



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# Maryland's Kids First Act: The Use of Tax Forms to Identify Medicaid/CHIP-Eligible Children

---

June 14, 2011

David Idala

The AcademyHealth Annual Research Meeting

Project funded by the State Health Access Reform Evaluation,  
a national program of the Robert Wood Johnson Foundation

# Why Use Tax Information to Identify Eligible Children?

---

- About 86 to 89 percent of uninsured children who qualify for Medicaid/CHIP live in households that file federal income taxes
- The federal Earned Income tax Credit (EITC) provides an incentive for low income earners to file taxes, even when they are not legally obligated to do so
- Nationally, low income families with children receive the EITC more than any other means-tested benefit
- Maryland has a state EITC that supplements the federal EITC
- Linking Medicaid/Children's Health Insurance Program (CHIP) outreach may prove to be an efficient method for identifying and reaching most low income families with children who are eligible but unenrolled

# The Kids First Act

---

- Enacted by the Maryland legislature and signed by Governor O'Malley in May 2008
- Requires a Medicaid/CHIP 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/CHIP

# 2008 and 2009 Tax Years

---

- 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
- Based on the data on the tax return, the Comptroller **must send a Medicaid/CHIP application and enrollment instructions** to taxpayers who indicate dependent children without health care coverage and whose reported income appears not to exceed Medicaid/CHIP financial eligibility limits (300% FPL)
- A taxpayer could not be penalized for failing to answer

# 2009 Maryland Individual Resident Income Tax Form

---

- Question on tax form
  - *“If Dependent Child under age 19 is checked, does child have health insurance now? Yes or no?”*
  
- 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
  - *If child is under age 19*
  - If child had *health insurance* at the time of filing

# Medicaid/CHIP Notices Sent to Maryland Taxpayers

Tax Return Questions	Notices Sent to Taxpayers		
	< 116% FPL	< 300% FPL	Total
<b>2007 Tax Return</b>			
<input checked="" type="checkbox"/> Dependent's relationship to you?	154,709	291,881	446,590
<b>2008 Tax Return</b>			
<input checked="" type="checkbox"/> Is dependent a child?	62,566	89,999	152,565
<input checked="" type="checkbox"/> Does child have health care? Yes or no?			
<b>2009 Tax Return</b>			
<input checked="" type="checkbox"/> Is dependent under age 19?	61,869	84,108	145,977
<input checked="" type="checkbox"/> Does child have health insurance now? Yes or no?			
<b>2010 Tax Return</b>			
<input checked="" type="checkbox"/> Is dependent under age 19?			
<input checked="" type="checkbox"/> Does child have health insurance now? Yes or no?			
<input checked="" type="checkbox"/> Do you allow your tax information to be shared with the State Medicaid/CHIP agencies for the purpose of identifying and enrolling your eligible children in affordable health care programs? (Opt-in checkbox)	*	*	*

# Kids First Act Evaluation

---

- The scope of the evaluation: a qualitative review of how key decisions were made, what created the momentum to pass the law, and what may be learned from the implementation of the initiative
- How the Maryland's Kids First Act may inform the federal health care reform

# Medicaid/CHIP Enrollment Growth

---

- As of December 2010, Maryland's Medicaid/CHIP programs have added 63,000 children - a 14 percent increase in the past 2 years
- Cannot accurately measure the enrollment growth that can be attributed to the Kids First Act outreach

# Lessons Learned So Far...

---

- Wording of question (“health care coverage” vs. “health insurance”)
- Sending applications to those who are income-ineligible (e.g., some self-employed). Health care reform addresses this issue by allowing states to use Modified Adjusted Gross Income in making income eligibility determination
- Tax return filers opting not to answer the question. Because of the individual mandate, everyone will be required to provide health insurance information
- Applications received by individuals already enrolled in Medicaid/CHIP
- Concerns about various costs (e.g., mailings, changes in tax forms, updating the data collection system, and comptroller did not have a machine that accommodates a large mailer)

# Lessons Learned continued

---

- Only reaches children whose parents file tax returns
- Small amount of space available on tax form
- Data sharing between the Comptroller and Medicaid was not permitted by the Attorney General. Legal issues concerning informed consent
- Unable to track cost-effectiveness or number of people whose enrollment resulted ***because*** of this outreach method

