



# The Hilltop Institute

analysis to advance the health of vulnerable populations

## Lessons from the Implementation of the Maryland Kids First Act

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### Introduction

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As the economy is recovering from the recession, states are trying to balance increased Medicaid enrollment with limited state budgets and the ending of temporary fiscal relief of enhanced federal match rates through the American Recovery and Reinvestment Act (Kaiser Commission on Medicaid and the Uninsured, 2012). At the same time, many children who are eligible for Medicaid or the Children's Health Insurance Program (CHIP) remain uninsured. Facing limited outreach funding, states are searching for new, more efficient ways to identify and enroll uninsured children who are eligible for Medicaid/CHIP. With the Kids First Act of 2008, Maryland was one of the first states to use state income tax forms as an innovative way to build upon more traditional outreach efforts. The Act directed the Maryland Department of Health and Mental Hygiene (DHMH), the agency

that administers Medicaid/CHIP, to use the state's personal income tax system to target outreach efforts to uninsured children who might be eligible for these programs.

The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) conducted a study evaluating the implementation of the Kids First initiative, which was partially funded by the Robert Wood Johnson Foundation's State Health Access Reform Evaluation (SHARE) program through a partnership between DHMH and Hilltop. The overarching goal of this study was to evaluate the implementation of Kids First and how well the state achieved its goal of identifying and enrolling uninsured children who are eligible for Medicaid/CHIP in order to glean lessons for not only Maryland, but also other states. This issue brief highlights some of the key findings of this study.

### Federal Context

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Two federal initiatives provide states with additional incentives to use new data sources for the purpose of Medicaid/CHIP outreach and enrollment. First, the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) provides financial incentives for states to seek new ways to identify and enroll uninsured children into Medicaid/CHIP [P.L. 111-3 (2009)]. Specifically, CHIPRA offers a performance bonus—enhanced federal medical assistance percentage (FMAP)—to states that increase enrollment (relative to a baseline level) and implement five of eight strategies to

simplify outreach and enrollment (Centers for Medicare and Medicaid Services, 2009). In Maryland, the Kids First tax-based outreach initiative satisfied one of the five requirements for earning CHIPRA performance bonus funds. CHIPRA performance bonuses are being awarded to states annually through federal fiscal year 2013 (Centers for Medicare and Medicaid Services, 2011).

Second, the Affordable Care Act (ACA) provides a new mechanism for states to use *federal* income tax data for eligibility determination. Section 1413

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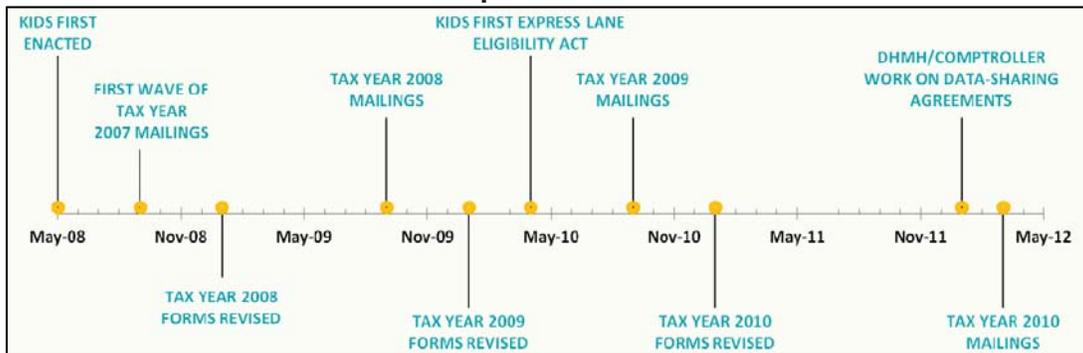
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of the ACA allows data sharing between specified federal agencies (including the Internal Revenue Service) and “applicable state health subsidy programs,” such as Medicaid and CHIP. The ACA authorizes the Secretary of the U.S. Department of Health and Human Services to develop model data-sharing agreements and enter into agreements to facilitate data sharing (ACA §1413 (d)). The ACA

thus provides a new method by which states will be able to access federal tax return data that are sufficient to support targeted outreach to individuals likely to be eligible for Medicaid/CHIP. With these federal opportunities, lessons from the implementation of the Maryland Kids First Act may be useful for other states interested in using additional data sources to conduct such outreach.

## Implementation of Kids First

### Kids First Implementation Timeline



The Kids First initiative was phased in over several years, spanning tax years 2007 through 2011, and will continue at least through 2012. In the first year of the initiative (tax year 2007), the Kids First Act directed the Comptroller to mail notices to any taxpayer with a dependent child if the taxpayer’s reported income did not exceed the highest income eligibility standard for Medicaid/CHIP (300 percent of the federal poverty level [FPL]). DHMH developed the letter for the mailing, which indicated that the taxpayer’s dependent(s) might be eligible and included information on how to enroll. The Comptroller mailed the first batch of Kids First tax notices in September 2008.

In the second year of the initiative, the Comptroller revised the 2008 Maryland income tax forms to ask taxpayers to indicate whether their dependent child(ren) had health care. The Comptroller then mailed Medicaid/CHIP applications and enrollment instructions to taxpayers with eligible incomes who reported one or more uninsured dependent children. Adding the health care coverage question in 2008 resulted in a more targeted outreach, with 294,000 fewer notices mailed in 2008 than in 2007 (see table).

