

Perverse Reversal: Job Losses Drove Medicaid's Growth, Not the Other Way Around

Summary

Legislators continue to identify Medicaid as the albatross hanging from its neck as it works through the budget-setting process for 2011-12. On the contrary, it is well established that Medicaid is neither spiraling out of control nor the cause of the state's budget woes.¹ Significant increases in Medicaid enrollment (and therefore Medicaid spending) and reductions in state revenue are simultaneous consequences of the same recession.

This increase in Medicaid enrollment has not occurred in a vacuum. More specifically, there is a direct relationship between the growth in Medicaid enrollment and the incidence of other economic disruptions and hardships experienced by Floridians. The link between unemployment and Medicaid enrollment levels is especially strong. In particular, the income eligibility limit for non-disabled, non-pregnant adults in Florida is so low that only the unemployed or minimally employed can hope to qualify.

There is a direct relationship between the growth in Medicaid and the incidence of other economic disruptions and hardships experienced by Floridians. It is clear that reductions in income and lapses in health coverage associated with job loss are the key drivers in the growth of Florida Medicaid.

Despite a more than 40 percent increase in enrollment during the recession, the state was able to decrease its need for general revenue funding in Medicaid by 10 percent. Medicaid was able to meet the additional need while simultaneously reducing the financial burden to the state, contrary to the repeated complaints of legislative leadership.

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Perhaps most importantly, despite a more than 40 percent increase in enrollment during the recession, the state was able to decrease its need for general revenue funding in Medicaid by 10 percent over the same period of time. In short, Medicaid was able to meet the additional need while simultaneously reducing the financial burden to the state, contrary to the repeated complaints of legislative leadership.²

Unemployment and Medicaid Enrollment by the Numbers

Pre-recession: The recession officially started in December 2007³, although an economic downturn was - by definition - well underway much earlier in the year. Even so, the estimated number of non-elderly Floridians covered under employer-based insurance reached a record 8.9 million in 2007.⁴ Furthermore, as of February 2007, the final month in a long period of continuously decreasing Medicaid enrollment, approximately 321,000 Floridians were unemployed,⁵ while approximately 2.1 million were enrolled in Medicaid.⁶

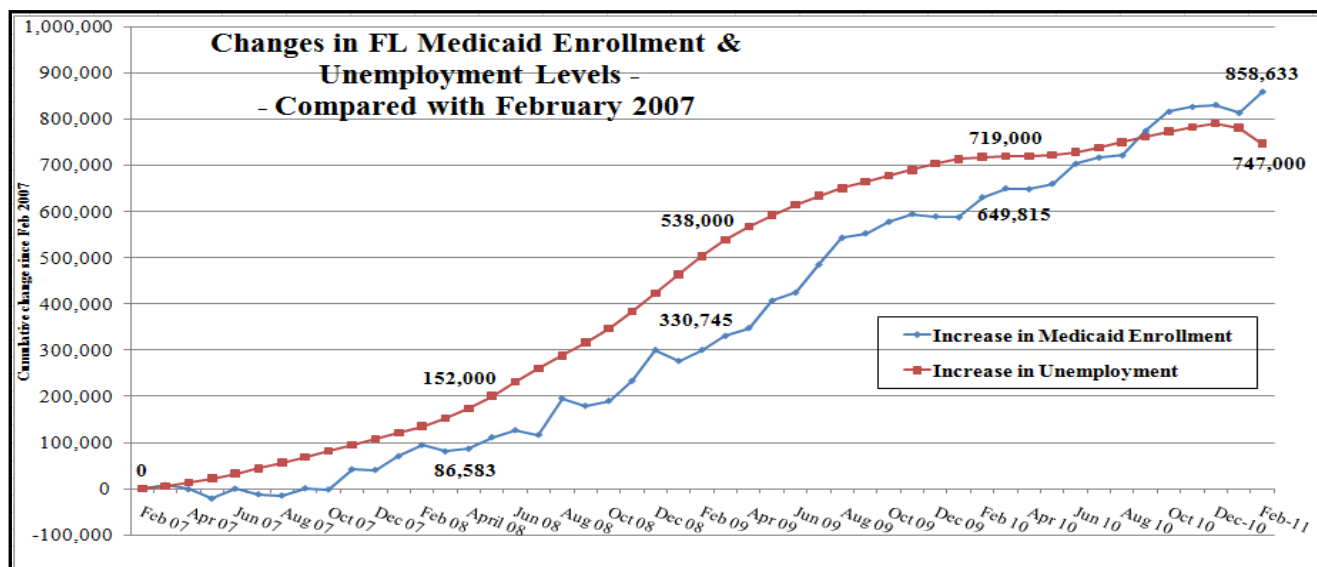
Present : The most recently reported estimates (for 2009) show drastic reductions in the scope of employer-based insurance coverage, with only 7.9 million Floridians covered⁷, some 900,000 fewer than just two years earlier. As of February 2011, the number of unemployed Floridians remained just below its peak level of 1.1 million⁸, while Medicaid enrollment reached yet another record level of almost 2.9 million.⁹

