

# Who Will Enroll in Medicaid in 2014? Lessons From Section 1115 Medicaid Waivers

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The Affordable Care Act (ACA) will usher in the largest change in Medicaid eligibility policy since the program's inception in 1965, allowing an estimated 20 million individuals to enroll starting in 2014. Two questions loom large in the minds of government officials who are responsible for paying for and implementing this expansion: (1) what are the health care needs of those expected to enroll, and (2) how much will it cost to cover them? This issue brief sheds light on these questions by using Medicaid Analytic eXtract (MAX) data to examine the experiences of several states that used Section 1115 waivers to expand Medicaid coverage to childless adults in the past decade. We find that the waivers attracted adults who were often older, sicker, and more expensive to cover than the nondisabled, low-income adults with dependent children who have traditionally been covered under the program.

### Planning for Change Under the ACA

In 2014, the ACA will expand Medicaid to all U.S. citizens and legal immigrants younger than age 65 whose income falls below 138 percent of the federal poverty level (FPL).<sup>1</sup> The Centers for Medicare & Medicaid Services (CMS) Office of the Actuary estimated that this change will bring 20 million people into the program, many of whom have never had health insurance.<sup>2</sup> It will also make adults without dependent children, a group commonly referred to as "childless adults," eligible for the first time.

To prepare for the expansion, federal and state governments must understand who the new enrollees will be, as well as their health status and associated costs. The experiences of states that have already expanded Medicaid coverage to childless adults through Section 1115 waivers can help build this understanding. However, each state needs to interpret this information in light of its own local health care system and Medicaid program's attributes. That is, states will need to use their own experiences with Medicaid *in conjunction with* information about the care

### About This Series

The MAX Medicaid policy issue brief series highlights the essential role MAX data can play in analyzing the Medicaid program. MAX is a set of annual, person-level data files on Medicaid eligibility, service utilization, and payments that are derived from state reporting of Medicaid eligibility and claims data into the Medicaid Statistical Information System (MSIS). MAX is an enhanced, research-friendly version of MSIS that includes final adjudicated claims based on the date of service, and data that have undergone additional quality checks and corrections. CMS produces MAX specifically for research purposes. For more information about MAX, please visit: [http://www.cms.gov/MedicaidDataSourcesGenInfo/07\\_MAXGeneralInformation.asp](http://www.cms.gov/MedicaidDataSourcesGenInfo/07_MAXGeneralInformation.asp).

needs of childless adults enrolled in other states to understand the potential effects of this new group of enrollees.

Medicaid historically covers low-income aged adults, low-income disabled adults, and low-income adults with dependent children. The question is which of these three groups of adults currently enrolled in Medicaid is most like the childless adults who are expected to enroll in 2014, and thus can be used to help predict how new enrollees will affect the program? Given that the aged and disabled have unique health care needs, using them as a guide for understanding the future needs of non-aged, nondisabled childless adults entering the program is not ideal. That leaves adult enrollees with dependent children as the closest comparison group; however, previous research shows that they, too, may differ from the 2014 enrollees.<sup>3</sup> By using the experiences of states that previously covered childless adults, governments will be able to understand just how different these two groups are likely to be.

This issue brief uses MAX data to compare a cohort of childless adults enrolled in Medicaid through Section 1115 waivers in nine states to a cohort of adults with dependent children

who received full Medicaid benefits in these states.<sup>4</sup> The results demonstrate that the waiver enrollees were different from adults with dependent children in terms of demographic characteristics, disability status, and Medicaid program costs. Understanding these differences will give governments an idea of what it may cost to expand Medicaid to childless adults when health reform is first implemented, acknowledging that many factors that influence program costs are likely to change between now and 2014.

## **Childless Adult Medicaid Expansions as of 2007**

Our analysis is based on the 2007 MAX files from 9 of the 16 states that, as of 2007, used Section 1115 waivers to expand Medicaid to nondisabled childless adults. We selected these

states for the analysis because they identified childless adults separately in their MAX data and provided complete enrollment data, complete expenditure data, or both.<sup>5</sup> Table 1 summarizes the expansions in the nine states.

