

# **Uninsured in Michigan: Working Parents Lose Health Coverage**

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## **INTRODUCTION**

Parents moving from welfare to work often find low-wage jobs that pay enough to make them ineligible for Medicaid, but do not provide affordable health insurance. Studies have found that only about one-fourth of parents moving from welfare to work have employer-sponsored health insurance. [1](#) As a result, almost half of women (49 percent) and close to one-third of children (30 percent) are uninsured one year after leaving welfare. [2](#)

Recognizing that health insurance is crucial to successful transitions from welfare to work, policymakers at the federal and state levels have taken steps to make sure people leaving welfare can continue to receive health coverage under Medicaid. Since 1988, Congress has required states to provide a period of transitional Medicaid coverage to those who otherwise become ineligible due to increased income from earnings. Then, when federal welfare reform was enacted in 1996, Congress took steps to insulate Medicaid from the new restrictions and limitations placed on welfare. In addition, the legislation gave states a new option to expand Medicaid coverage for low-income working families.

To find out how low-income families in Michigan are faring in terms of health coverage as people move from welfare to work, Families USA gathered data on enrollment in the Medicaid program. Our data show dramatic declines in the number of parents covered by Medicaid in Michigan. Between January 1996 and December 1999, enrollment of low-income parents in Medicaid in Michigan dropped by 51,258. By contrast, overall enrollment of the children of these parents has increased, largely because Michigan has liberalized coverage for children under its Medicaid and CHIP programs. However, despite several provisions in the federal welfare reform law permitting states to liberalize coverage of low-income parents, Michigan has not taken full advantage of this opportunity. This failure jeopardizes the success of welfare reform and places an undue burden on the thousands of low-income families who are struggling to make work pay in Michigan. [[Return to top](#)]

## **KEY FINDINGS**

Total Medicaid enrollment of parents in Michigan fell from 204,525 in January 1996 to 153,267 in December 1999. This represents a decline of 51,258 people, or 25 percent of the parents enrolled in Medicaid.

- The number of parents receiving both welfare and Medicaid declined by 100,419, from 154,768 in January 1996 to 54,349 in December 1999.
- This decline was partially offset by an increase in the number of parents enrolled in the non-welfare-related family category of Medicaid, which rose from 49,757 to 98,918 over this period.
- Michigan children are eligible for public health insurance coverage at significantly higher income levels than their parents. In Michigan, children are eligible for coverage with family income up to 200 percent of the federal poverty level (\$28,300 for a family of three). Their parents are only eligible if their income is much lower: For a family of three, for example, parents' income must be below 46 percent of poverty (\$6,588).
- A parent in a family of three who earns the minimum wage will not qualify for Medicaid in Michigan if that parent works more than 28 hours per week.

Table 1. Enrollment of Parents in Michigan Medicaid, 1996-1999

Month	Welfare-Related Parents	Non-Welfare-Related Parents	TOTAL
January 1996	154,768	49,757	204,525
January 1997	130,371	56,294	186,665
January 1998	111,195	89,542	200,737
January 1999	72,917	101,617	174,534
December 1999	54,349	98,918	153,267
Change January 1996-December 1999	-100,419	49,161	-51,258
Percent Change January 1996-December 1999	-65%	+99%	-25%

Source: Families USA calculations based on data from the Michigan Department of Community Health.

A Note about Terminology The "Welfare-Related Parents" category is made up of parents eligible for "family-related" Medicaid coverage who receive cash welfare through Michigan's Family Independence Program (FIP). The "Non-Welfare-Related Parents" category consists of parents who do not receive welfare but who are enrolled in Medicaid because they qualify for Low-Income Family (LIF) Medicaid, Transitional Medicaid, or "Medically Needy" coverage. Some Medically Needy parents may not receive the same

level of coverage that Low-Income Family parents receive because the Medically Needy are subject to a deductible in order to receive coverage. We included all of them in this report because Michigan was unable to extract them from the data. "Parents" as used throughout this report refers to both biological parents and non-parent caretakers of dependent children. "Low-income" as used throughout this report refers to individuals or families who earn less than twice the federal poverty level (\$28,300 per year for a family of three in 2000). In addition, all references to Medicaid eligibility levels for parents expressed as a percentage of the federal poverty level are calculated based on the fixed dollar amount for Medicaid eligibility for a family of three. [\[Return to top\]](#)