The table below summarizes the extent to which the situation deteriorated over the course of the past 4 years:

Key Florida Estimates	Pre-Recession Levels	Most Recently Reported Levels	Percent Change
Covered Through Employer-Based Health Insurance	8.9 million (2007)	7.9 million (2009)	-11%
Unemployed (seasonally-adjusted) ¹⁰	0.3 million (Feb 2007)	1.1 million (Feb 2011)	+233%
Enrolled in Medicaid	2.1 million (Feb 2007)	2.9 million (Feb 2011)	+42%

Comparable Increases in Unemployment and Medicaid Enrollment

The figure below illustrates the fact that Medicaid enrollment and unemployment levels have varied nearly proportionately with one another since the onset of the economic downturn. In other words, throughout the past four years, a given increase in the unemployment level has been associated with a generally constant level of increase in Medicaid enrollment. In fact, unemployment and Medicaid enrollment have increased on an approximately one-to-one basis since February 2007.¹¹



What We CAN Say About the Link Between Unemployment and Medicaid

Cause and Effect: As a rule, the mere presence of a direct relationship between unemployment and Medicaid enrollment is not an indication that either is a cause of the other.

In this case, however, the causal link between unemployment (and the associated loss of income and health coverage) and Medicaid is indisputable, although there is generally a time lag between separation from employment and enrollment in Medicaid. In fact, Medicaid enrollment continued to decrease during the first part of 2007, even as unemployment consistently rose. Consequently, although the number of unemployed Floridians dipped for the first time since the recession began in the first two months of 2011, the continued (though tapering) growth in Medicaid enrollment is hardly unexpected.

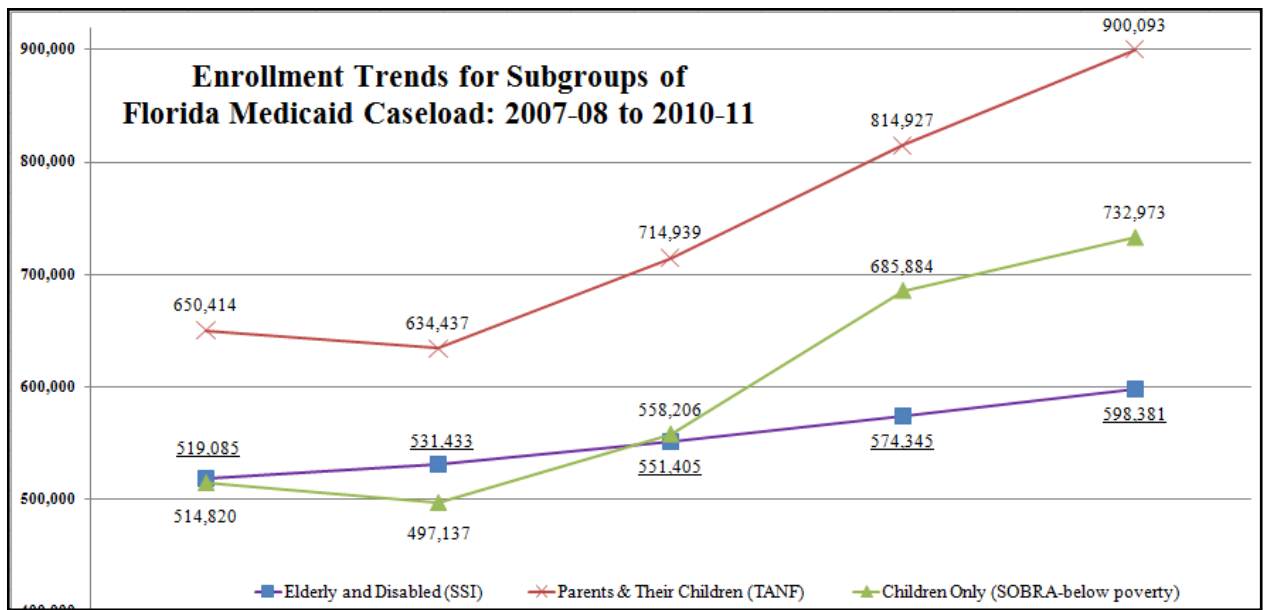
Connection to Poverty: The vast majority of unemployed workers receiving Medicaid share an additional characteristic: They must survive on a poverty-level income. A non-elderly adult who becomes unemployed qualifies for Medicaid only if her monthly household income does not exceed the payment her family would have received had they been eligible for temporary cash assistance.¹² (Temporary cash assistance payment amounts have not increased since prior to welfare reform in 1996.) The table below compares unemployment compensation payment amounts, Medicaid eligibility income limits and the federal poverty level for the example of an unemployed worker with two children:

The disproportionate impact of unemployment on working families becomes even more apparent from a comparison of enrollment trends among different subgroups of Florida's Medicaid caseload. While enrollment of elderly and disabled recipients increased by 13 percent between 2007-08 and 2010-11, recipients in the enrollment group that includes parents and their children grew by 42 percent. Enrollment among poor families in which only children were Medicaid-eligible swelled by 53 percent.

EXAMPLE: Family of 3 – Unemployed Parent with 2 Children	
Monthly Medicaid eligibility income limit for the unemployed parent ¹³	\$303
Monthly unemployment compensation payment amount ^{14,15}	\$139 - \$1,192
Monthly income at the federal poverty level ¹⁶	\$1,544

As the example illustrates, although unemployment compensation income is often insufficient to prevent transitioning workers' families from falling into poverty, it nevertheless places them “over income” for Medicaid. Their children are much more likely to be eligible, however, because the subsidized Florida KidCare program allows an income level that is twice the poverty level.

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Impact of COBRA Subsidies: At least one additional observation about the relationship is noteworthy. Since the summer of 2010, monthly Medicaid enrollment levels have been significantly higher than would be expected under the assumption of a one-to-one relationship with unemployment,¹⁹ potentially indicating the presence of an additional factor or a change in the relationship. One such factor that could account for this shift is expiring eligibility for subsidies (provided through the federal stimulus legislation) that reduced laid-off workers' premiums for continuation coverage through COBRA by 65%.²⁰ The first wave of individuals to access these subsidies exhausted their eligibility as of May 2010; additional eligibles will continue to lose this access each month through summer 2011.²¹

What We CAN'T Say About the Link Between Unemployment and Medicaid Enrollment

Medicaid Is Available to All Unemployed Floridians: Although the increases in unemployment and Medicaid enrollment levels have been comparable throughout the recession, unemployed workers have by no means been able to universally qualify for and enroll in Medicaid. Indeed, given that many family members of laid-off workers also lost coverage, clearly many more Floridians were impacted by job loss than have been able to land in the Medicaid safety net.

This lack of access to Medicaid is attributable to many factors, a number of which pertain directly to Florida's very restrictive Medicaid eligibility policy. First, as discussed previously, many laid-off workers are ineligible for Medicaid because the unemployment compensation they receive provides an income that exceeds the program's very low eligibility limits. Florida also places strict limits on the value of assets that Medicaid recipients can own without losing eligibility, blocking even the lowest-income adults from Medicaid if they possess more than nominal assets. Second, the estimates shown in the figures are totals, and do not track the employment status of any individual. For example, although the number of unemployed Floridians has steadily increased since 2007, some who were unemployed earlier in the period ultimately found new jobs.