The Comptroller modified the tax form again for tax year 2009 to address three concerns about the 2008 form. First, the 2008 form asked whether the dependent child had “health care”; because this could be interpreted to mean access to medical services, the term “health care” was replaced with “health insurance” in 2009. Second, the 2008 form did not specify a time frame for health coverage, leaving it unclear as to whether the taxpayer should report any dependent coverage over the course of the tax year or only at the time of filing. Therefore, the 2009 form was revised to ask whether the child had insurance “now” (at the time of filing). Finally, the 2008 form did not request the age of the dependent child, which was problematic because children’s eligibility is restricted to those aged 19 years and younger. Thus, the 2009 form was revised to ask whether a dependent child was “under age 19.” These changes allowed the Comptroller to send notices to a population more likely to benefit from the notifications.

Because existing state law prohibited the Comptroller from sharing taxpayer data with DHMH, the Maryland General Assembly enacted the Kids First Express Lane Eligibility Act in April 2010. The Act required DHMH and the Comptroller to enter into an interagency data-sharing agreement permit-

ting the Comptroller to share state income tax return information with DHMH for the purpose of Medicaid/CHIP eligibility determination. The Act

required the Comptroller to include a check box on the tax form for individuals to *opt in* to participate in the data sharing.

### Medicaid/CHIP Notices Sent to Maryland Taxpayers

Tax Return Questions	Notices Sent to Taxpayers		
	< 116% FPL	117-300% FPL	Total
<b>2007 Tax Return</b> <input checked="" type="checkbox"/> Relationship to dependent	154,709	291,881	446,590
<b>2008 Tax Return</b> <input checked="" type="checkbox"/> Check if dependent is a child <input checked="" type="checkbox"/> If dependent is a child, does child have health care? Yes or no?	62,566	89,999	152,565
<b>2009 Tax Return</b> <input checked="" type="checkbox"/> Check if dependent under age 19 <input checked="" type="checkbox"/> If dependent is child under 19, does child have health insurance now? Yes or no?	61,869	84,108	145,977
<b>2010 Tax Return</b> <input checked="" type="checkbox"/> Check if dependent under age 19 <input checked="" type="checkbox"/> If dependent is child under 19, does child have health insurance now? Yes or no? <input checked="" type="checkbox"/> Check here if you authorize us to share your information with the Medical Assistance Program for help finding health insurance	60,549	77,028	137,577

## Key Lessons

**Factors Facilitating Kids First.** Maryland’s political climate was conducive to the enactment and implementation of Kids First. The Act had a key sponsor in the General Assembly, and there was precedence of using state income tax data for the purpose of outreach for a county-funded health program. The Act also had buy-in from the administration and complemented other initiatives in the state to improve access to care. Given the current national political climate surrounding the ACA, coupled with the recession, it might be difficult for other states to garner support for an initiative like Kids First.

Maryland offers a state-based earned income tax credit (EITC) to low-income households, so many low-income Maryland households that are not legally obligated to do so choose to file state income tax returns. State income tax data might not be a good source of household and income data in states that do not offer EITCs or other incentives for low-income households to file tax returns.

Data captured on Maryland’s tax form were sufficient to calculate household FPL (which was used to estimate potential Medicaid/CHIP eligibility) and to link the income tax data with Medicaid eligibility data.

The Kids First initiative had the flexibility to make changes along the way. Revisions were made to the questions on the tax form in order to better target the mailings, and the enactment of the Kids First Express Lane Eligibility Act of 2010 attempted to address a key challenge of the outreach: interagency data sharing.

**Key Challenges.** Maryland has not yet devised a system to track the specific applications that were submitted as a result of the Kids First notice. This challenge was also reported by Iowa, which has a similar tax-based outreach program.

Interagency data sharing was a key challenge to the initiative. Existing state law initially prohibited the Comptroller from sharing personal income tax data with DHMH, so there was no means of determining Medicaid/CHIP enrollment as a result of Kids First. This issue applied to tax years 2007 through 2009, and was partially resolved with the Kids First Express Lane Eligibility Act of 2010, which required the Comptroller to include a check box allowing individuals who *opt in* to share their data. Only 1.4 percent of tax filers opted to do so for tax year 2010.

The notices for tax year 2010 were not mailed until March and April 2012, allowing a lot of time to elapse between the tax filing and potential application date. The tax filers' income, insurance status, and addresses could have changed during that time period, meaning that some might not have received the mailing and some might no longer be eligible.

Although the Comptroller was able to share data with DHMH on the tax filers who selected the opt-in box, little time had elapsed as of the publication of this brief to allow for individuals to receive the letter, complete applications, and receive an eligibility determination.

## References

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## About The Hilltop Institute

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The Hilltop Institute at UMBC is a non-partisan health research organization—with an expertise in Medicaid and in improving publicly financed health care systems—dedicated to advancing the health and wellbeing of vulnerable populations. Hilltop conducts research, analysis, and evaluations on behalf of government agencies, foundations, and nonprofit organizations at the national, state, and local levels. Hilltop is committed to addressing complex issues through informed, objective, and innovative research and analysis. To learn more about The Hilltop Institute, please visit [www.hilltopinstitute.org](http://www.hilltopinstitute.org).

## About SHARE

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This research was conducted under a grant from the Robert Wood Johnson Foundation (RWJF) through its State Health Access Reform Evaluation (SHARE) program. SHARE supports rigorous research on health reform issues at a state level, with a focus on state-level implementation of the Affordable Care Act (ACA) and other efforts designed to increase coverage and access. The program operates out of the State Health Access Data Assistance Center (SHADAC), an RWJF-funded research center in the Division of Health Policy and Management, School of Public Health, University of Minnesota. Information is available at [www.shadac.org/share](http://www.shadac.org/share).



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