

**Simplifying Medi-Cal
Enrollment: Options for
the Assets Test**

Prepared by The Lewin Group

June 2003

Report

The Medi-Cal Policy Institute, established in 1997 by the California HealthCare Foundation, is an independent source of information on the Medi-Cal and Healthy Families programs. The Institute seeks to facilitate and enhance the development of effective policy solutions guided by the interests of the programs' consumers. The Institute conducts and commissions research, distributes information about the programs and the people they serve, highlights the programs' successes, and identifies the challenges ahead. It collaborates with a broad spectrum of policymakers, researchers, providers, consumer representatives, and other stakeholders who are working to create higher-quality, more efficient Medi-Cal and Healthy Families programs.

Simplifying Medi-Cal Enrollment: Options for the Assets Test

June 2003

Prepared for the
Medi-Cal Policy Institute
by

Lisa Chimento, Moira Forbes,
Joel Menges, and Anna Theisen

The Lewin Group
and

Nalini Pande
Medi-Cal Policy Institute

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Medi-Cal Policy Institute
476 Ninth Street
Oakland, CA 94607
tel: (510) 286-8976
fax: (510) 238-1382
www.medi-cal.org

A project of the



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Executive Summary

According to a recent survey of California residents, some 820,000 people may be eligible for Medi-Cal (California's Medicaid program) but are currently uninsured.¹ Two recent surveys of California families eligible for but not enrolled in public health programs found that the complexity of the eligibility determination process remains a primary barrier to enrollment. California's experience is not unique. Many states grapple with the same challenge: designing eligibility processes that facilitate enrollment while maintaining program integrity. For many states, simplification of the enrollment process has helped those who are eligible to enroll in health insurance programs. Simplification has also reduced administrative burdens without increasing the number of erroneous determinations.

After several years of budget surpluses, California, like most states, is now facing a substantial budget gap, and there is tremendous pressure on state and county governments to reduce spending. Any further efforts to simplify the program must account for this new fiscal reality. In particular, efforts to simplify the program that also reduce state and county administrative costs are likely to be the ones of greatest interest.

To assist California policymakers, the Medi-Cal Policy Institute commissioned The Lewin Group to assess the impacts of several strategies to simplify the Medi-Cal eligibility and enrollment process. Specifically, The Lewin Group reviewed simplification options relating to the income and assets (or resources) components of Medi-Cal enrollment. This report discusses the following three strategies for simplifying the income portion of the eligibility determination process:

1. Brown, R., N. Ponce, T. Rice, S. A. Lavarreda. "The State of Health Insurance in California: Findings from the 2001 California Health Interview Survey." June 2002, pp. 43-46. The researchers estimated that 355,000 uninsured children may be eligible for Medi-Cal, and 413,000 parents and 52,000 other uninsured adults who are not custodial parents may be eligible for Medi-Cal.

1. Eliminate the assets test for the 1931(b) Only group;
2. Simplify the assets test for the 1931(b) Only group by counting only liquid assets; and
3. Streamline the documentation requirements for the assets test for the 1931(b) Only group by allowing self-certification of assets.

This report is the companion piece to a study of options relating to the simplification of the income test titled *Simplifying Medi-Cal Enrollment: Options for the Income Test*. A summary report, *Simplifying Medi-Cal Enrollment: Opportunities and Challenges in Tight Fiscal Times*, highlights key findings from the two main reports. A description of the methodology used to estimate the enrollment and cost impacts of the various modeling options is provided in the companion piece, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

The Medi-Cal Assets Test

Medi-Cal eligibility rules include an assets test for two major eligibility groups: 1931(b) Only and the Medically Needy/Medically Indigent. The Medi-Cal assets test has two components: the assets methodology and the assets standard, or limit. Currently, the assets limit for a family of three in the 1931(b) Only and Medically Needy groups is \$3,150. The Medi-Cal assets methodology defines “countable assets” as: cash, savings, stocks and bonds, personal property, real property, and the present cash value of long-term assets such as retirement funds, whole life insurance policies, and revocable trusts. All of these assets are counted toward the assets limit. Some assets, such as the value of the family home and one vehicle, are exempted.

Modeling Changes to the Medi-Cal Assets Test

This study models the specific impacts of each assets simplification option for program enrollment, administration, and program integrity. This type of modeling effort is not an exact science. Medi-Cal eligibility data do not capture the degree to which applicants are dropping out of the process due to the “hassle factor” of documenting their assets and/or income. Data do not exist regarding the degree to which simplifying the process would result in more people being willing to come forward to apply. Because so many factors continuously influence Medicaid enrollment levels, states that have implemented simplification measures are unable to determine the enrollment impacts of their own initiatives. For all these reasons, modeling the enrollment impact of assets simplification options requires reliance on assumptions and various imperfect data sources. This study relied upon collection of data from county agencies and other sources, identifying data limitations and making appropriate adjustments, and drawing upon experience and expertise in the public health insurance arena to develop reasonable assumptions when necessary. In addition, alternate modeling approaches were used to validate certain assumptions.

These analyses were conducted in late 2002 using the program policies in place in California and other states at that time. Because the bulk of Medi-Cal applicants and beneficiaries are families and children, this report focuses on the application and enrollment process for a “typical” family Medi-Cal application for the 1931(b) Only eligibility category.² The 1931(b) Only group covers families who do not receive Temporary Assistance to Needy Families (TANF) benefits. TANF is the state-federal welfare program that replaced Aid to Families with Dependent Children (AFDC) in 1996. This program is known as CalWORKs (California Work Opportunity and Responsibility to Kids) in California. These 1931(b) Only families include: those who would have been eligible for AFDC-linked Medi-Cal if AFDC were still in effect; families that decide not to enroll in CalWORKs even though they may be eligible for assistance; and families with incomes below the federal poverty level but higher than the CalWORKs limits.

Findings

Each of the three simplification options examined for this study would increase program enrollment and reduce program administrative costs. However, only one of the options studied—self-certification of assets—would result in net savings to the state. For the other two options, administrative savings would be more than offset by medical costs resulting from enrollment increases. Self-certification of assets is also the only option that would not result in an eligibility expansion. All of those expected to enroll under this option are already eligible for the program under existing eligibility rules. For the other two options, between 40 and 52 percent of those projected to enroll would be newly eligible. Detailed findings are discussed below.

1. Eliminate the Assets Test

California could eliminate the assets test for the 1931(b) Only group, which includes low-income working adults and the parents of many Medi-Cal enrolled children.

- **Enrollment impacts.** Eliminating the assets test for the 1931(b) group would increase the number of applicants who successfully complete the eligibility determination process by reducing the paperwork associated with the Medi-Cal enrollment process and making the application simpler. This could help people currently eligible for Medi-Cal but not enrolled obtain Medi-Cal coverage by making it easier for them to successfully complete the enrollment process. It may also encourage some people previously intimidated by the enrollment process to come forward and apply. It would also make additional people who are currently denied eligibility due to excess assets newly eligible for Medi-Cal.

2. Because these rules are described in section 1931(b) of the Social Security Act, this eligibility category is generally referred to as “1931(b)” for families that receive cash benefits and Medi-Cal, and “1931(b) Only” for families that receive only Medi-Cal.

- **Administrative effects.** Eliminating the assets test would simplify the enrollment process and reduce program administrative costs. Currently, applicants must report and document all of their assets (e.g., cash, checking accounts, stocks, motor vehicles). If the state eliminates the assets test, applicants would not have to locate and submit this information, and eligibility workers would not have to review and verify this information. Anecdotal reports from county Medi-Cal eligibility intake workers suggest that as much as 20 percent of the time staff spend processing applications is a consequence of the assets test (e.g., explaining the requirements, identifying the documentation applicants must provide, following up on documentation requests, and reviewing the information). In addition, simpler application forms would enable eligibility workers to make eligibility determination decisions more quickly and efficiently.
- **Program integrity implications.** If the state eliminates the assets test, the need for assets-related program integrity activities would also be eliminated: Workers would not have to verify assets information or calculate total assets to determine whether applicants were eligible. This potential source of eligibility errors would disappear.

2. Change the Assets Methodology to Count Only Liquid Assets

California could change the assets methodology to reduce the number and types of assets that are counted to include only liquid assets, such as cash, savings and checking accounts, and stocks and bonds—or some other combination. The assets standard would stay the same; the same limits would apply, although the types of assets counted toward that limit would change.

- **Enrollment impacts.** Simplifying the assets test to count only liquid assets would have some of the same impacts on enrollment as complete elimination of the assets test: It would increase the number of applicants who successfully complete the eligibility determination process. It would also make a smaller number of additional people, who are currently denied eligibility due to excess *non-liquid* assets, newly eligible for Medi-Cal.
- **Administrative effects.** Changing the assets methodology to count only liquid assets would simplify the enrollment process for beneficiaries and eligibility workers and reduce program administrative costs correspondingly. Reducing the number of assets that are counted—particularly certain rare and hard-to-document assets (e.g., mineral rights, burial plots)—could lessen the amount of time needed for applicants to collect the documents. Discussions with Medi-Cal eligibility staff revealed that many county workers find the review of non-liquid asset information to be among the most challenging and time-consuming aspects of the Medi-Cal eligibility determination process. If the

state changes the assets methodology to exclude non-liquid assets, some of the effort associated with the assets test would be relieved for eligibility workers.

