there any requirements related to information systems' modifications in either the Medicaid or the TANF portions of the legislation. While it is not clear that a specific requirement for information systems' modifications would have caused states to make changes more quickly, an explicit acknowledgment could have immediately raised the level of awareness of the issue.

*Delays in modifying computer systems are inevitable* — It is inevitable that information systems' modifications will lag behind programmatic changes. Information systems staff cannot modify systems until policies are clearly established, procedures are changed, and funding is secured. In many cases, contractors must be hired and contracts put in place before modifications can be made. All of this takes time. It is not surprising that this was the case in de-linking TANF and Medicaid, although the length of time it has taken seems excessive in some states. The lesson for policymakers is that actual implementation of major programmatic changes will inevitably be delayed, particularly as automation becomes even more imbedded in the administration of human service programs.

*The federal government has limited capacity to influence state processes* — PRWORA provided enhanced funding for Medicaid information systems' modifications, and states were informed of the fund's availability and the need to make procedural and information systems' changes de-linking Medicaid and TANF as early as February of 1997. Yet modifications were not made in many of the study states until the federal government sent a series of letters to state Medicaid administrators, HCFA staff conducted on-site reviews in all of the states, and advocates began to file court suits. One might wonder why the federal government did not take a more aggressive stance — after all, ensuring that individuals did not inappropriately lose Medicaid eligibility was a regulatory requirement. Having said that, it is not likely that approaching the states in a authoritarian manner, rather than as a

### ***Ohio Advocacy Leads to Reinstatement***

Advocacy that began in 1999 has resulted in the reinstatement of Medicaid for 133,287 Ohioans who were inappropriately terminated from Medicaid between November 1997 and April 2000 as a result of the de-linking of Medicaid from cash assistance. In 1999, troubled by the significant decrease in family participation in the Medicaid program since the initiation of welfare reform, Ohio advocates began to urge the State Medicaid Director to examine the cause of the decline and to reinstate those who were inappropriately terminated. Advocates' threat of litigation coupled with the Health Care Financing Administration's (HCFA) April 2000 letter to state directors urging them to review their Medicaid de-linking process led Ohio to initiate the Ohio Family Medical Project in 2000. The project ultimately led to the massive reinstatement. Families were reinstated for a three-month period and given temporary Medicaid cards to access all covered services and a short application to determine the family's continuing eligibility for Medicaid after the three month period. The state also agreed to pay for certain past medical expenses (PME) incurred between November 1997 and April 2000 (the "look back period"). To qualify for PME, recipients needed to show that they were inappropriately terminated from Medicaid during that period, to document Medicaid-covered medical expenses incurred during that period, and to demonstrate that they would have been eligible for Medicaid during the time in which they incurred the medical expenses.

According to the state's April 2001 preliminary report, while over 133,000 were reinstated, some 40,000 individuals could not be located. These individuals have until the end of 2001 to present themselves in order to be reinstated for three months and receive an application packet. At the urging of advocates, the agency subsequently took steps to try to locate more people and succeeded in identifying more than 1,000 recipients by cross-referencing the databases of other agencies, such as the Department of Motor Vehicles.

### ***Colorado Litigation Settlement***

Colorado low-income families scored a major victory earlier this year when a Federal Judge approved a settlement that restored Medicaid coverage to more than 40,000 residents whose coverage was inappropriately cut off three years ago as a result of welfare reform. The settlement in the class action, *Tatum v. Rizzuto*, approved in February 2001, requires the Colorado Department of Human Services to identify and locate all persons who, during the period from July 1, 1997, through August 14, 2000, had their Medicaid discontinued in the same month in which they were discontinued from Colorado Works (the state's TANF program). To promote the identification of individuals who may have changed addresses, the settlement includes detailed measures that the department must take in its outreach efforts and media campaign. Once these individuals are located and sign and return the notice from the Department, the Department will immediately provide Medicaid cards.<sup>A</sup>

### ***Texas Court Ruling***

On the last day of August, Governor George W. Bush was caught off guard at a Cincinnati airport. From reporters, he learned that federal Judge William Wayne Justice had ruled that the state of Texas is out of compliance with a federal mandate to improve its delivery of Medicaid services — the federal/state-funded medical and dental program for the poor. Bush tried to stay "on message," but reporters wanted a response... Many [of those affected by the ruling] are children who were dropped from Medicaid rolls as an "unintended consequence" of welfare reform.<sup>B</sup>

<sup>A</sup> From the December, 2001 Welfare News, Welfare Law Center, 275 Seventh Avenue, Suite 1205, New York, NY at [http://www.welfarelaw.org/medicaid\\_OH\\_CO.htm](http://www.welfarelaw.org/medicaid_OH_CO.htm).