## **Findings**

### **Childless adults were older and included more men**

Older people and women typically use health care services more frequently and are more expensive to cover than are younger people and men.<sup>6</sup> As a result, states that place adult Medicaid enrollees into managed care plans vary the capitation payments to these plans according to enrollees' age and gender. Because these two characteristics affect both the cost of covering enrollees and a state's payments to managed care plans, we

**Table 1. States with Section 1115 Childless Adult Expansion MAX Data in 2007**

State	Year Implemented	Childless Adult Population Covered	Benefit Package	Enrollment or Expenditure Caps?	Delivery System
Arizona	2001	Working-age adults below 100% of the FPL	Same as Medicaid.	No	Managed care
Delaware	1996	Working-age adults below 100% of the FPL	Same as Medicaid.	No	Managed care
District of Columbia	2003	Adults, aged 50–64 below 50% of the FPL	Same as Medicaid.	Yes	Managed care
Maine	2002	Working-age adults below 100% of the FPL	Limited; limitations placed on inpatient stays, outpatient visits, and prescription drugs. Enrollees with ESI receive premium assistance for ESI.	Yes	PCCM and FFS
Michigan	2004	Adults aged 19–64 below 35% of the FPL	Limited; excludes inpatient hospital coverage. Enrollees with access to ESI receive a voucher to purchase ESI.	Yes	Managed care and FFS
Oklahoma	2005	Working-age adults below 200% of the FPL	Safety-net benefit package with some limitations. Enrollees with access to ESI receive a voucher to purchase ESI.	Yes	PCCM
Oregon <sup>a</sup>	2003	Working-age adults below 100% of the FPL	Limited benefits defined by the state's prioritized list of services.	Yes	Managed care, PCCM, and FFS
Utah	2002	Adults over age 19 below 150% of the FPL	Primary and preventive care only. Some enrollees with access to ESI receive a voucher to purchase ESI.	Yes	FFS
Vermont	2005	Adults below 200% of the FPL	Limited; excludes long-term care, dental, vision, hospice, transportation, and other services. Enrollees between 150% and 185% of the FPL receive premium assistance for ESI or Catamount Health Plan.	No	Managed care

Note: FPL=federal poverty level; ESI=employer-sponsored insurance; PCCM=primary care case management; FFS=fee-for-service.

<sup>a</sup> Oregon also provides premium assistance to childless adults below 185 percent of the FPL with access to ESI. Individuals enrolled in the premium assistance program are not reported to MSIS, so they are not included in this issue brief.

examined the extent to which childless adults differed from adults with dependent children in terms of age and gender.

In 2007, childless adults in the nine study states were both older and more evenly split between women and men than were adults with dependent children (see Figure 1). The mean age of childless adults ranged from 38 to 46, compared with 30 to 34 years old for adults with dependent children. People age 50 to 64 accounted for 19 to 47 percent of childless adult enrollees, whereas this age group accounted for only 2 to 6 percent of adults with dependent children (see Figure 2).<sup>7</sup> At 38 to 59 percent, the share of men was higher among childless adults than among adults with dependent children in all nine states. Because men often have lower health expenditures than women, this result in and of itself suggests that it may be less expensive to cover childless adults than to cover adults with dependent children; but the higher mean age suggests that they would be more expensive to cover. This result suggests the Section 1115 demonstrations for childless adults attracted an older group of adults, more evenly divided between men and women, than adults historically enrolled in Medicaid.