- **Program integrity implications.** Changing the assets methodology to count only liquid assets would maintain the current asset limit and reduce the collection burden on applicants and eligibility workers. If fewer assets were counted toward the limit, there would be fewer opportunities for applicants to misreport their assets. Further, eligibility workers might make fewer errors if the only assets counted toward the limit were those that were easily valued and documented, such as cash and bank accounts. Consequently, this change to the assets test would not have a negative impact on program integrity.

3. Allow Self-Certification of Assets

A third option is to modify the enrollment process to allow applicants to self-certify the value of each asset at the time of application. California policy currently allows applicants to self-certify the value of their assets, under penalty of perjury, as a last resort if the applicant is unable to provide adequate documentation. This option is neither a change to the assets standards nor to the methodology; instead, it is a change in how assets are documented. Thus, the current assets standards and methodologies would still apply.

- **Enrollment impacts.** Self-certification of assets would not change the number of people who are eligible for Medi-Cal, but it could affect Medi-Cal enrollment by helping people who are eligible but not enrolled to successfully complete the eligibility determination process. Because self-certification makes the enrollment process much easier for the applicant, more people are likely to come forward to apply for coverage under self-certification. Additionally, self-certification would make it more likely that those who do apply for coverage would successfully complete the process.
- **Administrative effects.** Allowing self-certification would significantly cut down on the time applicants and eligibility workers now spend chasing down paperwork. It would not affect the time applicants must still spend identifying and reporting on their assets (only the documentation aspect would be removed), and it would not affect the time eligibility workers now spend determining which assets are counted and whether they exceed the assets standard.
- **Program integrity implications.** Allowing greater use of self-certification could make it more difficult for eligibility workers to verify the accuracy of reported information. If assets self-certification is adopted, the state may have to enact policies to strengthen program monitoring in order to assess the level of ineligible people who are enrolling and those who meet federal program integrity requirements. For example, the state could audit a greater number of applications

and monitor redetermination applications closely for changes in reported assets. The state could also use certain third-party sources to verify the existence and value of some assets.

Estimates of the impact on enrollment, administration, and medical costs are summarized in Table ES-1.

Table ES-1. Best Estimates of Potential Enrollment, Medical Cost, and Administrative Impacts for 1931(b) Only Families*

	Annual Costs/(Savings) [†]		
	Eliminate Assets Test [§]	Count Only Liquid Assets	Allow Self-Certification
Estimated Additional Enrollment			
Currently eligible but not enrolled	16,308–24,462	4,371	6,320
Newly eligible	10,834–16,250	4,802	0
Total Est. Enrollment Increase	27,141–40,712	9,173	6,320
Annual Medical Costs Associated with New Enrollment			
State and federal share	\$33,667,337–\$50,501,006	\$11,428,684	\$7,758,219
State-only share [‡]	\$16,833,669–\$25,250,503	\$5,714,342	\$3,879,109
Annual Net Administrative Savings			
State and federal share	(\$19,355,694)	(\$5,946,534)	(\$9,719,204)
State-only share [‡]	(\$ 9,677,847)	(\$2,973,267)	(\$4,859,602)
Annual Net Costs/(Savings)			
State and federal share	\$14,311,643–\$31,145,312	\$5,482,150	(\$1,960,985)
State-only share ^{‡,**}	\$ 7,155,822–\$15,572,656	\$2,741,075	(\$980,493)

*The estimates reflected in this table are “best estimates.” The table does not include “upper bound” estimates that were developed to reflect the highest number of people who might come forward to obtain Medi-Cal coverage if barriers related to the assets and income test were removed or simplified, as well as the difficulty in obtaining definitive data on simplification impacts. Please refer to the companion *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests* for further discussion of the best estimate and upper bound projections.

[†]Numbers may not total due to rounding.

[‡]The published federal medical assistance percentage (the “share” or amount of Medi-Cal costs paid by the federal government) for federal fiscal year 2003 is 50 percent. See Federal Register: November 30, 2001 (Volume 66, Number 231), pp. 59790-59793.

[§]The administrative costs and savings estimates are based on changes in caseload using the midpoint of the enrollment estimate.

**Medi-Cal costs/savings do not reflect potential savings from a reduction in costs to the state of funding uncompensated care for those people who could become newly eligible for Medi-Cal and currently receive services from county indigent programs and safety net providers.

While each of the three options discussed here increases enrollment and reduces administrative costs, allowing Medi-Cal applicants to self-certify the value of their assets could result in net savings to the Medi-Cal program without changing the current eligibility standard. Eliminating or simplifying the assets test would improve the enrollment process for prospective enrollees and for county eligibility workers. This would also increase enrollment in the Medi-Cal program by facilitating enrollment of people who are already eligible and permitting currently ineligible low-income adults to avoid depleting certain assets in order to qualify for coverage.

As California struggles with record state-budget shortfalls, simplification strategies that reduce the costs of program administration while improving Medi-Cal enrollment are important to explore. Further, at a time when counties are facing their own budget shortfalls and eligibility workers are experiencing rising caseloads per worker, the administrative advantages of eligibility simplifications may be particularly important to consider.

I. Introduction

According to a recent survey of California residents, some 820,000 people may be eligible for Medi-Cal (California's Medicaid program) but are currently uninsured.³ Two recent surveys of California families eligible for but not enrolled in public health programs found that the complexity of the eligibility determination process remains a primary barrier to enrollment.⁴ More applicants are denied eligibility because they fail to provide documentation or drop out of the enrollment process than are denied because their income or assets are too high. Many eligible people do not apply until they have an immediate health care need (or have already incurred an uncovered health care expense), suggesting that the difficulties associated with the enrollment process can deter people from using Medi-Cal as coverage that promotes routine and preventive care.⁵

California's experience is not unique. Many states grapple with the same challenge: designing eligibility processes that facilitate enrollment while maintaining program integrity. Simplification of the enrollment process has helped those who are eligible to enroll in health insurance programs in many states. Simplification has also reduced administrative burdens without increasing the number of erroneous determinations. Further, the federal government has been supportive of states' efforts to simplify their Medicaid eligibility processes. The Centers for Medicare and Medicaid Services (CMS) and Office of the Inspector General (OIG) have noted that it is "just as unacceptable to deny eligibility . . . as a result of complicated and

3. Brown et al., "The State of Health Insurance in California," pp. 43-46.

4. "Using Market Research to Improve Enrollment of Families Eligible for Medi-Cal and Healthy Families," developed by Eric Marder Associates, Inc. for the Medi-Cal Policy Institute, March 2002; Brown et al., "The State of Health Insurance in California," pp. 51, 52.

5. An important positive feature of the Medi-Cal eligibility process is that it awards coverage retrospectively for up to 90 days. Thus, people who do apply and succeed in obtaining coverage are able to get their past services paid for by Medi-Cal.

burdensome application and retention procedures as it is to enroll ineligible beneficiaries. Program integrity and efficient eligibility determinations go hand in hand.”⁶

California’s Path to Simplification

California has made several changes to the eligibility process to remove barriers to enrollment among qualified individuals, including:

- **Use of mail-in applications for Medi-Cal.** In October 1998, California created a joint four-page mail-in application for children and pregnant women applying for the Medi-Cal and Healthy Families programs. In July 2001, California created a similar four-page Medi-Cal mail-in form for families and medically needy/medically indigent adults applying for Medicaid coverage.
- **Elimination of face-to-face interviews.** In 1999, California eliminated the requirement that Medi-Cal beneficiaries meet face-to-face with eligibility workers during the annual redetermination process.
- **Elimination of assets test for children.** In 2000, California eliminated the assets test for the Medi-Cal eligibility groups that cover children in the percent of poverty categories. This includes children under age 1 whose family income is at or below 185 percent of the federal poverty level (FPL), children aged 1 to 6 in families with incomes at or below 133 percent FPL, and children aged 6 to 19 in families with incomes at or below 100 percent FPL.
- **“Ex parte” verification requirements.** To comply with CMS’s April 7, 2000, letter to State Medicaid Directors and California Senate Bill 87, the California Department of Health Services (DHS) reduced certain documentation requirements for Medi-Cal applicants. This is to avoid “unnecessary and repetitive requests” for information from families to verify information already on file (e.g., through Food Stamp or TANF records, wage, and payment information) or not subject to change (e.g., applicant’s birth date).
- **Use of Health-e-App.** In February 2001, California began using Health-e-App to enroll children and pregnant women into the Medi-Cal and Healthy Families programs through the Internet. Health-e-App includes error-checking and validation features that eliminate potential errors in calculating income and deductions. Health-e-App documentation requirements are similar to those required in the joint Medi-Cal/Healthy Families application, but the application and documentation can be submitted electronically.

6. CMS Letter to State Medicaid Directors, “Medicaid Simplification Strategies—QC,” January 19, 2001.

- **Elimination of Quarterly Status Reporting.** In 2001, California eliminated the requirement for submission of Quarterly Status Reports and instead required beneficiaries to submit redetermination information annually or when they experienced changes in income and resources.
- **Reduction of income documentation requirements to align Medi-Cal with Healthy Families.** Through a policy mandate in March 2001, California modified the Medi-Cal income documentation requirements to accept as proof of income one pay stub or the applicant’s most recent income tax return. This change aligned Medi-Cal income documentation requirements with Healthy Families.