<sup>B</sup> *Austin Chronicle*, September 22, 2000.

partner offering guidance, would have made a significant difference. (Although in at least one state, the HCFA state letter of April 7, 2000, which emphasized the regulatory requirements related to reinstating incorrectly terminated individuals, resulted in the creation of an “April 7th” task force that examined the issue and recommended changes, including information systems’ modifications, to address the problem.)

*Competing priorities must be taken into account* — Staff of CMS contacted while researching this paper reinforced the view that one reason that information systems’ modifications have been so protracted is that there were many competing priorities, and that changes related to TANF/Medicaid de-linking fell “to the bottom of the barrel.” While there is no way to prove whether this was true, it is clear that the Y2K computing crisis was the focus of information systems professionals in all of the states during the period from 1998 through December of 1999. Ensuring that systems that provided cash benefits, processed Medicaid claims, and performed other critical functions kept running on January 1, 2000, was job one. Other information technology challenges — implementing child support and child welfare systems, replacing outdated systems, and other needs were likely higher priorities as well. Understanding the dynamics of competing priorities is important in developing reasonable expectations regarding the length of time between enactment of legislation and actual implementation at the local level.

## **Conclusion**

Welfare reform in 1996 severed the link of presumptive eligibility between TANF and Medicaid, necessitating changes in eligibility processes in local offices and related information systems’ modifications. States were generally slow to implement manual processes, let alone modify their computer systems, to address these program changes.

In the meantime, information systems kept doing what they were programmed to do — terminate Medicaid eligibility when eligibility for cash benefits ended.

It is not possible to determine how many individuals inappropriately lost Medicaid eligibility, or were denied eligibility, because of delays in modifying information systems. But the circumstantial evidence from the CMS reviews and other sources, in conjunction with caseload statistics that show the drop-off in Medicaid enrollment as states were implementing welfare reform, strongly suggest that many individuals and families were adversely affected by the delays.

The lack of a direct correlation between the date when information systems were modified and increases in Medicaid enrollment suggests that, while failure to modify information systems probably contributed to the drop-off in enrollment, other strategies, such as outreach and manual intervention mitigated the effects of delayed systems’ modifications.

By the time that this paper was written, most of the states in this study had de-linked the programs with manual processes, information systems’ modifications, or a combination of the two. But the fact that it took so much time to make these changes is an indication of a larger problem. FAMIS systems grow more outdated every year. Budget problems in the states, bad now and expected to grow worse, will likely mean that there will be little investment in replacing or upgrading information systems in the near future. Additional changes in program policies that have a significant impact on Medicaid eligibility processes, or for that matter TANF or Food Stamp eligibility processes, will more than likely suffer similar implementation delays. Without a large infusion of federal funds to support information systems’ development such as occurred in the 1980s and early 1990s, the situation is not likely to improve in the foreseeable future.

## ***The Nelson A. Rockefeller Institute of Government***

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

### ***The American Federalism Group***

The Institute's American Federalism Group was established in 1996 in response to the growing importance of state governments in the American federal system and the devolution of social programs. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs.

The mission of the American Federalism group is to help fill this gap. The Group conducts research on trends affecting states and serves as a national resource on issues such as welfare reform, and Medicaid Managed Care for public officials, the media, public affairs experts, researchers, and others. The Group is directed by Tom Gais, who has spent the last decade analyzing state and local issues with federalism. Jim Fossett oversees research in the area of public health programs.

### ***This Report***

Mark Ragan, a Senior Fellow with the Rockefeller Institute of Government, wrote this report. Institute field researchers from the states in the study obtained enrollment data and qualitative information. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout, with assistance from Michele Charbonneau.

### ***For More Information***

For more information about the Rockefeller Institute of Government, call (518) 443-5522 or visit the Institute's web site at [www.rockinst.org](http://www.rockinst.org)

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