### Childless adults were more likely to become Medicaid eligible due to disability

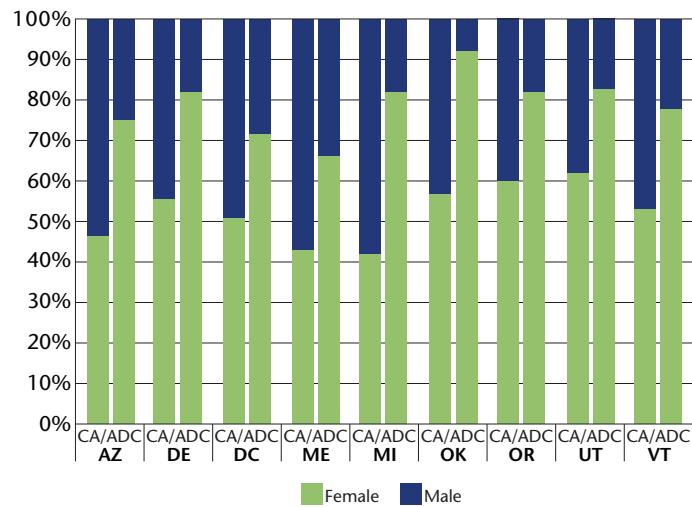
Disability status, also a significant determinant of health care costs, is critical to predicting costs and setting correct capitation rates.<sup>8,9</sup> We identified the cohorts of childless adults and adults with dependent children in our analysis based on their Medicaid eligibility status as of January 2007; by definition, no one in either group qualified for Medicaid due to disability at this time. According to the 2007 MAX data, however, some individuals in both groups became Medicaid eligible because they had a disability at some point in 2007 (see Table 2).

In every state except Oklahoma, the percentage of childless adults who qualified for Medicaid based on a disability was significantly higher in 2007 than the percentage of adults with dependent children who qualified because of a disability. The share of childless adults with a disability ranged from 4 percent in Arizona and Vermont to 12 percent in the District of Columbia. In contrast, the share of adults with dependent children who had a disability ranged from only 1 to 4 percent.<sup>10</sup> The higher rates of disability among childless adults are likely correlated with the fact that they are older than adults with dependent children.

### Childless adults cost more

To determine the degree to which the variation between the two groups in demographic characteristics and disability status leads to variation in cost, we compared annualized Medicaid

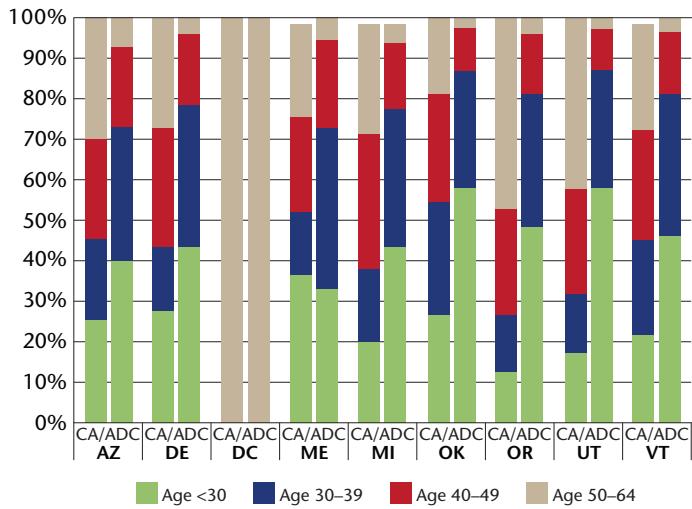
**Figure 1. Gender of Childless Adults Versus Adults with Dependent Children, by State (2007)**



Source: Mathematica analysis 2007 MAX data.

Notes: CA=childless adults; ADC=adults with dependent children; AZ=Arizona; DE=Delaware; DC=District of Columbia; ME=Maine; MI=Michigan; OK=Oklahoma; OR=Oregon; UT=Utah; VT=Vermont. The difference in the gender distribution between childless adults and adults with dependent children is statistically significant at the 0.01 level in all states.

**Figure 2. Age Distribution of Childless Adults Versus Adults with Dependent Children, by State (2007)**



Source: Mathematica analysis 2007 MAX data.