# Advantages of Data Sharing

---

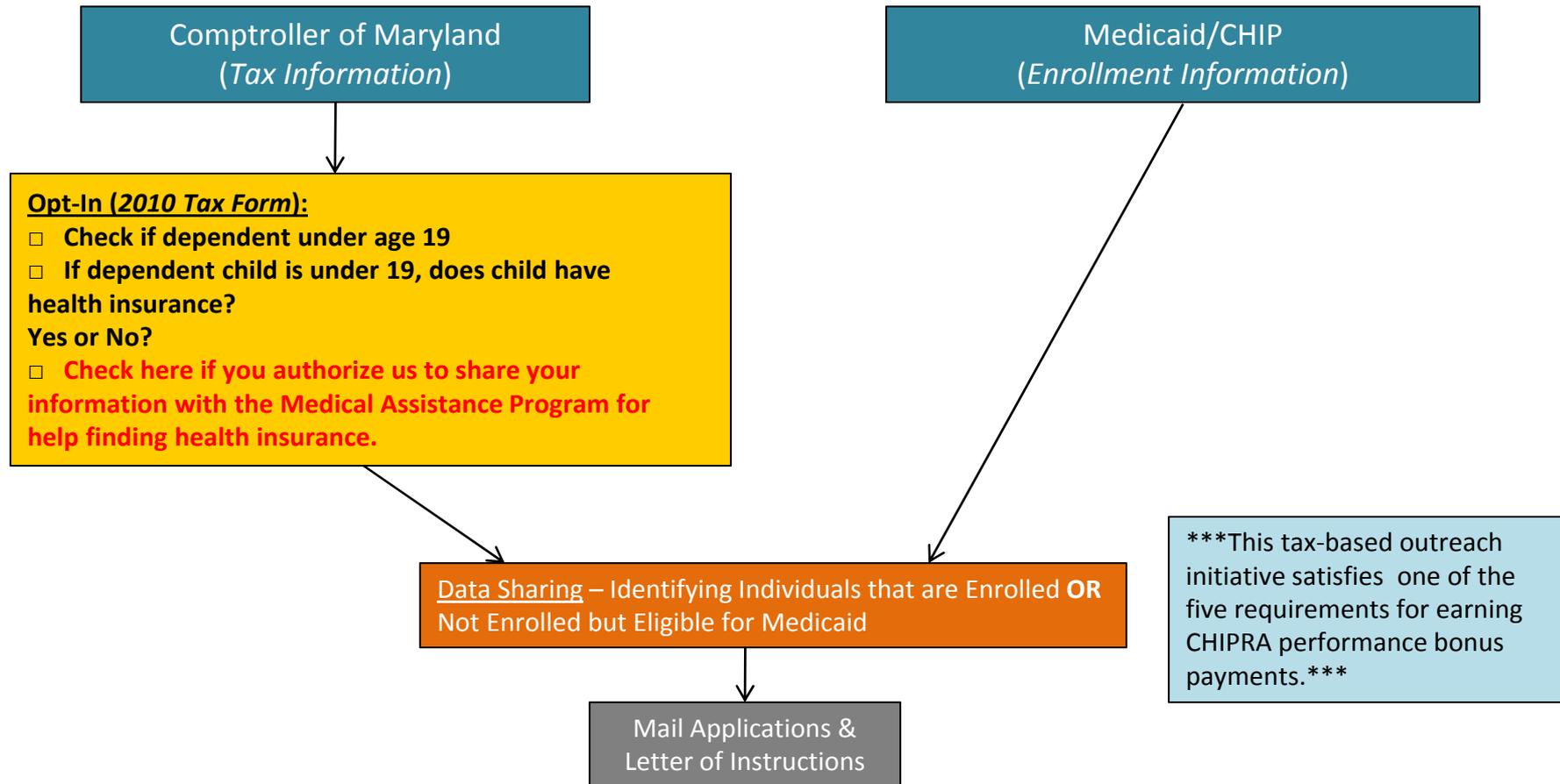
- Could reduce the size of the mailing by eliminating already-enrolled Medicaid/CHIP children from the outreach
- Could reduce the problems that occur when current Medicaid/CHIP enrollees receive the notice/application and become concerned and confused
- Could allow for better tracking of the individuals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

# Kids First Express Lane Eligibility Act of 2010

---

- Passed in April 2010 by the Maryland General Assembly
- Requires the Medicaid agency and the Comptroller's office to enter into an interagency agreement allowing the sharing of state income tax return information for Medicaid/CHIP eligibility determination
- Notice of this information sharing must be included on income tax return forms
- Comptroller must include a check box allowing individuals to opt in to participate

# Kids First Eligibility Process - CY 2011



# Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA)

---

- CHIPRA provides financial incentives for states to increase enrollment in Medicaid and CHIP
- CHIPRA performance bonuses provide states an enhanced Federal Medical Assistance Percentage (FMAP) if states:
  - Increase enrollment relative to their July 1, 2008, baseline level
  - Implement five of eight outreach and enrollment strategies specified in CHIPRA
- In Maryland, the tax-based outreach initiative satisfied one of the five requirements for earning CHIPRA performance bonus funds