California continues to consider modifications to the Medi-Cal outreach and eligibility process. The Governor’s proposed budget for SFY 2003-2004 supports certain types of simplifications, such as continuous eligibility for children, accelerated enrollment for children, and “Express Lane Eligibility.” The Express Lane Eligibility approach allows families to apply for Medi-Cal/Healthy Families at the same time that they are applying for Food Stamps or the National School Lunch program. Express Lane Eligibility not only expedites enrollment into public health insurance programs but also reduces the burden on families associated with separate applications for programs that require some of the same information and supporting documents. Faced with a multibillion-dollar budget deficit, the Governor’s proposed budget also imposes enrollment barriers, including the reinstatement of Quarterly Status Reporting. The Governor’s proposed budget eliminates funding to train certified application assistants (CAAs) to use Health-e-App, and eliminates payments to CAAs for helping eligible applicants complete their applications for Medi-Cal or Healthy Families.

Next Steps Toward Simplification

There are additional measures California could adopt to further simplify the eligibility determination process and help ensure that all people who are eligible for Medi-Cal and seek coverage are able to successfully complete the enrollment process. To assist California policymakers to better understand the options available, the Medi-Cal Policy Institute commissioned The Lewin Group to assess the impacts of certain eligibility simplification strategies.

This report discusses strategies for simplifying the assets portion of the eligibility determination process, including regulatory requirements, operational considerations, and experiences of other states that have implemented various simplification options during the past several years. This report assesses the policy, enrollment, and administrative implications of three simplification options:

1. Eliminating the assets test;
2. Changing which assets are counted toward the limit; and
3. Allowing self-certification of assets.

Because the bulk of Medi-Cal applicants and beneficiaries are families and children, this series of reports on simplification is focused on the application and enrollment process for those groups. Therefore, this report outlines the assets standards and documentation requirements for a “typical” family Medi-Cal application (i.e., 1931[b] Only group). It is important to note that there are some other Medi-Cal programs for which the assets standards and documentation requirements do not conform to those outlined in these sections.

This report is the companion piece to the Institute’s report on options relating to the simplification of the income test titled *Simplifying Medi-Cal Enrollment: Options for the Income Test*. These analyses were conducted in late 2002 using the program policies in place in California and other states at that time. As Medicaid programs across the country struggle with the budget implications of record state-revenue shortfalls, simplification strategies that reduce the costs of program administration while maintaining current eligibility standards are likely to be the ones of greatest interest. A summary report, *Simplifying Medi-Cal Enrollment: Opportunities and Challenges in Tight Fiscal Times*, highlights key findings from the two main reports. A description of the methodology used to estimate the enrollment and cost impacts of the various modeling options is provided in the companion piece, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

II. Overview of the Assets Test

The Medicaid program, known as Medi-Cal in California, is a joint state-federal program. The federal Department of Health and Human Services, through the Centers for Medicare and Medicaid Services (CMS), creates program regulations and policies that generally outline the minimum requirements for state participation in Medicaid. These requirements include eligibility groups, benefits covered, and administrative standards. States have extensive flexibility in going beyond these minimums. The four sections of this chapter present the key aspects of the assets portion of the Medicaid eligibility determination process:

- Defining assets eligibility groups;
- Determining assets standards and methodology;
- Verifying assets documentation; and
- Ensuring program integrity.

Each of these sections describes the federal requirements that apply to all states and outlines areas in which the federal government provides states with some flexibility. These sections then discuss how California is implementing these rules, particularly in areas where the state has taken advantage of this federal flexibility.

A. Eligibility Groups

Medicaid does not cover all low-income people. The federal government requires Medicaid to cover certain eligibility groups and also provides states with considerable flexibility in covering optional groups. The Medi-Cal program has taken advantage of this flexibility and currently has about 165 different eligibility groups, including groups that are required by the federal government, groups defined by the federal government that may be covered at the

state's option, and state-only groups with eligibility criteria set by the state. For the latter, the state does not receive federal funding. On a group-by-group basis, states can determine whether to apply an assets test, how high the assets limit should be, and what assets are counted toward it.

Medi-Cal Uses an Assets Test for Many Eligibility Groups

California applies the assets test for the 1931(b) Only, Medically Needy, and Medically Indigent Medi-Cal eligibility groups.⁷ For these groups, eligibility depends on several factors, one of which is an assets test.

- The 1931(b) Only group covers families that do not receive CalWORKs but who would have been eligible for AFDC-linked Medi-Cal if AFDC were still in effect; families that decide not to enroll in CalWORKs even though they may be eligible; and families with incomes below the federal poverty level but higher than the CalWORKs limits.
- The Medically Needy program provides Medi-Cal coverage for people who have incomes too high to qualify for Medi-Cal under 1931(b) or the percent of poverty programs, but whose medical expenses, when deducted from their income, reduce it to a level that makes them eligible for coverage.
- The Medically Indigent program, which is not linked to any other public aid program, provides Medi-Cal for people who have incomes too high to qualify for Medi-Cal under other groups (including Medically Needy Medi-Cal), but not high enough to cover the cost of their medical care. Most Medically Indigent recipients are children, pregnant women, and nursing facility residents, and some pay a share of cost.

Some other Medi-Cal eligibility groups are subject to an assets test but would not be affected by the changes discussed in this paper. For example, the assets test is used in determining eligibility for people requiring assistance to pay for long-term nursing home care. These applicants have a separate enrollment process and standards to help protect the spouses of people in long-term care from becoming impoverished, while also maintaining program integrity.

Some Medi-Cal Eligibility Groups Are Exempt from the Assets Test

Under California's state requirements, some populations are exempt from the assets test. For example, California does not have a Medi-Cal assets test for the "percent of poverty" program

7. Detailed information on Medi-Cal eligibility groups can be found in "The Guide to Medi-Cal Programs: A Description of Medi-Cal Programs, Aid Codes, and Eligibility Groups," published by the Medi-Cal Policy Institute, 1999 (www.medi-cal.org/document/theguide.pdf). As noted in the Introduction, this report focuses on the application and enrollment process for family- and children-related groups (e.g., 1931[b] Only).

eligibility groups (children and pregnant women with incomes below a certain percentage of the federal poverty level; pregnant women in this eligibility group receive coverage for pregnancy-related services only). This enables the state to determine eligibility and provide coverage faster, and to take advantage of more efficient enrollment processes such as the joint Medi-Cal/Healthy Families mail-in form and the Health-e-App Web-based application.

Table 1 lists the major categories of Medi-Cal eligibility, enrollment in each group, and whether the Medi-Cal assets test applies. Note that for some eligibility groups, Medi-Cal eligibility is based on eligibility for a related program, such as CalWORKs TANF/1931(b) with Cash Assistance or Supplemental Security Income (SSI).⁸ The related programs may have their own assets tests, but Medi-Cal does not apply separate eligibility standards, so the Medi-Cal assets test is therefore “not applicable” for these groups.

Table 1. Medi-Cal Eligibility Groups and Assets Requirements

Medi-Cal Eligibility Group	March 2002 Enrollment	Assets Test Applies?
Percent Programs (Children)	245,609	No
Pregnancy-Related Programs	72,285	No
1931(b) w/Cash Assistance	1,325,084	N/A
1931(b) Only	1,611,136	Yes
SSI	1,127,047	N/A
Other Related Programs	170,288	N/A
Transitional Coverage	260,202	No
Medically Needy	554,932	Yes
Medically Indigent	72,435	Yes
Other/State-Only Programs	301,411	N/A
Total Enrollment, March 2002	5,740,429	

California does not consider assets when determining the eligibility of children for the state’s Healthy Families program. Further, California’s 1115 waiver, which would expand the Healthy Families program to cover parents who have higher incomes than those who are eligible for Medi-Cal, does not include an assets test.⁹

B. Assets Standards and Methodology

There are two components to the assets test: the assets standard and the assets methodology. The amount of assets that an applicant is allowed to have and still qualify for Medicaid is the assets standard (also referred to as the “assets limit”). The types of assets and resources that count toward the limit are defined by the assets methodology.

8. SSI is a federal program that provides cash benefits for certain aged, blind, and disabled people.

9. The waiver to expand Healthy Families to cover the parents of enrolled children (adults with incomes up to 200 percent of FPL) was approved by the federal government, but has not yet been implemented.

States Have Flexibility in Using the Assets Test

The federal government has given states increased flexibility in deciding how to factor assets and resources into the determination of a family's eligibility for Medicaid. States can:

- Eliminate the assets test altogether for certain eligibility groups (change assets standard and methodology);
- Increase the amount of assets an individual or family can retain and still qualify for medical assistance (change assets standard);
- Eliminate certain types of countable assets, such as automobiles, from consideration (change assets methodology); or
- Modify the process by which applicants and eligibility workers verify application data (change assets documentation requirements).

Changes to the assets standards and methodology may simplify the assets test and change who qualifies for Medicaid (Medi-Cal). Modifications to the process by which applicants and eligibility workers verify assets information may make the eligibility determination process simpler, but will not make additional people newly eligible.

During the past several years, many states have taken advantage of federal flexibility and modified or eliminated their use of the assets test for certain groups. As of early 2002, 44 states—including California—and the District of Columbia had eliminated the assets test for children applying for Medicaid, and 18 states and the District of Columbia had eliminated it for parents.

Most states, including California, have chosen not to use an assets test when designing their State Children's Health Insurance Programs (SCHIP). In addition, several states have reported that the decision to eliminate the assets test for Medicaid was easier to justify once the state chose to eliminate the assets test for other programs serving similar populations (e.g., SCHIP). This alignment of administrative procedures across programs can simplify the enrollment process when there are multiple programs for which a person may be eligible.