## **METHODOLOGY**

Families USA requested and received data from the State of Michigan showing monthly enrollment in Medicaid by program group and by age. In order to isolate parents, we eliminated the elderly (age 65 and over), disabled persons, and children under age 19. We also eliminated people in Medicaid eligibility categories with benefits that are not comparable to family-based Medicaid coverage (for example, pregnant women who are only eligible for maternity benefits). Using this data, we reviewed the changes in enrollment of parents over the period from January 1996 through December 1999. We also interviewed state advocates and agency staff about policy and program changes that may have affected enrollment levels. [\[Return to top\]](#)

## **BACKGROUND**

Medicaid enrollment for parents in Michigan is declining rapidly at the same time that many low-income adults are moving from welfare to work. Because Medicaid eligibility levels are so low in Michigan (parents are only eligible for Medicaid if they earn less than about 46 percent of the federal poverty level for a family of three), for many families, finding a job means losing access to Medicaid. Even at minimum wage, a parent who works more than 28 hours per week will be ineligible for Medicaid in Michigan.

When federal welfare reform was enacted in 1996, Congress recognized that low-income working parents needed health insurance in order to make a successful transition from welfare to work. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 "de-linked" welfare and Medicaid in order to protect Medicaid eligibility for families leaving welfare. The legislation replaced Medicaid coverage based on receipt of welfare with a new "family coverage" category for Medicaid. As a result, Medicaid eligibility for families is now dependent only on income and resource levels, not on eligibility for welfare. In 1996, Michigan implemented federal welfare reform by replacing the federal Aid to Families with Dependent Children (AFDC) program with the state Family Independence Program (FIP) program. Among other new policies, FIP requires families to work or participate in work-related activities in order to receive public assistance. In October 1997, Michigan added a "Low-Income Family" category to their Medicaid program to accommodate the de-linking of welfare and Medicaid.

This emphasis on moving families off welfare and into the workforce, coupled with a booming economy, has led to a dramatic decline in welfare participation in Michigan as well as in other states. The U.S. Department of Health and Human Services reports that, from January 1996 through June 1999, Michigan's welfare rolls declined by 291,443 children and adults (a drop of 54 percent).<sup>3</sup> Growing evidence from researchers shows that-despite the de-linking of welfare and Medicaid-this decline

in welfare participation has led directly to a drop in the number of families participating in Medicaid.<sup>4</sup> Because state Medicaid and the state Children's Health Insurance Program (CHIP) provide coverage to children at higher income levels, the decline in Medicaid participation has disproportionately affected the parents of those children. When Michigan's welfare rolls fell from 1996 to 1999, Medicaid coverage of parents declined by 25 percent (51,258 parents). While some of the children in these families are covered by Healthy Kids (Medicaid) or MICHild (CHIP), parents who lose Medicaid often have nowhere else to turn for health coverage.

Too often, when families move from welfare to work, they join the ranks of other low-income, uninsured working adults. While 93 percent of workers in the U.S. who earn more than \$15 an hour are offered health insurance coverage by their employer, only 43 percent of those earning \$7 an hour or less are offered such coverage.<sup>5</sup> Even when coverage is offered, it is often too expensive for low-wage workers. In fact, it is often more expensive for low-wage workers than for higher-paid workers. The average contribution for the lowest cost family coverage plan is \$130 a month in firms where the typical wage is less than \$7 an hour and \$84 a month in firms where the typical wage is more than \$15 an hour.<sup>6</sup> Consequently, low-income families are less likely to have employer-sponsored insurance: Only 13 percent of people with incomes below poverty, and only 43 percent of those with incomes between 100 and 200 percent of poverty, have coverage from their employer.<sup>7</sup>

