



The Hilltop Institute

analysis to advance the health of vulnerable populations

Maryland's Kids First Act: Using Tax Forms to Identify Medicaid/SCHIP-Eligible Children

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The Hilltop Institute was formerly the Center for Health Program Development and Management.

The Kids First Act

- Enacted by the Maryland legislature and signed by Governor O'Malley in May 2008
- Requires a Medicaid/State Children's Health Insurance Program (SCHIP) outreach initiative, based on information from state income tax forms
- Requires coordination between the state Comptroller (who collects taxes and is an independently elected statewide official) and Medicaid/SCHIP



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2007 Tax Year (filed April 2008)

- Maryland's Comptroller **must send a notice** to taxpayers with one or more dependent child(ren) if the reported household income did not exceed the highest eligibility standard for Medicaid/SCHIP (300% FPL)
 - The law was passed **after** the 2007 tax returns were due
 - Notice must indicate that the taxpayer's dependents ***may be eligible*** for Medicaid/SCHIP, and provide information on how to enroll
 - Maryland's Medicaid agency (DHMH) was required to develop the notice
 - No insurance information was collected from the taxpayer

2008 and 2009 Tax Years (filings due April 2009 and 2010)

- These filings would occur after passage of the law
- There was time to alter the information collected on the tax returns
- Per the law, the taxpayer shall report on the state tax return, "the presence or absence of **health care coverage**," for each dependent child for whom an exemption is claimed
- The Comptroller, not the Medicaid agency, had the authority to create the exact wording on the tax return
- A taxpayer could not be penalized for failing to answer

2008 Maryland Individual Resident Income Tax Return Form 502 and Form 503: Dependent Health Care Question

(1) First name		(C) Dependents:		(4) Check if Dep. Child	(5) If Dependent Child is checked, does child have health care?		(6) Regular	(7) 65 or Over
Last name	(2) Social Security number	(3) Relationship	Yes		No			
		▶						
		▶						
		▶						
		▶						
		▶						

2008 Maryland Individual Resident Income Tax Return

- Question on tax form
 - The Comptroller converted the statutory language (ascertain the “presence or absence of health care coverage”) into this question: “If Dependent Child is checked, does child have **health care**?”
- Data Collected on the Tax Return
 - First and last name of dependent child
 - Child’s and tax filers’ social security numbers
 - Relationship of dependent to taxpayer
 - Adjusted gross income

2008 and 2009 Tax Years, continued

- Based on the data supplied on the tax return, the Comptroller **must send a Medicaid/SCHIP application and enrollment instructions** to taxpayers who indicate dependent children without health care coverage and whose reported income does not appear to exceed Medicaid/SCHIP financial eligibility limits
 - Intentionally over-inclusive approach
- The Medicaid/SCHIP administrators were required to develop the outreach cover letter and any supporting materials to be stuffed into the envelopes sent by the Comptroller
- Insurance information was collected

2008 Tax Returns: (experience as of May 6, 2009)

- 855,296 dependent children were identified as having “health care”
- 338,495 dependent children were identified as NOT having “health care”, representing 208,549 households
- Where the “health care” question was left blank, were classified as not having health care/coverage
- Based on census data, there are approximately 1.5 million children in Maryland aged 0-19 years

Kids First Act Evaluation

- Funded by the Robert Wood Johnson Foundation, under a SHARE grant
- The scope of the evaluation: a qualitative review of how key decisions were made, what created momentum for the law, and what may be learned from the implementation of the initiative
- One key focus: analyze whether the initiative is achieving its goal of identifying and enrolling uninsured, eligible children

Kids First Act Evaluation, continued

- Another key focus: analyze the challenges and opportunities in using data from state income tax forms as a basis for Medicaid/SCHIP outreach and enrollment:
 - Does reported income serve as a good proxy for Medicaid/SCHIP eligibility, given varying deduction and disregard rules?
 - Does “household” income for tax purposes serve as a good proxy for Medicaid/SCHIP “case” definitions?
 - Does annually reported income on tax returns miss children who might qualify based on seasonal (monthly) Medicaid/SCHIP income?
 - Are tax returns a good enough proxy to serve as a basis for “express lane eligibility”
- The outreach in the Kids First Act was intentionally over-inclusive, partly to avoid missing eligible children based on these concerns

The Evaluation Included Leadership Interviews

- Conducted face-to-face interviews with key stakeholders from:
 - Maryland State Legislature
 - DHMH (Medicaid/SCHIP)
 - Local Health Departments
 - Office of the Comptroller
 - Advocacy Groups