A summary of current assets standards in the 50 states and the District of Columbia is presented in Table 2. Note that this table shows only the assets standards for these states—the assets methodologies may vary. For example, Washington's \$1,000 assets limit includes only liquid assets (savings and checking accounts, cash).

Table 2. Current Assets Standards for a Family of Three, by State and Eligibility Group

State	Adults and Children in 1931(b)	Children in Poverty Percent Programs	State	Adults and Children in 1931(b)	Children in Poverty Percent Programs
AL	\$1,000	—	MO	—	—
AK	\$1,000	—	MT	\$3,000	\$3,000
AZ	—	—	NE	\$6,000	—
AR	\$1,000	\$1,000	NV	\$2,000	\$2,000
CA	\$3,150	—	NH	\$1,000	—
CO	\$2,000	\$2,000	NJ	—	—
CT	—	—	NM	—	—
DE	—	—	NY	\$3,000	—
DC	—	—	NC	\$3,000	—
FL	\$2,000	—	ND	—	—
GA	\$1,000	—	OH	—	—
HI	\$3,250	—	OK	—	—
ID	\$1,000	\$1,000	OR	\$2,000	\$2,000
IL	—	—	PA	—	—
IN	\$1,000	—	RI	—	—
IA	\$2,000	—	SC	—	—
KS	\$2,000	—	SD	\$2,000	—
KY	\$1,000	—	TN	\$3,100	—
LA	\$1,000	—	TX	\$3,000	\$3,000
ME	\$2,000	—	UT	\$3,025	\$3,025 (age 6+)
MD	\$2,000	—	VT	\$3,150	—
MA	—	—	WA	\$1,000	—
MI	\$3,000	—	WV	\$1,000	—
MN	\$6,200	—	WI	\$1,000	—
MS	—	—	WY	\$2,500	—

Source: "Enrolling Children and Families in Health Coverage: The Promise of Doing More." Prepared by Donna Cohen Ross and Laura Cox for the Kaiser Commission on Medicaid and the Uninsured, June 2002. Data not available for Virginia.

California Assets Limit and Assets Methodology

As noted in Table 1 and described in detail in the following section, Medi-Cal eligibility rules include an assets test for some Medi-Cal eligibility groups. Currently, the assets limit for a family of three in the 1931(b) Only and Medically Needy groups is \$3,150 (see Table 3).

Table 3. Medi-Cal Assets Limits for 1931(b) Only

	<i>Family Size</i>			
	1	2	3	4
1931(b) Only	\$3,000	\$3,000	\$3,150	\$3,300

From 1985 to 1989, the Medically Needy assets limits—on which the 1931(b) assets limits are based—were adjusted each year to account for cost of living increases.¹⁰ However, no change has been made to the assets limits since 1989, and no adjustment was made in 1996 when the existing assets limits were adopted for the 1931(b) Only program. In contrast, income limits, which are based on a percentage of the federal poverty line, increase each year as the federal poverty guidelines increase. Thus, the amount of income a family can have and remain eligible for Medi-Cal has increased over the years, while the amount of assets they can have has stayed the same. Over time, people with low incomes that rise in proportion to the federal poverty level may become ineligible for Medi-Cal solely due to their assets.¹¹

Had the limits continued to increase at the same annual rate as they did between 1985 and 1989, the assets limit for a family of three would be \$5,100 in 2002 and \$5,250 in 2003. If the state raised the assets limit to this higher amount, families with more assets could be eligible for Medi-Cal. A recent study on state asset policies notes that families need to maintain a certain amount of assets to remain economically self-sufficient.¹² An analysis of census data included in this study found that California ranks 47 out of the 50 states in assets poverty. Assets poverty is defined as the percentage of households without sufficient net worth to subsist at the poverty level for three months without other support.¹³

10. California Code of Regulations, Title 22, Section 50420.

11. For further discussion of these issues, see “Medicare Beneficiaries and Their Assets: Implications for Low-Income Programs,” by Marilyn Moon of the Urban Institute and Robert Friedland and Lee Shirley of the Center on an Aging Society, Georgetown University. This study of the impact of the SSI assets limits on Medicaid eligibility for Medicare beneficiaries, using data from the Survey of Income and Program Participation (SIPP), was prepared for the Kaiser Family Foundation in June 2002.

12. “State Asset Development Report Card: Benchmarking Asset Development in Fighting Poverty.” Corporation for Enterprise Development, 2002.

13. Calculations by Robert Haveman and Jon Haveman based on U.S. Department of Commerce, Bureau of the Census, as reported in “State Asset Development Report Card: Benchmarking Asset Development in Fighting Poverty,” Corporation for Enterprise Development, p. 88.

The Medi-Cal assets methodology defines “countable assets” as: cash, savings, stocks and bonds, personal property, real property, and the present cash value of long-term assets such as retirement funds, whole life insurance policies, and revocable trusts (see Table 4). All of these assets are counted toward the assets limit. Some assets, such as the value of the family home and one vehicle, are exempted.

Table 4. Countable Assets in the Medi-Cal Program

Cash and uncashed checks
Checking/savings accounts
Stocks, bonds, mutual funds
Real property (excludes value of family home)
Motor vehicles (excludes value of one car)
Promissory notes, mortgages, or deeds of trust
Motor vehicles or equipment used for a business
Revocable trusts
Court judgments/settlements
Oil or mineral rights
Burial trusts or funds (excludes first \$1,500 paid)
Life insurance policies (exempt if face value <\$1,500)

C. Assets Documentation and Verification

The federal government allows states to modify the process by which applicants document and eligibility workers verify application data for Medicaid. California has already taken advantage of some of this federal flexibility in several ways. As described earlier, Medi-Cal applicants can apply through the mail or, in some parts of the state, over the Internet. The enrollment process does not require face-to-face interviews with county eligibility workers.

While the federal government requires assets documentation for many programs, such as Food Stamps, rules for the Medicaid program now allow states considerable flexibility in many areas.¹⁴ Current federal Medicaid law requires states to:

- Obtain documentation of a qualified alien’s immigration status (only applies to non-citizens);
- Obtain each applicant’s signature, under penalty of perjury, that the information reported on the application is correct; and

14. CMS Letter to State Medicaid Directors, “Outreach and Enrollment,” January 23, 1998; CMS Letter to State Medicaid Directors, “Application and Enrollment Simplification and Clarification of Eligibility Requirements,” September 10, 1998.

- Verify applicants' income through an automated income and eligibility verification system (IEVS).¹⁵

There are no specific federal Medicaid rules requiring an assets test or the documentation of assets information. States can determine how to verify an applicant's income, resources, and other information in any manner that adequately promotes the objective of ensuring that only those who meet the state's specified Medicaid eligibility criteria are determined to be eligible. For example, a state can:

- Accept a statement by the applicant or recipient, signed under penalty of perjury, that any or all of the following data self-reported by the applicant are correct: income, citizenship status, assets/resources, date of birth, residency, social security number, and child care expenses;
- Check third-party sources of information, such as Food Stamp and TANF records, wage and payment information, information from the Social Security Administration, or state child care or child support files; and/or
- Require applicants to provide documentation of any or all Medicaid eligibility information (e.g., pay stub, state or federal tax return, bank statements).

Medi-Cal Assets Documentation Requirements

Medi-Cal requires applicants subject to the assets test to document assets information. Beyond IEVS, eligibility workers must also verify the reported information through third-party sources, such as the Department of Motor Vehicles. Table 5 lists the documentation required for various types of assets.

California allows applicants to self-certify the value of their assets (sign a statement attesting to their value under penalty of perjury) as a last resort if the applicant is unable to provide adequate documentation. The eligibility worker must document in the case file that the applicant made good faith efforts to obtain the documentation and that these efforts were unsuccessful.

15. At the time of application, states verify income and eligibility data through IEVS for every applicant. IEVS includes wage information contained in the state's data files (e.g., state income tax records), information about net earnings and retirement income from the Social Security Administration, information about enrollment in SSI and other programs, unearned-income information from the IRS, unemployment compensation from the state unemployment agency, and other reported income and assets information from other public programs such as TANF and Food Stamps. Some unearned income that may indicate substantial assets, such as large interest or dividend payments, can help eligibility workers verify applicants' reported assets information.