Notes: CA=childless adults; ADC=adults with dependent children; AZ=Arizona; DE=Delaware; DC=District of Columbia; ME=Maine; MI=Michigan; OK=Oklahoma; OR=Oregon; UT=Utah; VT=Vermont. The difference in the age distribution between childless adults and adults with dependent children is statistically significant at the 0.01 level in all states except DC. The difference in the age distribution in DC is not statistically significant as the analysis for DC was limited to individuals aged 50 through 64.

expenditures for childless adults with annualized expenditures for adults with dependent children in five of the nine states. (We excluded Arizona, Maine, Michigan, and Oklahoma because they did not report complete expenditure data to CMS.) In Delaware and the District of Columbia, where childless adults and adults with dependent children receive the same benefit package, annualized expenditures for childless adults in 2007 were \$8,220 and \$9,528, respectively. This is approximately 60 percent higher than expenditures for adults with dependent children. Annualized expenditures were also higher for childless adults in Oregon and Vermont, even though their benefit package is limited. In Utah, where childless adults receive only primary and preventive services, mean annualized expenditures for childless adults were significantly lower than mean annualized expenditures for adults with dependent children. However, they were still high (about \$2,500 per year), given the very limited benefit package. That said, the median expenditures in Utah were similar for both groups. These high expenditures reflect the fact that some childless adults in Utah became eligible for full Medicaid benefits later in 2007.

To determine whether higher expenditures for childless adults resulted from their higher disability rates, we also examined expenditures for two subpopulations of childless adults: (1) those who were enrolled in Medicaid as childless adults for the entire time they were enrolled in 2007 and (2) those who became eligible for Medicaid through another eligibility pathway, including disability. Table 3 shows that in four states expenditures for childless adults who switched from one Medicaid eligibility group to another were higher than for those who did not. However, expenditures for childless adults who did not switch were still higher than expenditures for adults with dependent children in Delaware, the District of Columbia, and Oregon. These results suggest that childless adults cost more than adults with dependent children, not only because they had a higher disability rate, but also because nondisabled childless adults had higher expenditures.

## Conclusion

We found that states that had enrolled childless adults under Section 1115 waivers attracted adults who were often older, more expensive, and more likely to become Medicaid eligible due to disability than adults with dependent children who are traditionally covered under Medicaid. In fact, costs were 60 percent higher in the two states (Delaware and the District of Columbia) that have comparable data.

Our study has important limitations, which influence how these data should be interpreted. Most importantly, our results are influenced by the outreach, enrollment, and payment policies

**Table 2. Percentage of Childless Adults Versus Adults with Dependent Children Who Became Medicaid Eligible Due to Disability During 2007, by State (2007)**

State	Became Medicaid Eligible Due to Disability During 2007			
	Number of Childless Adults	Childless Adults (%) <sup>*</sup>	Number of Adults with Dependent Children	Adults with Dependent Children (%) <sup>*</sup>
Arizona	3,920	4	1,249	1
Delaware	734	5	260	1
District of Columbia	85	12	92	4
Maine	1,242	6	1,368	2
Michigan	3,830	6	3,318	2
Oklahoma	2	0	832	2
Oregon	1,006	9	584	1
Utah	338	7	403	2
Vermont	782	4	390	3

Source: Mathematica analysis 2007 MAX data.

\*Difference between childless adults and adults with dependent children is significant at the 0.01 level.

that were in place when each state implemented its waiver. The childless adults who chose to participate in the waiver under these conditions “self-selected” into the program and likely needed more care than the average person who could have met the eligibility requirements. Under health reform, enrollment will be mandatory—which leads many to expect that the newly enrolled population will be much healthier and less expensive. Indeed, researchers have found that, if widespread enrollment is achieved, average costs will be much lower.<sup>11</sup> However, we note that the enforcement of mandatory health insurance enrollment is expected to occur through the tax code; this policy could lead to a lag between the start of the program and the achievement of widespread enrollment. Also, enforcement may be less effective among low-income individuals who do not pay federal income tax. In that case, if states do not undertake different outreach efforts to enroll the healthier populations, the characteristics of currently enrolled childless adults may be a good indicator of the likely characteristics of early enrollees under health reform, although they may not necessarily reflect long-term enrollment trends.