Michigan does, however, have an option available to remedy this problem. In addition to creating a new family coverage category for Medicaid, Congress gave states an opportunity to extend Medicaid coverage to more low-income working parents. By using more liberal rules for counting income and assets when determining whether a family is eligible for Medicaid, states can provide Medicaid to working parents at higher income levels. Thus far, Michigan has not moved toward liberalizing income guidelines for working parents. Its income limit is so low that a parent with two children who works only 28 hours per week at the minimum wage will earn too much to qualify for Medicaid.

**Eligible Families May Lose Medicaid** Although some families who leave welfare for work lose Medicaid because they become ineligible when their earnings become too high, many families leave welfare for other reasons and should not lose Medicaid. These other reasons include being sanctioned for failure to comply with new welfare rules or feeling that welfare caseworkers treat them badly. Because states have delayed the actual de-linking of administrative systems for processing Medicaid and welfare eligibility, many families lose Medicaid coverage when they leave welfare, even though they are still eligible. The federal government has recently directed states to review their Medicaid

eligibility policies and practices to determine if families wrongly lost Medicaid when they left welfare and to reinstate any families that lost Medicaid improperly. [[Return to top](#)]

## FINDINGS

- Total Medicaid enrollment of parents in Michigan fell from 204,525 in January 1996 to 153,267 in December 1999. This represents a decline of 51,258 people, or 25 percent of the parents enrolled in Medicaid.

Between 1996 and 1999, the combined effects of welfare reform and a robust national economy led to a steep decline in the welfare rolls as families moved from welfare to work. In Michigan, welfare enrollment of parents and children dropped by over 54 percent. At the same time, enrollment of parents in Michigan's Medicaid program declined by one-fourth (25 percent). In fact, the largest eligibility category for parents, the welfare-related parents category, declined by nearly two-thirds (65 percent).

In Michigan, there are two categories of Medicaid where parents may be counted. The welfare-related category includes only those parents who receive cash assistance. The non-welfare-related category includes parents in a variety of circumstances who do not receive cash assistance; this category includes Low-Income Family parents and those receiving Transitional Medicaid. Because the number of parents receiving welfare declined from January 1996 through December 1999, we would expect to see a similar decline in the welfare-related Medicaid category. Conversely, we would expect to see a corresponding increase in the non-welfare-related category as parents get jobs and receive Transitional Medicaid, or as parents leave welfare for other reasons. In Michigan, for every parent who gained non-welfare-related Medicaid from January 1996 to December 1999, two parents lost welfare-related Medicaid (see Chart 1).

Looking more closely at the annual changes in total parent enrollment (see Chart 2), the overall decline in parents' enrollment from January 1996 to December 1999 slowed during calendar year 1997. During that time, there was an increase in enrollment that temporarily offset the overall decline in parents' enrollment. In 1998, enrollment of parents resumed its downward trend. The spike in enrollment that helped slow the overall decline between July and August 1997 occurred in both the welfare-related and the non-welfare-related family categories, and corresponds to a policy change that raised the resource limit for Medicaid so that families could qualify for Medicaid if they have up to \$3,000 in liquid assets. After August 1997, the decline in the number of parents receiving both welfare and Medicaid continued.

Enrollment of parents in the non-welfare family category continued to increase gradually until it reached its peak in October 1998. After that, enrollment of parents in this category began to decline (see Appendix II for more detail). One of the factors in this decline is a drop in the number of Transitional Medicaid cases that began after December 1998, according to another recent report on Medicaid enrollment trends.