Table 5. Documentation of Certain Assets Required under the Medi-Cal Assets Test

Asset	Acceptable Documentation
Checking or savings account	<ul style="list-style-type: none"> • A current account statement OR • Signed statement from the financial institution
Real property (other than primary residence)	<ul style="list-style-type: none"> • Current incorporated tax statement from the county Tax Assessor's Office OR • Records maintained by the County Tax Assessor OR • A written statement by a qualified real estate appraiser
Stocks, bonds, certificates of deposit, mutual funds	<ul style="list-style-type: none"> • Viewing the certificate or signed statement from the issuing institution, describing the investment and the number of shares owned; AND • Obtaining the current selling price of the shares from a recognized stockbroker or from a current newspaper
Nonexempt motor vehicle (e.g., autos, vans, trucks, boats, mobile homes, trailers, tractors, motorcycles)	<ul style="list-style-type: none"> • Vehicle registration OR • Appraisal statements
Retirement account (e.g., IRA, TSA-403[b], Keogh, 401[k])	<ul style="list-style-type: none"> • A current account statement indicating amount of principal and interest or total cash value (after penalties for early withdrawal)
Cash value of whole life insurance policy (in excess of \$1,500)	<ul style="list-style-type: none"> • A copy of the current policy and/or account documents
Ordinary (non-annuitized) annuities	<ul style="list-style-type: none"> • A current account statement showing investments and distributions OR • A signed statement from the financial institution
Precious metals, coins, and gems	<ul style="list-style-type: none"> • Copies of sale receipts, appraisal statements, or insurance documents
Promissory notes, mortgages, deeds of trust	<ul style="list-style-type: none"> • A copy of the note, mortgage, or deed
Jewelry items (other than wedding/engagement rings and heirlooms)	<ul style="list-style-type: none"> • Copies of sale receipts, appraisal statements, or insurance documents
Burial plot, vault, or crypt	<ul style="list-style-type: none"> • A copy of the purchase agreement or contract
Mineral rights or mining rights	<ul style="list-style-type: none"> • A copy of the deed, mortgage papers, most recent tax assessment, or ownership documents

D. Program Integrity

A common question among policymakers is whether simplifying the eligibility process will make it easier for applicants to intentionally or unintentionally misrepresent the value of their assets and obtain Medicaid coverage in error. While Medicaid beneficiary fraud is very minor compared to provider fraud, federal rules require states to monitor program integrity at the time of application and on an ongoing, retrospective basis (e.g., through IEVS).

The eligibility determination process has multiple safeguards designed to identify and mitigate the potential for errors and fraud. These components occur at several places along the way, from the point of application to retrospective audits, providing a range of activities that together compose a system for ensuring program integrity.

- **Data verification at application.** To the extent possible, states check applicant-reported information against other third-party sources of data, such as tax return records (for information on unearned income such as dividends) and motor vehicle records.
- **“Prudent person” standard.** All states—even those that allow applicants to self-certify the accuracy of the information they report—require eligibility workers to request documentation of certain information if a “prudent person” would find the application information suspicious.
- **Medicaid Eligibility Quality Control systems.** The federal government requires all states to have Medicaid Eligibility Quality Control (MEQC) systems to monitor the accuracy of Medicaid eligibility determinations and redeterminations on a retrospective basis, and to maintain error rates below the 3 percent tolerance level allowed by federal law.¹⁶ CMS regulations specify mechanisms through which states must monitor the accuracy of eligibility determinations, but states can (and many do) apply for waivers to conduct MEQC pilots to test alternative mechanisms for monitoring accuracy.¹⁷

In the past few years, there has been renewed focus on tracking eligibility errors from both CMS and the federal Office of Management and Budget (OMB). The OMB has instructed states to measure the accuracy of eligibility determinations in all programs that receive federal funding, including Medicaid. In the future, states may be required to demonstrate more explicitly that eligibility simplification efforts have not increased the number of determination errors.¹⁸

16. Federal Code of Regulations, Title 42, Section 431.800 ff.

17. California’s MEQC pilot program focuses on alternative methods for sampling. It is an extension of a pilot project known as the Geographic Sampling Plan (GSP), which selected a geographically representative sample of eligibility determination cases to be reviewed for accuracy. The pilot measures large counties’ performance in correctly determining eligibility, and also provides areas for “focused review” and conducts focused case reviews in smaller counties by using the data in IEVS and the Medi-Cal Eligibility Data System (MEDS).

18. The Improper Payments Information Act of 2002, signed by President Bush on November 26, 2002, requires each federal agency to estimate the annual amount of improper payments and include that estimate in its annual budget submission. Payments include those made on behalf of “ineligible recipients.” In addition, Office of Management and Budget Circular A-11, Exhibit 57B, requires DHHS to measure and report on the accuracy of state agency eligibility determinations and claims payments for Head Start, Medicare, Medicaid, TANF, Foster Care-Title IV-E, SCHIP, and the Child Care and Development Fund.

III. Potential Impacts of Changes to the Assets Test

There are a number of different options available to modify the assets test. For example, California can:

- Eliminate the assets test for the 1931(b) Only group;
- Simplify the assets test for the 1931(b) Only group by counting only liquid assets; and
- Streamline the documentation requirements for the assets test for the 1931(b) Only group by allowing self-certification of assets.

The following is a discussion of the key considerations policymakers should take into account in evaluating each of the three options, including the effects of these options on enrollment, administration, and program integrity.¹⁹ Each of these simplification options would increase program enrollment and reduce program administrative costs. However, only one of the options studied—self-certification of assets—would result in net savings to the state. For the other options, administrative savings are more than offset by medical costs resulting from enrollment increases.

Further, self-certification of assets is the only option of the three that would not result in an eligibility expansion. All of those expected to enroll under the self-certification option are

19. The technical report contains a detailed description of The Lewin Group's methodology for modeling the enrollment impacts of various changes to the Medi-Cal assets test. A single basic methodology was used to identify potentially eligible families and identify average medical costs for all three options. Different assumptions were used to estimate the enrollment changes associated with each of the three options. The technical report also includes the methodology for estimating administrative costs and savings associated with each of the three options.

already eligible for the program under existing eligibility rules. For the other options, from 40 to 52 percent of those projected to enroll would be newly eligible. Each option is estimated to create an increase of less than 1 percent of total Medi-Cal enrollment.

A. Eliminate the Assets Test

The first proposed option for the state is to eliminate the assets test completely for the 1931(b) Only eligibility group. As noted in Table 1, several major Medi-Cal eligibility groups are not currently subject to a separate Medi-Cal assets test because their eligibility is determined by another program (e.g., CalWORKs, SSI) or because the assets test has already been waived for that group (e.g., poverty-level children and pregnant women).

Enrollment Impacts

Eliminating the assets test for the 1931(b) group would increase the number of applicants who successfully complete the eligibility determination process. It would also make additional people, who are currently denied eligibility due to excess assets, newly eligible for Medi-Cal. Key factors contributing to this enrollment increase are summarized below.

- **More applicants would successfully complete the Medi-Cal application.** As noted in the Introduction, a 2001 marketing survey of people eligible but not enrolled in Medi-Cal found that more people would likely apply for Medi-Cal if they perceived that the “application for these programs is short and easy.”²⁰ Another survey of parents of uninsured children potentially eligible for Medi-Cal found that 10 percent had not enrolled because the “paperwork was too difficult,” while another 8 percent did not know that they could be eligible, and 32 percent believed they did not meet the eligibility requirements, particularly the income requirements.²¹ Eliminating the assets test would reduce the paperwork associated with the Medi-Cal enrollment process and make the application simpler and easier to complete. This could help many of the people currently eligible for Medi-Cal but not enrolled to obtain Medi-Cal coverage.
- **Additional people will be made newly eligible.** Many families that meet the income and other eligibility requirements for Medi-Cal through 1931(b) have assets in excess of the current limits, such as \$3,150 for a family of three. Children in these families may qualify for the Medi-Cal percent programs, which have similar income standards as the 1931(b) group but do not have an assets test. If the state eliminated the assets test, many parents of children currently enrolled in Medi-Cal through the percent programs may become eligible for

20. Eric Marder Associates, Inc., “Using Market Research to Improve Enrollment of Families Eligible for Medi-Cal and Healthy Families,” March 2002.

21. Brown et al., “The State of Health Insurance in California,” pp. 51, 52.

Medi-Cal through 1931(b). In addition, some families that have not completed the enrollment process because they had assets above the 1931(b) assets limit (even if their children might have been eligible for the percent programs) may now successfully complete the process and become enrolled.

- **Healthier people eligible for the program may be more likely to enroll.** The complexity of the current Medi-Cal eligibility determination process may perpetuate the use of Medi-Cal as coverage at the point of high need for care, rather than as an insurance program. In essence, those with high, immediate health needs may complete the process in order to obtain needed care, while healthier people who do not have urgent health problems may consider the difficulty of the enrollment process not worth the benefits of coverage until they experience a greater health need (at which point they can apply for Medi-Cal and receive coverage retroactively). Therefore, a potential benefit of the elimination of the assets test would be to encourage enrollment of healthier people, who would then be more likely to access primary and preventive health care services.

It is important to note that the estimates reflected in this report are considered this study's "best estimate" of the potential impact of the simplification options; however, they are not the only estimates that were developed. Due to the uncertainty in these projections and a lack of data sources that directly measure the impact of these simplification options, an "upper bound" estimate was also developed. A further discussion of the best estimate and upper bound projections, as well as the results of the upper bound projections, can be found in the companion piece, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

Because so many factors may influence the number of people who would actually enroll in Medi-Cal if the assets test were eliminated, the best estimate in this scenario is reflected as a range. Elimination of the assets test for the 1931(b) group would result in an estimated 27,000 to 41,000 adults and children obtaining Medi-Cal coverage, an increase of less than 1 percent of total Medi-Cal enrollment. Medi-Cal medical costs would increase by \$33.7 to \$50.5 million (federal and state share). The methodology for determining the medical cost estimates for the elimination of the assets test for the 1931(b) Only group is further detailed in the companion report, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

Additional sources of data were used to benchmark the estimates of the number of adults who may enroll in Medi-Cal if the assets test were eliminated. One dynamic that contributes to a minimum enrollment impact for the elimination of the assets test is that currently ineligible parents of many currently enrolled children would become eligible for Medi-Cal if the assets test were eliminated. It was estimated that approximately 24,000 ineligible parents of currently enrolled children are below 100 percent of FPL. Most, but not all, of these parents would ultimately enroll in Medi-Cal in the absence of a 1931(b) assets test, unless one or both parents were employed full-time. Thus, a sizable population of parents would become

Medi-Cal enrollees under the elimination of the assets test. The size of this potential enrollment source, when combined with other sources of enrollment such as currently uninsured families, supports the enrollment estimate of an additional 27,000 to 41,000 people following elimination of the assets test.