In addition, the waiver programs we examined had different eligibility requirements and benefits than those that will be in effect in 2014. Some of the childless adult waiver programs targeted older (District of Columbia), poorer (Michigan), or wealthier (Vermont) childless adults, suggesting that these enrollees may have different health care needs than the 2014

enrollees. Furthermore, some programs (such as Utah) offered a benefit package that was more limited than what will be offered to childless adults in 2014, and that in itself may have attracted enrollees who would differ from those who will enroll in 2014. Lastly, the Medicaid expenditures calculated here are partly based on payments for managed care plans—and it is likely that states will adopt different payment rates and structures under health reform.

In the end, many factors will influence the enrollment of childless adults and the Medicaid costs associated with them. In this retrospective look at what happened under the waivers, we found that those who chose to enroll were relatively less healthy and more expensive than their peers with children. To the extent that the same conditions exist in 2014, it may be prudent to plan for a relatively more expensive population in the early period of the expanded Medicaid program.

**Table 3. Annualized Per Capita Medicaid Expenditures for Childless Adults Versus Adults with Dependent Children, by State (2007)**

State	Subpopulation of Childless Adults	Childless Adults			Adults with Dependent Children		
		Number	Mean Annualized Per Capita Expenditures (\$)	Median Annualized Per Capita Expenditures (\$)	Number	Mean Annualized Per Capita Expenditures (\$)	Median Annualized Per Capita Expenditures (\$)
<b>States Where Childless Adults Received Full Medicaid Benefits</b>							
Delaware	All childless adults	14,029	8,220*	6,599	22,205	5,091*	3,483
	Enrolled in Medicaid as childless adult throughout 2007	11,393	8,257	6,688	N/A	N/A	N/A
	Switched to another Medicaid eligibility category during 2007	2,636	8,063	5,601	N/A	N/A	N/A
District of Columbia	All childless adults	721	9,528*	8,679	2,231	5,942*	3,872
	Enrolled in Medicaid as childless adult throughout 2007	624	8,487	8,679	N/A	N/A	N/A
	Switched to another Medicaid eligibility category during 2007	97	16,222	7,101	N/A	N/A	N/A
<b>States Where Childless Adults Received Limited Medicaid Benefits</b>							
Oregon	All childless adults	11,577	6,737*	6,144	42,782	5,599*	3,684
	Enrolled in Medicaid as childless adult throughout 2007	9,942	6,606	6,144	N/A	N/A	N/A
	Switched to another Medicaid eligibility category during 2007	1,635	7,532	5,906	N/A	N/A	N/A
Utah	All childless adults	5,126	2,495*	1,177	24,670	4,451*	1,116
	Enrolled in Medicaid as childless adult throughout 2007	4,527	1,885	1,075	N/A	N/A	N/A
	Switched to another Medicaid eligibility category during 2007	599	7,104	2,420	N/A	N/A	N/A
Vermont	All childless adults	19,413	4,772	1,833	12,385	4,658	2,173
	Enrolled in Medicaid as childless adult throughout 2007	15,840	4,441	1,689	N/A	N/A	N/A
	Switched to another Medicaid eligibility category during 2007	3,573	6,237	2,594	N/A	N/A	N/A

Source: Mathematica analysis 2007 MAX data.