When Can Parents Get Medicaid in Michigan? In order to qualify for Medicaid, a parent must live with a dependent child under age 18. She or he must also meet the income and resource standards that Michigan sets. A parent with two children can get Medicaid if she/he:

- has income less than \$549 per month (this amount assumes that all income is from earnings and that there are no childcare expenses, and takes into account the \$90 in earned income that is not counted, or "disregarded");
- has \$3,000 or less in liquid assets; and
- meets reporting requirements and completes redetermination of eligibility when requested by the state.

Two-parent families can get Medicaid at the same income level as single-parent families (of the same size). Parents who receive both welfare and Medicaid must meet all work requirements for welfare in order to maintain Medicaid eligibility.

- Parents in Michigan are eligible for Medicaid at much lower income levels than their children. Parents are eligible for Medicaid at approximately 46 percent of the federal poverty level, while children are eligible for Medicaid and MICHild in families earning up to 200 percent of poverty

Children in Michigan are eligible for Healthy Kids coverage if their family income is below 150 percent of the federal poverty level, and for MICHild if they live in families that earn as much as 200 percent of the federal poverty level, regardless of family size. Their parents, however, are only eligible if they earn less than half of the federal poverty level (46 percent of poverty for a family of three).

\* Assumes a family of three, that all income is from earnings, and that only earned income disregards are taken.

Michigan has not increased the income eligibility level for parents since welfare reform, although it has raised the eligibility level for children. Michigan implemented the Healthy Kids and MICHild programs with the understanding that low-income children often go uninsured because their families either lack access to, or cannot afford to buy, health insurance. In addition to raising income eligibility for children, the state made several changes that make it easier for working families to apply for and maintain their children's coverage. MICHild has a shorter application form and no resource test. The state has also undertaken an outreach campaign to publicize the program. These reforms have not been applied to parents' Medicaid coverage. Michigan's low-income families have a need for public health coverage. Since Michigan expanded and simplified coverage for children in 1998, children's enrollment

in Healthy Kids and MICHild has grown to 69,200. If Michigan made similar reforms to parents' Medicaid coverage as they have for their children's coverage, the changes likely would stem the decline in parents' coverage and decrease the number of low-income uninsured adults in Michigan. [[Return to top](#)]

## DISCUSSION

### WHY IS MEDICAID DECLINING IN MICHIGAN?

#### Families Moving from Welfare to Work

Medicaid in Michigan is declining for a variety of reasons. One reason is that more poor parents are working. Michigan data show that as many as 50 percent of families who left welfare in State Fiscal Year 1999 left for work. For many parents, moving from welfare to work means that their income is too high to stay on Medicaid. Even at the minimum wage, a Michigan parent in a family of three cannot work more than 28 hours per week and qualify for Medicaid.

In Michigan, parents applying for welfare are eligible for Medicaid at higher income levels than parents who do not apply for welfare. Parents applying for the non-welfare Low-Income Families category of Medicaid are eligible if they earn \$548 per month (\$458 plus \$90 in earned income that is "disregarded"). When parents apply for welfare, by contrast, \$200 of earned income plus 20 percent of the remaining earned income will be disregarded. This means that parents applying for both welfare and Medicaid can qualify for Medicaid if they earn as much as \$773, which is 65 percent of the federal poverty level. Michigan has essentially raised eligibility levels (slightly) for parents receiving welfare, but not for those who do not. This higher earned income disregard for parents applying for welfare puts working parents who want Medicaid but not welfare at a disadvantage.

Michigan families who become ineligible for Medicaid due to increased earnings are entitled to receive Transitional Medicaid for an additional 12 months. Data from a recent study of Medicaid enrollment trends found that, in Michigan, the number of people receiving Transitional Medicaid increased from June 1997 to December 1998, but declined from December 1998 to June 1999.