Administrative Effects

The assets test requirement to collect and analyze assets information is substantial for both beneficiaries and eligibility workers, and greatly increases the amount of time needed to determine eligibility. Eliminating the assets test would simplify the enrollment process and reduce program administrative costs. The major administrative effects of elimination of the assets test on applicants, beneficiaries, and eligibility workers are summarized below.

- **Applicants and beneficiaries would not have to track down and submit documentation of their assets.** Currently, applicants must report and document all of their assets, including cash, checking/savings accounts, stocks/bonds/mutual funds, real property, motor vehicles, court judgments, trusts, mineral rights, and so on (see Table 4). If the assets test were eliminated, applicants would not have to locate and submit this information—this burden would be completely removed. It would also be removed for people who are currently on Medi-Cal but who must now provide up-to-date information on family resources each year as part of the redetermination process.²²
- **Eligibility workers would not have to explain and review asset documentation.** Anecdotal reports from county Medi-Cal eligibility intake workers suggest that a large amount of the time staff spend processing applications is a consequence of the assets test. County staff must explain the assets test requirements to applicants, identify the documentation applicants must provide, follow up on documentation requests to ensure that required elements are submitted, and review the information once it is provided to calculate the total assets value. Eliminating the assets test would free up this eligibility worker time for other activities.
- **Eligibility workers would not have to spend as much time determining the appropriate eligibility group for an individual or family.** Because some eligibility groups do not have an assets test and others do, it can be difficult for workers to determine the appropriate group for which an individual is eligible. Eligibility determination is particularly difficult when an applicant uses one of

22. However, under “ex parte” verification requirements, the state must use other information available to it (e.g., from previous applications, other programs, or databases) and not require beneficiaries to resubmit information that does not change. For example, if a family listed two cars as assets in their initial application and provided copies of the car registrations at that time, the family would not have to provide that information again at redetermination—the state would just have to update the current value of the vehicles.

the newer shortened application forms, such as the mail-in application for children's coverage that does not request assets information. Determining the appropriate eligibility group is important, as some groups (e.g., 1931[b]) include extended transitional coverage, while others do not. Eligibility workers have reported the frustration that they and applicants feel when the workers have to go back to applicants—who have already submitted all of the information requested on the mail-in form—and ask for assets information in order to determine their eligibility for 1931(b). If the assets test were eliminated, more applicants could use the simpler application forms, which would enable eligibility workers to make eligibility determination decisions more quickly and efficiently.

Eliminating the assets test for the 1931(b) group could save approximately \$20.9 million (state and federal shares) per year in administrative savings. However, to the extent that elimination of the assets test would help more people successfully apply for Medi-Cal, the overall eligibility processing and redetermination workload would increase as more people obtain coverage. The added cost of processing the additional cases has a relatively minor impact on the overall administrative savings: The state would incur an estimated \$1.5 million per year in new costs (state and federal) associated with increases in enrollment.

As shown in Table 6, the net impact is \$19.4 million (state and federal), or \$9.7 million (state-only share) in administrative savings. The methodology for determining the administrative estimates for the elimination of the assets test for the 1931(b) Only group is further detailed in the companion report, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

Program Integrity Implications

If the assets test were eliminated, all assets-related program integrity activities would also be eliminated: Workers would not have to verify assets information or calculate total assets to determine whether applicants were eligible. This potential source of eligibility errors would disappear.

Table 6. Best Estimates of Potential Enrollment, Medical Cost, and Administrative Impacts under Assets Test Elimination for 1931(b) Only Families*

	Annual Costs/(Savings)[†]
Estimated Additional Enrollment	
Currently eligible but not enrolled	16,308–24,462
Newly eligible	10,834–16,250
Total Estimated Enrollment Increase	27,141–40,712
Annual Medical Costs Associated with New Enrollment	
State and federal share	\$33,667,337–\$50,501,006
State-only share [‡]	\$16,833,669–\$25,250,503
Annual Net Administrative Savings[§]	
State and federal share	(\$19,355,694)
State-only share [‡]	(\$9,677,847)
Annual Net Costs/(Savings)	
State and federal share	\$14,311,643–\$31,145,312
State-only share ^{‡,**}	\$7,155,822–\$15,572,656

*The estimates reflected in this table are “best estimates.”

[†]Numbers may not total due to rounding.

[‡]The published federal medical assistance percentage (the “share” or amount of Medi-Cal costs paid by the federal government) for federal fiscal year 2003 is 50 percent. See Federal Register: November 30, 2001 (Volume 66, Number 231), pp. 59790-59793.

[§]The administrative costs and savings estimates are based on changes in caseload using the midpoint of the enrollment estimate.

**Medi-Cal costs/savings do not reflect potential savings from a reduction in costs to the state of funding uncompensated care for those people who could become newly eligible for Medi-Cal and currently receive services from county indigent programs and safety net providers.

Other States’ Experiences with Elimination of the Assets Test

As of early 2002, 44 states—including California—and the District of Columbia eliminated the assets test for children applying for Medicaid, and 18 states and the District of Columbia have eliminated the assets test for parents.²³ The staffs of several states that had eliminated the assets test were interviewed to ascertain the impact on enrollment, administration, and program integrity.²⁴ Several of the staffs interviewed considered the elimination of the assets test as a particularly attractive eligibility simplification option, given the burden on both applicants and eligibility workers of collecting, verifying, and evaluating assets information.

States had difficulty quantifying the impact of elimination or simplification of the assets test on program enrollment and costs. Since changes to the assets test were usually one of many simultaneous outreach and simplification strategies used by states, it was difficult for state

23. Further, 34 of 35 separate state children’s health insurance programs, including California’s Healthy Families program, do not have an assets test. See D.C. Ross and L. Cox, *Enrolling Children and Families in Health Coverage: The Promise of Doing More*, Kaiser Commission on Medicaid and the Uninsured, Table 8.

24. In 1993, a year after implementing its children’s health insurance program (without an assets test), Pennsylvania became one of the first states to eliminate the assets test for children and parents applying for Medicaid. Massachusetts removed the assets test for non-cash-linked, Medicaid-only populations in July 1997 as part of an 1115 waiver.

representatives to estimate how many new applicants sought or were granted coverage solely because of the change to the assets requirement.

Pennsylvania reported that elimination of the assets test allowed for better adherence to the state's 30-day application processing standard, since caseworkers no longer had to track down detailed assets information.²⁵ Massachusetts staff also noted that streamlining the assets requirements in conjunction with shifting from a net to a gross income standard reduced turn-around time for a typical application. Elimination of the assets test in Massachusetts was partly in response to caseworker comments that the assets test was paperwork-intensive.

To help maintain program integrity, Massachusetts uses third-party verification techniques—either through IEVS or through electronic matching capabilities offered in conjunction with the Department of Revenue and the state's sister agencies (e.g., the Department of Transitional Assistance, which runs the food stamps program)—to verify income information.

B. Limit the Assets Test to Liquid Assets

As noted in Table 4, the list of assets that are currently included in the Medi-Cal assets methodology is quite lengthy and includes many non-liquid assets that could be difficult to convert into cash (e.g., pre-paid funeral plans), or that would require applicants to pay taxes and/or a penalty (e.g., retirement accounts) to do so. California could change the assets methodology to reduce the number and types of assets that are counted to include only liquid assets, such as cash, savings and checking accounts, and stocks and bonds—or some other combination. The assets standard would stay the same; the same limits would apply, although the types of assets counted toward that limit would change.

Enrollment Impacts

Simplifying the assets test to count only liquid assets would have some of the same impacts on Medi-Cal enrollment as complete elimination of the assets test: It would increase the number of applicants currently eligible but not enrolled who successfully complete the eligibility determination process. It would also make a smaller number of additional people, who are currently ineligible due to excess *non-liquid* assets, newly eligible for Medi-Cal. Factors contributing to this enrollment increase, and differences from the effects of complete elimination of the assets test, are summarized below.

- **More eligible but not enrolled applicants would successfully complete the Medi-Cal application.** Changing the assets methodology to count only liquid assets for the 1931(b) Only group may increase the number of currently eligible but not enrolled applicants who successfully complete the eligibility

25. According to federal regulations (42 CFR 435.911), states have 45 days from the date of application to process most Medicaid applications. States are given additional time to process particularly complex applications (e.g., those missing required documents). Pennsylvania chose to adopt a shorter standard.

determination process, by making the application simpler and easier to complete. The effect would be much less than that of wholesale elimination of the assets test, because applicants would still be required to document more commonly held liquid assets such as bank accounts.

- **Additional people would be made newly eligible.** Counting only liquid assets would also make additional people, who are currently denied eligibility due to excess *non-liquid* assets, newly eligible for Medi-Cal. For example, a person who has less than \$3,000 in a checking account but has a retirement account worth \$10,000 would become eligible if only liquid assets (i.e., the checking account) were counted. This group of people made newly eligible could include many parents of children currently enrolled in Medi-Cal through the percent programs. These parents have already completed the enrollment process, although only the children were found eligible because the percent programs do not have an assets test. If the assets methodology were changed to exclude non-liquid assets, some of these parents would likely apply again for themselves and be found eligible.