Notes: N/A=Not Applicable. Arizona, Maine, Michigan, and Oklahoma are not included in this table, as they did not report complete expenditure data to MAX. We annualized Medicaid expenditures by calculating individuals' average monthly Medicaid expenditures and multiplying by 12. This allowed us to calculate annual expenditures for those enrollees who were not in Medicaid for all of 2007, and to compare expenditures between all enrollees regardless of how long they were enrolled in Medicaid. To account for different lengths of enrollment between childless adults and adults with dependent children, we also calculated expenditures per person month for both groups (not shown). Our analysis of expenditures per person month showed differences in expenditures between childless adults and adults with dependent children similar to those shown in this table.

\*Difference between childless adults and adults with dependent children is significant at the 0.01 level.

## Endnotes

- <sup>1</sup> The ACA expands Medicaid eligibility to U.S. citizens below 133 percent of the FPL; however, there is a mandatory income disregard in the ACA equal to 5 percent of the FPL, making the effective income limit 138 percent of the FPL.
- <sup>2</sup> Office of the Actuary, Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services. “2010 Actuarial Report on the Financial Outlook for Medicaid.” Washington, DC: DHHS, 2010. Available at <https://www.cms.gov/ActuarialStudies/downloads/MedicaidReport2010.pdf>.
- <sup>3</sup> S.A. Somers, A. Hamblin, J.M. Verdier, and V.L.H. Byrd. “Covering Low-Income Childless Adults in Medicaid: Experiences from Selected States.” Center for Health Care Strategies, Inc., 2010. Available at [http://www.chcs.org/usr\\_doc/Medicaid\\_Expansion\\_Brief.pdf](http://www.chcs.org/usr_doc/Medicaid_Expansion_Brief.pdf).
- <sup>4</sup> The analysis was restricted to individuals age 21 to 64. We identified both cohorts by their Medicaid eligibility status as of January 2007. The cohort of adults with dependent children excludes women receiving Medicaid because they are pregnant.
- <sup>5</sup> The other seven states—Arkansas, Hawaii, Iowa, Maryland, Massachusetts, New Mexico, and New York—also had Section 1115 childless adult expansions in 2007 but were excluded from this analysis as they did not report the required data, or childless adults could not be separately identified in the data from other expansion populations.
- <sup>6</sup> Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services. “Personal Health Care Spending by Gender, Age Group, and Type of Service, Calendar Year 2004.” Available at <https://www.cms.gov/NationalHealthExpendData/Downloads/2004GenderandAgeTables.pdf>.

<sup>7</sup> This age group made up 100 percent of enrollees in the District of Columbia, as we restricted the nondisabled adults with dependent children to this age group so that we could conduct a more valid comparison to the childless adults (since the District of Columbia’s childless adult expansion was restricted to adults aged 50–64). Since we limited this group by age, the adults with dependent children analyzed in the District of Columbia are much different than this group in other states. This group is likely to be made up of grandmothers taking care of their grandchildren.

<sup>8</sup> M.W. Stanton. “The High Concentration of U.S. Health Care Expenditures.” Rockville, MD: Agency for Healthcare Research and Quality, 2006. Available at <http://www.ahrq.gov/research/ria19/expendria.htm>.

<sup>9</sup> Health status and the presence of a chronic medical condition are also strong determinants of service use and costs. We could not analyze health status and the presence of a chronic condition between the two groups, as these data are not reliably available in MAX due to the lack of encounter data from managed care organizations.

<sup>10</sup>Note that the childless adults were much less likely to be disenrolled from Medicaid in December 2007 in every study state except Vermont (data not shown). As a result, we are unable to be certain that we observed all of the disabled enrollees in each group, which could bias our results if a larger number of adults with dependent children became disabled while off the Medicaid rolls. However, it is likely that anyone who became disabled soon after leaving Medicaid would have re-entered the program as a disabled adult.

<sup>11</sup>J. Holahan, G. Kenney, and J. Pelletier. “The Health Status of New Medicaid Enrollees Under Health Reform.” Princeton, NJ: Robert Wood Johnson Foundation, 2010. Available at <http://www.rwjf.org/pr/product.jsp?id=68128>.

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