Third, in Florida, non-elderly adults without children (who are not disabled or pregnant) are never eligible for Medicaid, even if they have no income whatsoever.

Increased Medicaid Enrollment Placed Additional Strain on State Budget: Despite the significant growth in the size of the Medicaid rolls during the recession, claims that Medicaid placed an additional strain on the state budget are also unfounded. In fact, due to the availability of federal Medicaid stimulus funding, the Legislature

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has actually reduced its investment of state general revenue (GR) in Medicaid during the recessionary period. Current year (2010-11) commitment of state GR to Medicaid on a per recipient basis has been reduced by 34 percent since 2007-08.²² In 2011-12, when no stimulus funding whatsoever will be available to Florida, the per-recipient GR investment in Medicaid is nevertheless projected to remain 27 percent below 2007-08 levels. Even in absolute terms, GR funding for Medicaid has decreased by 10 percent since 2007-08, more than the 8 percent drop in projected GR collections during the period.

In short, the recession and resulting unemployment created the need that led to the jump in Medicaid enrollment levels. In response, Medicaid must be understood as having served as a stopgap to recessionary effects, not as having caused or extended them.

This report was researched and written by Greg Mellowe. It was funded in part by the Kellogg, Stoneman Family and Annie E. Casey Foundations. The report and its findings do not necessarily reflect the views of the foundations or the FCFEP Board of Directors.

Endnotes

- ¹ See, e.g., FCFEP, [Addressing Misconceptions in Florida Medicaid](#), November 2010
- ² The majority of the reduction can be attributed to the increase in the federal Medicaid matching rate (FMAP) provided by the stimulus legislation from October 2008 through June 2011, but other factors contributed as well.
- ³ National Bureau of Economic Research, [US Business Cycle Expansions and Contractions](#), 2011
- ⁴ U.S. Census Bureau, [Current Population Survey \(CPS\) Table Creator](#) (user-generated query, April 2011)
- ⁵ Florida Agency for Workforce Innovation (AWI), [Labor Force Status of the Civilian Noninstitutional Population \(Seasonally Adjusted\)](#), February 2011.
- ⁶ Florida Agency for Health Care Administration (AHCA), [Comprehensive Medicaid Managed Care Enrollment reports](#)
- ⁷ U.S. Census Bureau, *supra*
- ⁸ AWI, *supra*
- ⁹ AHCA, *supra*
- ¹⁰ All unemployment data used in this report are seasonally adjusted.
- ¹¹ The linear relationship that best explains variation in the two variables of interest (i.e., changes in the unemployment and Medicaid enrollment levels since February 2007) has a slope of precisely 1.00.
- ¹² See section 409.903(1), Florida Statutes
- ¹³ Florida Department of Children and Families (DCF), [Family-Related Medicaid Programs Fact Sheet](#), March 2009, p. 5
- ¹⁴ AWI, Unemployment Compensation, [Frequently Asked Questions](#), 2011
- ¹⁵ The monthly payment range was calculated as the product of the weekly payment range and 4.33.
- ¹⁶ U.S. Department of Health and Human Services, [2011 HHS Poverty Guidelines](#), January 2011
- ¹⁷ More specifically, SSI recipients
- ¹⁸ All enrollment growth rates were calculated using data taken from Florida Legislature, Office of Economic and Demographic Research (EDR), Social Services Estimating Conference (SSEC), Medicaid Caseloads, February 2011
- ¹⁹ As noted, we assume that variation in Medicaid enrollment is to some degree dependent on changes in the level of unemployment. However, the linear relationship that best fits the data nevertheless does not fully explain that variation. For one, enrollment data fits the linear relationship much more poorly for months after May 2010, when actual enrollment levels are significantly higher than those predicted using the assumption of a linear relationship.
- ²⁰ U.S. Department of Labor (USDOL), Employee Benefit Security Administration (EBSA), [Cobra Premium Reduction Fact Sheet](#), April 2010
- ²¹ USDOL, EBSA, [Fact Sheet: COBRA Premium Subsidy Expiring?](#), August 2010
- ²² All per-recipient costs were derived using data taken from EDR, SSEC, Medicaid Caseloads and Medicaid Services Expenditures, February 2011