If the assets test were simplified for the 1931(b) Only group to count only liquid assets, approximately 9,200 people would likely obtain Medi-Cal coverage, an increase of less than one-quarter of 1 percent of total Medi-Cal enrollment. The medical costs associated with these new enrollees would total approximately \$11.4 million per year (state and federal share). The medical cost of simplifying the assets test to include just these liquid holdings would be roughly one-third the cost of completely eliminating the assets test. The methodology for determining the medical cost estimates for the simplification of the assets test (counting liquid assets only) for the 1931(b) Only group is further detailed in the companion piece, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

Administrative Effects

Changing the assets methodology to count only liquid assets would simplify the enrollment process somewhat and reduce program administrative costs correspondingly. The major administrative impacts of changing the assets methodology to count only liquid assets would be similar to the impacts of eliminating the assets test.

- **Applicants would not have to track down documentation of all their assets to apply for or retain Medi-Cal.** Currently, Medi-Cal applicants must provide documentation of all their assets, including non-liquid assets. They must also provide much of this information on an annual basis to be determined eligible for continued coverage.²⁶ Reducing the number of assets that are counted—

26. As noted earlier, “ex parte” verification requires the state to use information available from previous applicants, other programs, or databases, if available; beneficiaries are not required to resubmit information that does not change.

particularly if certain rare and hard-to-document assets (e.g., mineral rights, burial plots) are disregarded—could lessen the amount of time needed to collect the documents.

- **Eligibility workers would not have to track down and review as much asset documentation.** Discussions with Medi-Cal eligibility staff revealed that many county workers find the review of non-liquid asset information to be among the most challenging and time-consuming aspects of the determination process. It can be difficult for a worker to help an applicant determine whether he or she has certain countable assets and identify the appropriate documentation. It can also be challenging for workers to establish the current value of certain assets, such as revocable trusts. This is more difficult with non-liquid assets than with liquid assets such as cash and checking accounts, which are easily counted. If the assets methodology were changed to exclude non-liquid assets, much of the effort associated with the assets test would be relieved for eligibility workers.

Eligibility workers emphasized that a substantial amount of their assets-related time (approximately 30 percent) is consumed by issues related to automobiles and other non-liquid assets. Therefore, if the assets test were simplified to include only liquid assets, 30 percent of the administrative savings from complete elimination of the assets test would still occur. Changing the assets methodology to count only liquid assets could save approximately \$6.3 million per year in administrative costs.

As with the elimination of the assets test, to the extent that changing the assets methodology to count only liquid assets would help more people successfully apply for Medi-Cal, the overall eligibility processing and redetermination workload would increase as more people obtain coverage. The added cost of processing the additional cases would have a relatively minor impact on the overall administrative savings: The state would incur an estimated \$317,000 per year in new costs associated with increases in enrollment. The net impact would be \$5.9 million (state and federal), or \$2.9 million (state-only share) in administrative savings. The methodology for determining the administrative estimates for the simplification of the assets test (counting liquid assets only) for the 1931(b) Only group is further detailed in the companion report *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

Program Integrity Implications

Changing the assets methodology to count only liquid assets would preserve the current asset limit and reduce the collection burden on applicants and eligibility workers. If fewer assets were counted toward the limit, there would be fewer opportunities for applicants to misreport their assets. Eligibility workers might make fewer errors if the only assets counted toward the limit were those that were easily valued, such as cash and bank accounts. This change to the assets test would not have an impact on program integrity.

Table 7. Best Estimates of Potential Enrollment, Medical Cost, and Administrative Impacts under Counting Only Liquid Assets for 1931(b) Only Families*

	Annual Costs/(Savings)[†]
Estimated Additional Enrollment	
Currently eligible but not enrolled	4,371
Newly eligible	4,802
Total Estimated Enrollment Increase	9,173
Annual Medical Costs Associated with New Enrollment	
State and federal share	\$11,428,684
State-only share [‡]	\$5,714,342
Annual Net Administrative Savings	
State and federal share	(\$5,946,534)
State-only share [‡]	(\$2,973,267)
Annual Net Costs/(Savings)	
State and federal share	\$5,482,150
State-only share ^{‡,§}	\$2,741,075

*The estimates reflected in this table are "best estimates."

[†]Numbers may not total due to rounding.

[‡]The published federal medical assistance percentage (the "share" or amount of Medi-Cal costs paid by the federal government) for federal fiscal year 2003 is 50 percent. See Federal Register: November 30, 2001 (Volume 66, Number 231), pp. 59790-59793.

[§]Medi-Cal costs/savings do not reflect potential savings from a reduction in costs to the state of funding uncompensated care for those people who could become newly eligible for Medi-Cal and currently receive services from county indigent programs and safety net providers.

C. Allow Self-Certification of Assets

California policy allows applicants to self-certify the value of their assets, under penalty of perjury, as a last resort if the applicant is unable to provide adequate documentation.²⁷ A third option to simplify the Medi-Cal assets test would be to modify the enrollment process to allow applicants to list and then self-certify the value of each asset at the time of application. This option is neither a change to the assets standards nor to the methodology; instead, it would be a change in how assets are documented. The eligibility worker would still determine whether the total value of the assets self-certified by the applicant was above or below the assets limit for that eligibility group and family size; the current assets standards and methodologies would still apply.

This approach would simplify the program within the current asset limits (this would not allow newly eligible people with higher assets than the current assets standard to qualify for Medi-Cal), while significantly reducing the collection and verification burden on applicants and eligibility workers. However, the self-certification approach might require greater attention on the part of the state to ensure program integrity.

27. It is important to note that eligibility workers must document in the applicant's file that good faith efforts were made to obtain the documentation and that these efforts were unsuccessful.

Enrollment Impacts

Self-certification of assets would not change the number of people who are eligible for Medi-Cal, but it could impact Medi-Cal enrollment by helping people who are eligible but not enrolled to successfully complete the eligibility determination process. The following summarize the two main sources of this enrollment increase:

- **New enrollment of those currently eligible but not enrolled.** Because self-certification would make the enrollment process much easier for the applicant, more eligible but not enrolled people are likely to come forward to apply for coverage under self-certification.
- **More completed applications.** Additionally, self-certification would make it more likely that those who do apply for coverage would successfully complete the process. The most frequent reason given for denying coverage to an applicant is that he or she failed to provide the required documentation. However, the degree to which eligible applicants are dropping out of the process due to difficulty compiling assets-specific documentation is not known. Many of these people may be parents who are able to enroll their children in Medi-Cal through the percent programs (which do not require an assets test), but do not pursue coverage themselves due to the complexity of the assets test in the 1931(b) program.

As noted earlier, self-certification of assets would not change the number of people who are eligible for Medi-Cal, but it could impact Medi-Cal enrollment by making it more likely that people who apply for coverage would successfully complete the process, and by possibly encouraging some people who have not previously applied to come forward to do so.

If the assets test were modified to allow applicants to self-certify the value of their assets, an estimated additional 6,300 people would likely obtain Medi-Cal coverage. This reflects an enrollment increase of less than one-quarter of 1 percent of total Medi-Cal enrollment. Associated medical costs for these new enrollees would total approximately \$7.8 million per year (state and federal share). The methodology for determining the medical cost estimates for self-certification of the assets test for the 1931(b) Only group is further detailed in the companion piece, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

Administrative Effects

Allowing self-certification would significantly cut down on the time applicants and eligibility workers now spend chasing down paperwork.

- **Applicants would no longer have to document assets.** Applicants would no longer have to obtain and provide copies of assets documentation such as bank

statements, real estate appraisals or assessments, investment records, or vehicle registrations. This would not affect the time applicants must still spend identifying and reporting their assets (only the documentation aspect would be removed).

- **Eligibility workers would still review assets information, but not documentation.** Allowing applicants to self-certify their assets information could reduce the time eligibility workers now spend helping applicants identify and collect the appropriate assets documentation. It would not affect the time eligibility workers now spend determining which assets are counted and whether they exceed the assets standard.

Allowing self-certification of assets is estimated to create half the time savings of complete elimination of the assets test, for an administrative savings of approximately \$10.4 million per year. As with other simplification options for the assets test, and to the extent that allowing self-certification would help more people successfully apply for Medi-Cal, the overall eligibility processing and redetermination workload would increase as more people obtain coverage. The added cost of processing the additional cases would have a relatively minor impact on the overall administrative savings: The state would incur an estimated \$721,000 per year in new administrative costs associated with increases in enrollment. The net impact would be \$9.7 million (state and federal), or \$4.9 million (state-only share) in administrative savings. The methodology for determining the administrative estimates for self-certification of the assets test for the 1931(b) Only group is further detailed in the companion report, *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests*.