Transitional Medicaid Plus (TMA Plus) Michigan has implemented a program called TMA Plus that enables parents who exhaust their 12 months of Transitional Medicaid to purchase ongoing Medicaid coverage. The program charges a monthly premium that begins at \$50 and increases over time to a maximum of \$110. [For a parent working full-time at the minimum wage, \$110 is approximately 12 percent of monthly gross income.] The program began in October 1996 as a pilot project in eight counties; it is slated to expand to the rest of the state in 2000.<sup>17</sup> As of January 28, 2000, there were 509 families enrolled in the program. Approximately 3,200 others had been denied coverage or terminated.

#### Welfare-Medicaid De-Linking

Another reason that Medicaid enrollment is declining in Michigan is that some parents who leave welfare lose Medicaid improperly. Michigan has very complicated eligibility

rules for Medicaid. Advocates report a high level of caseworker and client confusion about the differences between welfare and Medicaid rules. Because the state has not yet made computer changes to reflect the federal de-linking policy, caseworkers must have a clear understanding of all the Medicaid rules for families and must take extra steps (sometimes involving more than one computer system) to ensure that families' Medicaid eligibility is accurately determined when they move from one category to another within the program. Clients often do not understand that they can continue to receive Medicaid when they go to work or when they stop receiving welfare payments, and they may receive several notices with conflicting information about their Medicaid eligibility status. As a result, advocates believe that many people in Michigan have lost Medicaid despite continuing eligibility.

An April 7, 2000 letter from the U.S. Health Care Financing Administration (the agency that oversees Medicaid administration) directs states to review their policies and procedures for determining Medicaid eligibility when a family leaves welfare. The letter further directs states to put families back on Medicaid if they find that the state's policies and practices did not ensure that all families leaving welfare received proper review of their Medicaid eligibility and ongoing coverage where appropriate.

## **WHAT NEW OPTIONS DOES MICHIGAN HAVE TO REVERSE THE DECLINES?**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 included new options for states to expand Medicaid eligibility to more working families. States are now permitted to increase their Medicaid coverage of families without a waiver from the federal government. Because states have already expanded coverage to children at much higher income levels, this option primarily benefits parents, who, until recently, largely have been left out of Medicaid expansions. This option would allow Michigan to expand coverage for parents to the same level as coverage for their children. This would allow the state to offer coverage to the entire family under the same program, and make Medicaid simpler to administer as a health insurance program for low-income families. It would also allow the state to simplify the very complex eligibility criteria that currently underlie Medicaid eligibility determinations, making the system easier for families and for caseworkers to navigate. Other states that have recently expanded Medicaid coverage for parents include: California, Connecticut, the District of Columbia, Maine, Ohio, Rhode Island, and Vermont.

Besides raising eligibility levels, a state can take other steps to expand coverage of parents. For example, a few states are using the new flexibility to extend Transitional Medicaid beyond the 12 months required by federal law. States can also eliminate the resource test for families. Most states, including Michigan, have eliminated the resource test for children's health coverage, and 10 states and the District of Columbia have eliminated it for parents as well. Those states are Connecticut, Illinois, Massachusetts, Mississippi, Missouri, Ohio, Oklahoma, Pennsylvania, Rhode Island, and Wisconsin. When Michigan raised the resource limit in July 1997, allowing parents with liquid assets



up to \$3,000 to qualify for Medicaid, there was a corresponding increase in enrollment. This suggests that completely eliminating the resource limit for parents (as Michigan did for children) would allow more working parents access to Medicaid. Eliminating the resource limit would also reduce the amount of documentation parents need to provide for eligibility determinations and would make the process of getting and keeping Medicaid easier.

States also have several options to increase enrollment by simplifying Medicaid eligibility processes and reaching out to eligible families. For example, they can shorten application and redetermination forms, outstation more eligibility workers, and conduct outreach campaigns to let families know about the new eligibility rules. Although Michigan shortened the application for MICHild to two pages to make it easier for children to enroll, the application for parents' Medicaid is still six pages long. The state has conducted extensive outreach to notify families about the availability of children's health insurance, but has done little to find and enroll their parents. [[Return to top](#)]

## CONCLUSION

Michigan has not taken steps to expand Medicaid coverage for low-income families. The state could do much more. Many low-income parents in Michigan are uninsured because they lack access to health insurance through their employers, and they remain ineligible for Medicaid under the current eligibility rules. By implementing currently available federal options for expanding Medicaid to more working families, Michigan could provide health coverage to many of these parents and support their efforts to maintain self-sufficiency. [[Return to top](#)]

## ENDNOTES

1 Pamela Loprest, "Families Who Left Welfare: Who Are They and How Are They Doing?," *Assessing the New Federalism Discussion Papers*, (Washington, DC: Urban Institute 1999.); Mark Greenberg, *Participation in Welfare and Medicaid Enrollment* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, September 1998).

2 Bowen Garrett and John Holahan, "Health Insurance Coverage After Welfare," *Health Affairs* 19, no. 1 (January/February 2000).

3 U.S. Department of Health and Human Services, Administration for Children and Families, "[Change in TANF Caseloads](#)," (Washington, DC: U.S. Department of Health and Human Services, December 1999).

4 Families USA, *Losing Health Insurance: The Unintended Consequences of Welfare Reform* (Washington, DC: Families USA, May 1999); Bowen Garrett and John Holahan, "Health Insurance Coverage After Welfare," *Health Affairs* 19, no. 1 (January/February 2000). Leighton Ku and Bowen Garrett, *How Welfare Reform and*

Economic Factors Affected Medicaid Participation: 1994-1996 (Washington, DC: The Urban Institute, February 2000).

5 Cooper and Schone, 1997, cited in Ellen O'Brien and Judith Feder, *Employment-Based Health Insurance Coverage and Its Decline: The Growing Plight of Low-Wage Workers* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, May 1999).

6 Peter J. Cunningham, et al., "Who Declines Employer-Sponsored Health Insurance and Is Uninsured?" Issue Brief (Washington, DC: Center for Studying Health System Change, October 1999).

7 Ellen O'Brien and Judith Feder, *Employment-Based Health Insurance Coverage and Its Decline: The Growing Plight of Low-Wage Workers* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, May 1999).

8 Department of Health and Human Services, Letter to State Medicaid Directors, (Washington, DC: Department of Health and Human Services, April 7, 2000).

9 The overall decline of 25 percent may be understated, since the non-welfare parents category also includes groups in addition to Low-Income families, such as parents who are Medically Needy.

10 Michigan completely eliminated the asset limit for the Medically Needy.

11 Eileen R. Ellis and Vernon K. Smith, *Medicaid Enrollment in 21 States: June 1997 to June 1999* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, April 2000). The increase from June 1997 to December 1998 was 43,100 (including children and parents), and the decline from December 1998 to June 1999 was 11,800 (including children and parents).

12 The 1996 welfare reform law gave states the option of terminating Medicaid for parents who are "sanctioned" in the welfare program for refusal to work. When a family is sanctioned, their cash grant is reduced or eliminated for a period of time or until they meet the requirements in question. However, a child's and pregnant woman's Medicaid cannot be terminated if their family receives a sanction.

13 Michigan Department of Community Health, presentation to Michigan House Appropriations Subcommittee on Community Health, April 26, 2000.

14 Table 26, "FIP: Cases Closed, October 1998-September 1999, Program Statistics FY 1999 (Lansing, MI: Family Independence Agency).

15 In addition to the increased earnings requirement, families must also have been receiving Medicaid in at least three of the previous six months to qualify for Transitional Medicaid.

16 Eileen R. Ellis and Vernon K. Smith, op. cit.

17 Greg Conyers, Testimony to the Michigan House Appropriations Subcommittee on Community Health (Lansing, MI: Michigan League for Human Services, May 1, 2000).

18 Correspondence from Jackie Doig, Center for Civil Justice, to U.S. Department of Health and Human Services, "Medicaid for Families in Transition from TANF (FIP)," December 20, 1999.

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