# The Affordable Care Act (ACA): New Tax-Based Outreach Opportunities

---

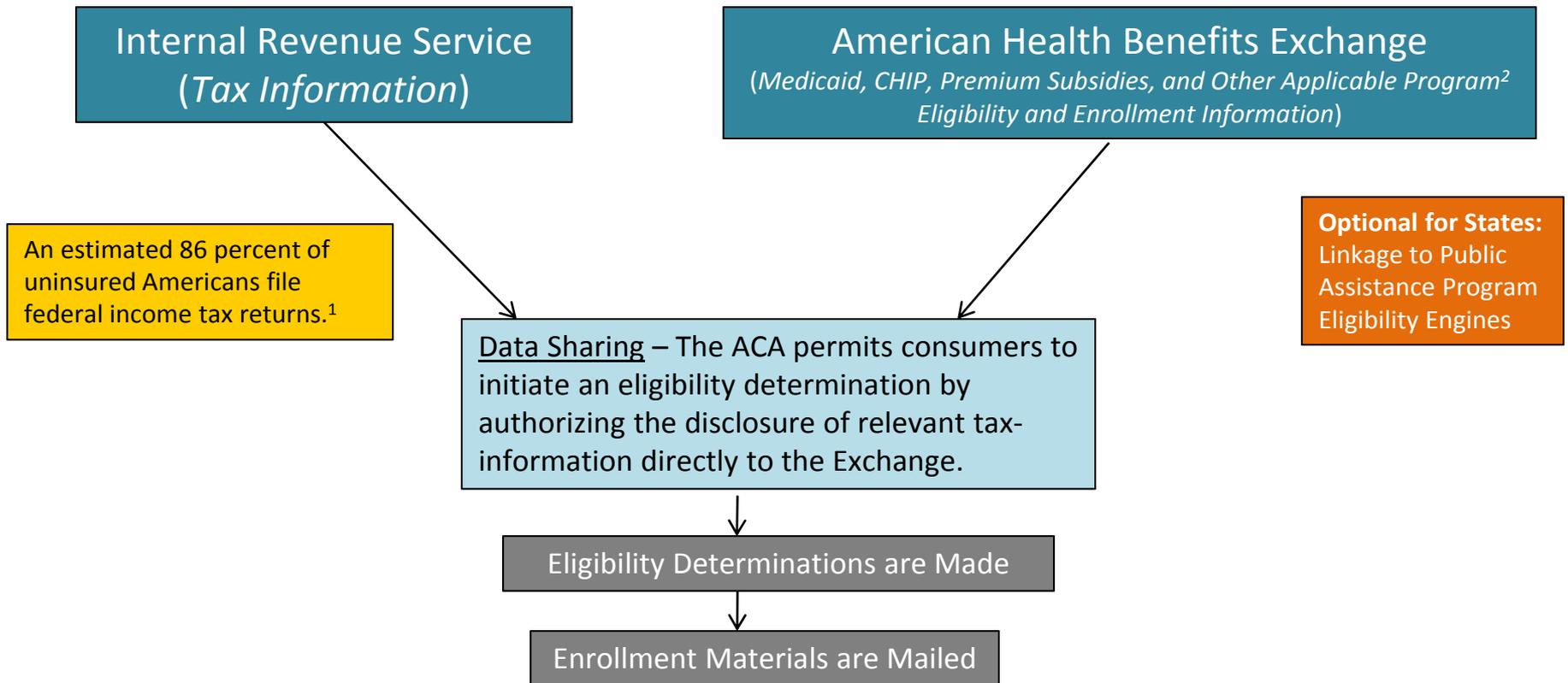
- The ACA allows federal tax return information to be used for state Medicaid/CHIP outreach
- The ACA permits consumers to initiate an eligibility determination by authorizing the disclosure of relevant tax-information directly to the state Exchanges
- Section 1413 of the ACA allows data sharing between specified federal agencies, including the IRS, and “applicable state health subsidy programs,” such as Medicaid and CHIP
- Authorizes the Secretary of the U.S. Department of Health and Human Services to develop model data-sharing agreements and enter into agreements to facilitate data sharing

# The ACA continued

---

- Data sharing is limited to the following data:
  - A taxpayer's identity
  - Filing status
  - Number of dependents claimed
  - Modified gross income
  - Tax year
- This information may be used only for purposes of determining eligibility for state Medicaid/CHIP programs
- Data sharing cannot occur until the administrative structures to support it are in place

# Federal Eligibility Process



<sup>1</sup> Dorn, S (May 2011). *Implementing National Health Reform: A Five-Part Strategy for Reaching the Eligible Uninsured*. Urban Institute. Washington, D.C.

<sup>2</sup> Section 1413 of the ACA defines applicable state health programs as Medicaid, CHIP, Premium Tax Credits for Exchange Enrollment, or a Basic Health Option.

# 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.

[www.hilltopinstitute.org](http://www.hilltopinstitute.org)

# Contact Information

---

David Idala

Director, Medicaid Policy Studies

The Hilltop Institute

University of Maryland, Baltimore County (UMBC)

410.455.6296

didala@hilltop.umbc.edu

[www.hilltopinstitute.org](http://www.hilltopinstitute.org)