Program Integrity Implications

A common question among policymakers is whether simplifying the eligibility process would enable applicants to unintentionally or intentionally misrepresent the value of their assets and obtain Medicaid coverage in error. While Medicaid beneficiary fraud is very minor compared to provider fraud, federal rules require states to monitor program integrity at the time of application and on an ongoing, retrospective basis (e.g., through IEVS). Individual Medi-Cal eligibility workers are held accountable by their counties, the counties by the state, and the state by the federal CMS to ensure that eligibility errors (unintentional or intentional) are minimized.²⁸

Therefore, policymakers may inquire whether self-certification of the assets test would make it

28. Although The Lewin Group does not anticipate that Medi-Cal beneficiary fraud is or will become a major issue, in the past few years there has been renewed focus on eligibility errors from both CMS and the federal Office of Management and Budget (OMB). States are required to measure the accuracy of eligibility determinations in all programs that receive federal funding, including Medicaid, and may be required to more explicitly demonstrate that eligibility simplification efforts have not increased the number of eligibility errors. The Medi-Cal program currently spends more than \$25 million annually on fraud detection efforts as part of its ongoing program-monitoring activities.

harder for eligibility workers to verify the accuracy of reported information. Currently, the state uses the IEVS system to perform data-matching to determine if *income* reported on an application corresponds to other state records. IEVS could also be used to detect certain *assets*, as it contains information on unearned income such as interest payments. Large interest payments could indicate that a person had significant assets in a savings account or certificates of deposit. Beyond IEVS, the state can also use certain third-party sources, such as tax and motor vehicle records, to verify the existence and value of some assets, although the data available for this purpose are often incomplete and out of date.²⁹

If assets self-certification were adopted, DHS would likely enact policies to strengthen program monitoring to meet federal program integrity requirements and quantify the degree to which ineligible people seemed to be enrolling. For example, the state could audit a greater number of applications and monitor redetermination applications closely for changes in reported assets. Based on discussions with DHS staff, the state would expend an additional \$500,000 in the first year of the self-certification option and \$250,000 in subsequent years to monitor the accuracy of self-certified information. The \$500,000 figure would permit case sample reviews in the 25 largest counties and several additional, focused case reviews.

Table 8. Best Estimates of Potential Enrollment, Medical Cost, and Administrative Impacts under Self-Certification of Assets for 1931(b) Only Families*

	Annual Costs/(Savings) [†]
Estimated Additional Enrollment	
Currently eligible but not enrolled	6,320
Newly eligible	0
Total Estimated Enrollment Increase	6,320
Annual Medical Costs Associated with New Enrollment	
State and federal share	\$7,758,219
State-only share [‡]	\$3,879,109
Annual Net Administrative Savings	
State and federal share	(\$9,719,204)
State-only share [‡]	(\$4,859,602)
Annual Net Costs/(Savings)	
State and federal share	(\$1,960,985)
State-only share [‡]	(\$980,493)

*The estimates reflected in this table are "best estimates."

[†]Numbers may not total due to rounding.

[‡]The published federal medical assistance percentage (the "share" or amount of Medi-Cal costs paid by the federal government) for federal fiscal year 2003 is 50 percent. See Federal Register: November 30, 2001 (Volume 66, Number 231), pp. 59790-59793

29. If a person applying for Medi-Cal coverage states that he or she has no assets (or does not have certain types of assets), the eligibility worker must accept the applicant's statement. It is difficult under the current system for county staff to identify applicants who have underreported or failed to report assets.

Other States' Experiences with Self-Certification of Assets

As shown in Table 2, many states have focused on eliminating rather than simplifying the assets test; as of early 2002, 45 states had eliminated the assets test for children applying for Medicaid, and 18 states and the District of Columbia have eliminated the assets test for parents. However, other states have chosen to simplify the assets test by counting only liquid assets and/or allowing applicants to self-certify the value of their assets at the time of application.

Washington eliminated the assets test for children and simplified the assets test for adults and families. Applicants are allowed to self-certify the value of their assets at the time of application. In addition, only liquid assets (e.g., savings and checking accounts, and cash) are counted, with a separate \$5,000 limit on the value of a vehicle. To help ensure that applicants accurately represent the value of their resources, Washington requires eligibility workers to verify the value of an applicant's assets if the self-reported value is 75 percent or more of the assets limit. Specifically, applicants who self-report that their assets are close to the limit must document those assets so workers can ensure that they are not in fact over the limit. This approach has simplified the assets test for most Washington applicants and eligibility workers who no longer have to track down and evaluate assets information for applicants whose resources do not appear to be close to the Medicaid eligibility limits.

Texas also simplified the assets test by reducing the number of application questions associated with the assets test (from eight to three) and allowing applicants to self-certify the value of reported assets. This simplification measure was adopted for children and pregnant women in Texas' percent of poverty programs.

In some cases, states allow self-certification of assets in order to speed up the eligibility determination process for parents. Twenty-five states, including California, currently have an assets test for adults but not for children. Four of these states (Idaho, Louisiana, New York, and Vermont) allow parents applying for coverage along with their children to self-certify the value of their assets so that the eligibility worker—who does not have to obtain assets documentation to process the children's applications—does not need to obtain it to evaluate the parents' eligibility as part of the same eligibility determination process.³⁰

D. Summary of Enrollment, Medical, and Administrative Impacts

Table 9 presents estimates of the most likely impacts on Medi-Cal enrollment, medical costs, and administrative savings and cost levels.

As shown in Table 9, self-certification of assets would result in net savings to the state (i.e., an estimated reduction in administrative costs of \$9.7 million offsets the estimated additional

30. Ross, D.C., and L. Cox. June 2002. *Enrolling Children and Families in Health Coverage: The Promise of Doing More*, Kaiser Commission on Medicaid and the Uninsured, p. 28.

medical costs of \$7.8 million). However, in the context of total Medi-Cal spending of \$27 billion across all aid categories, each of these options would have only a small financial impact on the program as a whole. Elimination of the assets test for the 1931(b) Only population would increase total program costs by approximately 0.05 to 0.1 percent. The simplification option of counting only liquid assets would increase total program costs by approximately one-third of this amount (0.02 percent), and self-certification would create a savings of 0.01 percent.

Cost and enrollment estimates for additional simplification options are included in a summary report on simplification in Medi-Cal titled *Simplifying Medi-Cal Enrollment: Opportunities and Challenges in Tight Fiscal Times*.

Table 9. Best Estimates of Potential Enrollment, Medical Cost, and Administrative Impacts for 1931(b) Only Families*

	Annual Costs/(Savings) [†]		
	Eliminate Assets Test [‡]	Count Only Liquid Assets	Allow Self-Certification
Estimated Additional Enrollment			
Currently eligible but not enrolled	16,308–24,462	4,371	6,320
Newly eligible	10,834–16,250	4,802	0
Total Est. Enrollment Increase	27,141–40,712	9,173	6,320
Annual Medical Costs Associated with New Enrollment			
State and federal share	\$33,667,337–\$50,501,006	\$11,428,684	\$7,758,219
State-only share [‡]	\$16,833,669–\$25,250,503	\$5,714,342	\$3,879,109
Annual Net Administrative Savings			
State and federal share	(\$19,355,694)	(\$5,946,534)	(\$9,719,204)
State-only share [‡]	(\$9,677,847)	(\$2,973,267)	(\$4,859,602)
Annual Net Costs/(Savings)			
State and federal share	\$14,311,643–\$31,145,312	\$5,482,150	(\$1,960,985)
State-only share ^{‡,**}	\$7,155,822–\$15,572,656	\$2,741,075	(\$980,493)

*The estimates reflected in this table are “best estimates.” The table does not include “upper bound” estimates that were developed to reflect the highest number of people who might come forward to obtain Medi-Cal coverage if barriers related to the assets and income test were removed or simplified, as well as the difficulty in obtaining definitive data on simplification impacts. Please refer to the companion *Simplifying Medi-Cal Enrollment: Technical Report on the Assets and Income Tests* for further discussion of the best estimate and upper bound projections.

[†]Numbers may not total due to rounding.

[‡]The published federal medical assistance percentage for federal fiscal year 2003 is 50 percent. See Federal Register: November 30, 2001 (Volume 66, Number 231), pp. 59790-59793.

[§]The administrative costs and savings estimates are based on changes in caseload using the midpoint of the enrollment estimate.

**Medi-Cal costs/savings do not reflect potential savings from a reduction in costs to the state of funding uncompensated care for those people who could become newly eligible for Medi-Cal and currently receive services from county indigent programs and safety net providers.

IV. Conclusion

As noted in the introduction, California has considerable flexibility in determining whether to apply an assets test to the Medi-Cal eligibility process, and if so, how to do so. As examined in this report, California can simplify eligibility for the 1931(b) Only group by:

- Eliminating the assets test;
- Counting only liquid assets; or
- Allowing self-certification of assets.

These changes to the assets test for the Medi-Cal program would make it easier for eligible people to enroll in Medi-Cal and, once enrolled, retain their eligibility. Eliminating or simplifying the assets test would also permit currently ineligible low-income adults to avoid depleting certain assets in order to qualify for coverage. These simplification measures would also create time-savings for applicants and eligibility workers and reduce the amount of paperwork needed to process a Medi-Cal application. While each of the three options discussed increases enrollment and reduces administrative costs, allowing Medi-Cal applicants to self-certify the value of their assets results in net savings to the Medi-Cal program without changing the current eligibility standard.

As California struggles with record state-budget shortfalls, simplification strategies that reduce the costs of program administration while improving Medi-Cal enrollment are important to explore. Further, at a time when counties are facing their own budget shortfalls and eligibility workers are experiencing rising caseloads per worker, the administrative advantages of eligibility simplifications may be particularly important to consider.



CALIFORNIA
HEALTHCARE
FOUNDATION

Medi-Cal *Policy Institute*

476 Ninth Street
Oakland, CA 94607
tel: 510/286-8976
fax: 510/238-1382
www.medi-cal.org

A project of the
CALIFORNIA HEALTHCARE FOUNDATION