Selected Key Players: Findings from Interviews

- Dr. Peter Beilenson - Howard County Health Officer
 - Started a precursor program in Howard County
 - That program used support from the Comptroller to mail letters to individuals who might be eligible for County-subsidized insurance (for people slightly **above** Medicaid/SCHIP income levels)
 - Identified 2,000 individuals for the Healthy Howard Program. **Most of these individuals (1,800) were eligible for Medicaid or SCHIP**
- State Legislature
 - Initial debates resolved certain controversial issues (e.g., was this a precursor to an individual mandate, with parental duties?)
 - Some Delegates viewed the Kids First Act as the first step toward an individual mandate, but not toward auto-enrollment into Medicaid

Select Key Players: Findings from Interviews, continued

- **DHMH/Medicaid**
 - Developed the notice and any information materials to be sent with the applications
 - Provided the Comptroller with Medicaid/SCHIP income thresholds, to enable (over-inclusive) crosswalk with reported income
 - Sought but was unable to resolve data sharing arrangements (Medicaid/SCHIP eligibility files with outreach candidates)
- **Comptroller's office**
 - Identified the children, and mailed the notices/applications
 - Determined wording of question on 2008 tax form
 - Sought but was unable to resolve data sharing arrangements

Important Factors Leading to Enactment

- Initiative was a priority of the Governor
- Legislative support
- Cooperation from the Comptroller's office
- Internal DHMH/Medicaid staff support
- Howard County was already doing it

Challenges

- Wording of question (“health care”, “health care coverage”; “health insurance”)
- Sending applications to many people who are income ineligible, based on a deliberately over-inclusive strategy. One often-ineligible group: children of the self-employed, whose tax deductions suggested they might be low income, but not according to Medicaid/SCHIP income rules.
- The Attorney General barred data sharing between Medicaid and the Comptroller, based on his reading of state and federal confidentiality laws

Challenges, continued

- Does not identify the age of the child, so linking the mailing to Medicaid/SCHIP eligibility that varies by age is not possible, and occasionally the dependent is an adult (child) dependent
- There was only a small amount of space available on the tax form, and instructions were difficult to develop
- When tax filers answered the question, it was vague about the time period they were responding to: health care in the tax year? At the time of filing?
- Application packets were sent to all tax filers who opted not to answer the question; this was expensive and over-inclusive, and no penalty was attached to filers who left this blank
- Difficult to track who enrolled **because** of this outreach method

Challenges, continued

- The legislature did not anticipate many expensive operational issues: the cost of all the mailings, changes in generating the new tax forms, changes in updating the Comptroller's data systems to incorporate Medicaid eligibility thresholds to trigger outreach, and . . . the Comptroller did not have a machine that accommodates a large mailer
- DHMH/Medicaid did not have a specific application targeted to the outreach group (children applying for Medicaid/SCHIP), so the full "standard" application was mailed
- Tax form for 2009 occurring before outcomes of initial outreach are understood
- Who gets the credit? Comptroller, Governor, DHMH, legislators?

Advantages of Data Sharing

- Could reduce the size of the mailing by eliminating already-enrolled Medicaid/SCHIP children from the outreach
- Could reduce the problems that occur when current Medicaid/SCHIP enrollees receive the notice and application and become concerned and confused
- Could allow for better tracking of the individuals who applied **as a result of the mailing**

Opportunities

- The initiative is innovative, inclusive and has attracted widespread support and national interest
- In a state like Maryland, with state-based tax credits, even low-income households file returns, so the tax filing process is likely to include virtually all households with Medicaid/SCHIP eligible children
- In theory, use of tax data is an ideal mechanism for Express Lane Eligibility (ELE): it provides both financial and identifying information needed to determine eligibility

Why Seek Legislation?

- Legislation
 - Mandated the Comptroller to send out information packets containing applications for Medicaid/SCHIP
 - Required modification of state tax forms to support the effort
 - Permitted the use of state-appropriated outreach money to support the initiative

Recommendations

- Determine whether data can be shared across state agencies; change state laws where possible to reduce data sharing barriers
- Design health insurance question on tax form based on best research for “polling” on this question
- Consult health literacy experts and seek public input on wording of notices/letters
- Develop targeted applications and outreach materials
- Develop a tracking system to identify what prompted the applicant to pursue Medicaid/SCHIP

Recommendations, continued

- Mail the letters/notices in smaller batches to avoid overwhelming the eligibility system
- Involve stakeholders, and inform policymakers and legislators of the operational issues involved in executing a policy
- Expand self-employment criteria on tax form
- Not all initiatives of this type require legislation

Next Steps

- Data matching
- Conduct interviews with operational staff at DHMH and the Comptroller's office
- Analyze 2009 tax form question and instructions
- Analyze 2008 application and enrollment outcomes in target population

About The Hilltop Institute

The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to improving the health and social outcomes of vulnerable populations. Hilltop conducts research, analysis, and evaluation on behalf of government agencies, foundations, and other non-profit organizations at the national, state, and local levels.

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