

# Improve Children's Health: Clean Up the State's Inaccurate System for Reviewing Children's Medicaid Eligibility Mid-Year

*It's More Than Just Red Tape. Texas Mistakenly Removes Eligible Children from Health Coverage Because the Mid-Year Medicaid Eligibility Reviews are Inaccurate. The Current Annual Reviews, However, Accurately Determine the Right Program for Kids.*

## Support HB 290 by Rep. Cortez & SB 39 by Sen. Zaffirini

Texas has a thorough, effective system for reviewing children's eligibility for Medicaid/CHIP during initial applications and in the annual renewal process 10 months after enrollment.

That annual process meets HHSC's goal of ensuring children are enrolled in the proper program by identifying families with incomes that moved up from Medicaid eligibility to CHIP eligibility.

But the system for mid-year reviews of children's Medicaid eligibility — at 5, 6, 7, and 8 months after approving initial applications — takes shortcuts and makes mistakes.

- **It starts with bad data.** To flag enrolled children who may no longer be eligible for Medicaid, the system relies on databases with limited and often outdated information on employee income.
- **It overreacts to noise in the data.** The mid-year review automatically reaches a conclusion about a family's income based on changes in a short time period — like a temporary bump in work hours — rather than waiting on the comprehensive annual review when parents and the agency can document fluctuating income and the agency can evaluate a more representative sample of family income.
- **It rushes the process.** When families are flagged in the database, Texas mails them a request for more documentation. The system then automatically terminates a child's insurance if that documentation isn't received and processed at HHSC 10 days after the request hits the US mail.
- **It automatically terminates coverage for most kids flagged in the database — without staff review or income verification.** Of the 8,393 children flagged each month, 5,446 kids are automatically disenrolled on Day 10 without the state or families ever learning if they remain eligible (HHSC 2019 monthly data). **That means mid-year reviews kicked 65,000 kids off insurance in 2019.**
- **It is proven wrong at least 30% of the time.** Of the 8,393 children flagged each month, 2,947 are in families able to return the paperwork on time. Of these, the vast majority — 2,515 kids — are confirmed to still be eligible.
- **It eliminates coverage for many kids who are soon thereafter confirmed as eligible for coverage.** After the gap in coverage, 40 percent of kids re-enroll in Medicaid within 6 months.

## The mid-year reviews eliminate health coverage instead of moving eligible children up to CHIP coverage.

When a family's income goes up, the annual process appropriately moves children to CHIP, but the mid-year process just ends their coverage. Children are eligible for Medicaid if their family income is below 138% of the poverty level. Typically, when income increases for one of these families, they still earn less than 206% of the poverty level and therefore their children become eligible for CHIP.

## Children cycling on and off of health coverage due to the messy mid-year review has several negative consequences.

- It hurts kids' health outcomes and continuity of care as they miss doctors' appointments, support for mental health, speech therapy sessions, medications when they're sick, immunizations, school, etc.
- It increases the Texas uninsured rate, the highest in the US.
- It creates more administrative burdens for the state, doctors, insurance companies, and families.
- It leads to higher average costs per child because health plans can't consistently manage and coordinate the child's health care needs.
- It hurts quality-based value initiatives in Medicaid managed care designed to control costs because the initiatives exclude data for children enrolled less than 12 consecutive months.

**Recommendation: Rather than using an inaccurate system mid-year, Texas should wait a few months and rely on the effective annual review — just like CHIP and private insurance.**

### Current system of initial, mid-year, and annual reviews:

