ANNALS OF HEALTH LAW
Advance Directive

VOLUME 21 FALL 2011 PAGES 1-10

Following the Trend: Rise in Unemployment Leads to Rise in Medicaid Enrollment and Spending

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I. INTRODUCTION

Medicaid is a state and federally funded form of health coverage that is available only to certain eligible individuals.[1] To be eligible for Medicaid, an individual must have a low income and meet a federal or state recognized eligibility group, such as persons with disabilities.[2] It is important to note that low-income families are not the only individuals who may be eligible for Medicaid.[3] Additionally, the elderly, young persons with physical disabilities, and developmentally or intellectually challenged persons may also qualify for Medicaid.[4] The federal government sets minimum requirements the states must meet in order to receive federal

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1. U.S. Dep't of Health and Human Serv, Ctr. for Medicare and Medicaid Serv., *Medicaid Program – General Information*, https://www.cms.gov/MedicaidGenInfo/; COURTNEY M. PERLINO, MEDICAID, PREVENTION AND PUBLIC HEALTH: INVEST TODAY FOR A HEALTHIER TOMORROW (George C. Benjamin & Susan L. Polan eds.), 3, AM. PUB. HEALTH ASS'N.

2. Medicaid Program – General Information, *supra* note 1.

3. MEDICAID & CHIP PAYMENT AND ACCESS COMM'N, REPORT TO THE CONGRESS ON MEDICAID AND CHIP 8 (Mar. 2011) [hereinafter MACPAC REPORT] *available at* http://healthreform.kff.org/~/media/Files/KHS /docfinder/MACPAC_March2011_web.pdf.

4. *Id.* at 10.

funding.[5] Once the state meets the minimum requirements of the federal government, however, the state government can decide whether to cover other optional populations or to incorporate different care systems within its respective state.[6] Therefore, Medicaid is largely a state-run program with monetary assistance and minimum guidelines supplied by the federal government.[7]

Medicaid is an entitlement program that requires eligibility through low income.[8] Therefore, when unemployment is on the rise, more Americans meet the requisite low-income requirement for the program.[9] Additionally, many employed Americans receive private insurance through their employers, and when these individuals lose their jobs, they often lose their health insurance as well.[10] The United States population is in the midst of the Great Recession, which has caused significant job loss and decrease in family income.[11] As a result of the significant increase in job loss and subsequent health insurance loss, more individuals than ever have become eligible for Medicaid.[12] In fact, Medicaid enrollment surpassed fifty million enrollees between June 2009 and June 2010, creating the highest number of enrollees in the program's forty-six year history.[13]

An individual state customizes its Medicaid programs, including

5. PERLINO, *supra* note 1, at 6.
6. MACPAC REPORT, *supra* note 3, at 12.
7. *Id.* at 12-13.
8. PERLINO, *supra* note 1, at 3.
9. KAISER COMM'N ON MEDICAID AND THE UNINSURED, RISING UNEMPLOYMENT, MEDICAID AND THE UNINSURED 2 (2009) [hereinafter RISING UNEMPLOYMENT] *available at* http://www.kff.org/uninsured/upload/7850.pdf.
10. *Id.*
11. JOHN HOLAHAN ET AL., MEDICAID SPENDING GROWTH OVER THE LAST DECADE AND THE GREAT RECESSION, 2000-2009, KAISER COMM'N ON MEDICAID AND THE UNINSURED 4 (Feb. 2011) [hereinafter LAST DECADE AND THE GREAT RECESSION] *available at* http://www.kff.org/medicaid/upload/8152.pdf.
12. KAISER COMM'N ON MEDICAID AND THE UNINSURED, MEDICAID ENROLLMENT: JUNE 2010 DATA SNAPSHOT 1 (Feb. 2011) [hereinafter MEDICAID ENROLLMENT] *available at* http://www.kff.org/medicaid/upload/8050-03.pdf.
13. *Id.*

eligibility and how it functions.[14] Medicaid eligibility varies in each state because the federal government gives states the option to customize their Medicaid programs.[15] Enrollment in Medicaid programs is impacted by numerous factors, including changes in the following: individual state eligibility standards and health care costs; employer-offered insurance coverage; and income.[16] However, one common factor exists among states – Medicaid is an entitlement program that is tailored toward low-income individuals and families who would otherwise lack health insurance.[17] In fact, Medicaid and State Children's Health Insurance Programs (CHIP) accounted for 15.1% of health insurance coverage for Americans in 2010.[18] In comparison, private health insurance covers 60.8% of Americans, while Medicare covers 14%.[19]

II. THE GREAT RECESSION AND ITS IMPACT ON HEALTH INSURANCE COVERAGE

Throughout the last eleven years, the U.S. economy has endured three separate periods of economic fluctuation that has resulted in significant changes in the unemployment rate.[20]

Between 2000 and 2004, the economy fell into a recession which, while officially over in October 2001, continued to affect unemployment rates and incomes until 2004 . . . Between 2004 and 2007, the economy emerged from the recession and grew at a modest rate; the unemployment rate declined, GDP increased, and real median household and real per capita incomes grew. In 2007, the economy entered a sharp downturn that has become known as the Great Recession. Unemployment grew sharply, GDP

14. MACPAC REPORT, *supra* note 3, at 13.
15. *Id.*
16. RISING UNEMPLOYMENT, *supra* note 9, at 2-3.
17. MACPAC REPORT, *supra* note 3, at 9.
18. *Id.* at 17.
19. *Id.*

declined and then fell in 2009, and real per capita incomes declined.[21]

In 2000, the national unemployment rate stood at 3.97%, which rose slightly in 2001, then rose again in 2002.[22] In 2003, the unemployment rate reached 5.99%, but then declined somewhat in 2004.[23] This decline continued until 2008 when it began to rise dramatically.[24] Unemployment reached a record high in October 2010, peaking at 10.1%, but declined in December 2010 to 9.4%.[25] Since April 2011, the unemployment rate has remained steady at 9.1%.[26]

When the economy experiences declines, all state budgets, and their corresponding Medicaid programs, become severely distressed.[27] The national unemployment rate illustrates the vast number of Americans who have lost their jobs during the Great Recession. In losing their income, along with the accompanied health insurance, the unemployed population may become increasingly eligible for Medicaid.[28] Individuals who lose their income and become eligible for Medicaid typically take one of three actions: enroll in Medicaid and receive public coverage, purchase non-group coverage, or become uninsured.[29]

As more people lost jobs, income, and health insurance, the number of

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20. LAST DECADE AND THE GREAT RECESSION, *supra* note 11, at 4.
21. *Id.*
22. *Id.*
23. *Id.*
24. *Id.*
25. KAISER COMM'N ON MEDICAID AND THE UNINSURED, WAITING FOR ECONOMIC RECOVERY, POISED FOR HEALTH CARE REFORM: A MID-YEAR UPDATE FOR FY 2011 – LOOKING FORWARD TO FY 2012 1 (Jan. 2011) [hereinafter WAITING FOR ECONOMIC RECOVERY] *available at* http://www.kff.org/medicaid/upload/8137.pdf.
26. Press Release, U.S. Dep't of Labor Bureau of Labor Statistics, The Employment Situation – August 2011 (Sept. 2, 2011), *available at* http://www.bls.gov/news.release/pdf/empsit.pdf.
27. KAISER COMM'N ON MEDICAID AND THE UNINSURED, MEDICAID'S CONTINUING CRUNCH IN A RECESSION: A MID-YEAR UPDATE FOR STATE FY 2010 AND PREVIEW FOR FY 2011 2 (Feb. 2010) [hereinafter MEDICAID'S CONTINUING CRUNCH] *available at* http://www.kff.org/medicaid/upload/8049.pdf.
28. RISING UNEMPLOYMENT, *supra* note 9, at 2.
29. *Id.*

Medicaid enrollees rose dramatically.[30] From June 1998 to June 1999, the amount of people who enrolled in Medicaid increased by only 0.4%.[31] Medicaid reached its highest enrollment in June 2002, when it rose to 9.3% nationwide.[32] Monthly Medicaid enrollment began to decline annually, however, until a 3.6% increase in 2008.[33] Currently, unemployment rates remain high, and Medicaid enrollment rates continue to grow as a result.[34] In 2010, states projected Medicaid enrollment growth to be 6.6%.[35] However, it far surpassed this estimate when it reached 8.5%.[36] States expected that Medicaid enrollment would grow to approximately 6.1% for fiscal year 2011, a significant but somewhat slower rate.[37] These numbers demonstrate that as the unemployment rate increased, so too did Americans' dependence on Medicaid as their alternative to private health coverage.[38] For those who lost their jobs during the economic downturn, the comfort of employer-supplied health insurance no longer existed, and Medicaid became the only option aside from being uninsured.[39]

III. IMPACTS ON MEDICAID SPENDING

Medicaid funding comes from the federal government and the respective

30. EILEEN R. ELLIS ET AL., MEDICAID ENROLLMENT IN 50 STATES: JUNE 2008 DATA UPDATE, KAISER COMMISSION ON MEDICAID AND THE UNINSURED 6 (Sept. 2009) [hereinafter MEDICAID ENROLLMENT IN 50 STATES] *available at* http://www.kff.org/medicaid/upload/7606-04.pdf.

31. *Id.*

32. *Id.*

33. *Id.*

34. VERONICA K. SMITH ET AL., HOPING FOR ECONOMIC RECOVERY, PREPARING FOR HEALTH REFORM: A LOOK AT MEDICAID SPENDING, COVERAGE AND POLICY TRENDS. RESULTS FROM A 50-STATE MEDICAID BUDGET SURVEY FOR STATE FISCAL YEARS 2010 AND 2011 EXECUTIVE SUMMARY, KAISER COMMISSION ON MEDICAID AND THE UNINSURED 4 (Sept. 2010) *available at* http://www.kff.org/medicaid/upload/8105_ES.pdf.

35. *Id.*

36. *Id.*

37. *Id.*

38. WAITING FOR ECONOMIC RECOVERY, *supra* note 25, at 4.

39. HOLAHAN ET AL., *supra* note 11, at 1.

state governments.[40]

Medicaid is a means-tested program and federally financed with general revenues; there is no federal trust fund or dedicated tax revenues to finance federal Medicaid expenditures. Medicaid spending is driven by enrollment growth, inflation, and policy changes. . . A key factor driving federal Medicaid expenditures is state coverage and payment decisions. Typically, the federal share of total Medicaid expenditures nationally is 57 percent and the state share is 43 percent.[41]

As an increased number of individuals become eligible for Medicaid, state Medicaid expenditures increase dramatically, where at the same time, state revenue declines because of job loss, which makes contributions to the Medicaid programs a strenuous task for the states.[42] Notably, as more individuals became uninsured as a result of job loss and subsequent low income, state revenue declined and the demand for Medicaid enrollment and spending increased.[43]

Unfortunately, the adverse cycle of increasing unemployment rates, decreasing state revenue earnings for Medicaid spending, and increasing reliance on Medicaid as primary health coverage results in less spending money available for the larger number of Medicaid recipients. States often reduce provider rates and program benefits to make up for the Medicaid funding shortfall.[44] In fact, in 2010, most states implemented mid-fiscal year cuts in provider rates and program benefits in order to keep their Medicaid programs afloat for the growing number of recipients.[45] Midway

40. MACPAC REPORT, *supra* note 3, at 13.
41. *Id.*
42. *See* KAISER COMM'N ON MEDICAID AND THE UNINSURED, RISING UNEMPLOYMENT MEDICAID AND THE UNINSURED: A MULTI-YEAR SNAPSHOT OF STATE FINANCING EFFECTS 1 (Jan. 2009) *available at* http://www.kff.org/uninsured/upload/7850_FS.pdf.
43. *Id.*
44. MEDICAID'S CONTINUING CRUNCH, *supra* note 27, at 1.
45. *Id.*

through fiscal year 2010, a total of forty-four states, as well as the District of Columbia, reported Medicaid enrollment and spending levels well above those originally projected at the beginning of the fiscal year.[46] These important sacrifices took place in order to keep Medicaid functioning at the level required by federally set minimums.

As the U.S. economy continued to decline and Americans consequently lost jobs, the federal government intervened with the American Recovery and Reinvestment Act of 2009 (ARRA), "which provided a temporary increase in the federal Medicaid matching rate . . . from October 2008 through December 2010."[47] The implementation of this Act required states to refrain from making certain cuts in their Medicaid programs.[48] Although the federal government aided the struggling states when state revenue could not fund Medicaid,[49] the states still needed to act in order to curb Medicaid spending. Consequently, forty-eight states in fiscal year 2010 "implemented at least one new policy to control cost and [forty-six] states plan[ned] to do so in [fiscal year] 2011 with some states reporting program reductions in multiple areas."[50] Primarily, Medicaid officials relied on provider reimbursement rate cuts to reduce spending costs.[51] Decreasing provider rates can be a risky move, because these rates encourage and keep provider participation in the Medicaid program.[52] Lower rates, however, also allow enrollees access to certain services.[53] In making provider rate cuts, Medicaid officials look to the future in the hopes that when economic conditions improve, they can restore the previous provider rates, or even

46. *Id.*
47. SMITH ET AL., *supra* note 34, at 3.
48. *Id.* at 5.
49. *Id.* at 3.
50. *Id.* at 4.
51. *Id.*
52. *Id.*
53. *Id.*

increase them, to make the program more attractive to providers.[54]

States also implemented benefit restrictions for Medicaid enrollees in an effort to curb spending.[55] States restricted or limited available services without dipping below the federally mandated requirements for Medicaid.[56] In order to receive the funds allotted through the ARRA, the federal government required states to maintain their Medicaid eligibility standards, methodologies, or procedures that were in place on July 1, 2008.[57] Because states were prohibited from reducing the amount of individuals eligible for Medicaid, they had to look elsewhere to make cuts in spending as the number of enrollees continued to grow with rising unemployment.

Fiscal year 2010 saw a record number of benefit restriction implementations when twenty states reduced the benefits to their enrollees.[58] Fourteen additional states reported that they had planned benefit restrictions for fiscal year 2011 as well.[59] Benefit restrictions came in the form of eliminating certain previously covered benefits, in addition to putting controls on existing benefits.[60] "For example, several states eliminated all or some adult dental services including Arizona, California, Hawaii, and Massachusetts. A number of states also imposed limits on benefits such as imaging services, medical supplies or durable medical equipment, therapies or personal care services."[61] In fact, since the beginning of the recession, every state has "implemented provider rate cuts or freezes, benefit cuts and restrictions, provider taxes and assessments, utilization controls, fraud and abuse reduction strategies and numerous

54. *Id.*
55. *Id.* at 5.
56. *Id.*
57. *Id.*
58. *Id.*
59. *Id.*
60. *Id.*
61. *Id.* at 5.

administrative cuts . . . to reduce Medicaid cost growth."[62] Overall, when unemployment rates remain high, Medicaid enrollment grows.[63] When Medicaid enrollment grows, Medicaid expenditures also increase.[64] This spending increase, coupled with the state budget shortfalls, causes Medicaid officials to consider difficult questions about where to make cuts in order to reduce Medicaid spending.[65]

IV. CONCLUSION

This article has examined the correlation between rising unemployment rates in the United States during the recent Great Recession and the corresponding rise in Medicaid enrollment. This article has also addressed the rise in the number of individuals eligible for Medicaid as a whole, primarily because Medicaid is a major source of coverage for the health care of low-income children and their families, low-income seniors, and low-income persons with disabilities, in addition to all other low-income individuals in the United States.[66] The origination of Medicaid stemmed from a welfare-based program in the 1960s and grew into a major payer in the United States healthcare system for individuals who could not afford health care on their own.[67] Without Medicaid, approximately 31.3% of Americans would be uninsured.[68]

If the data discussed in this article is any indication of the future, Medicaid enrollment will likely follow the same trend as the unemployment rate. That is, Medicaid enrollment and spending will increase when there is a rise in unemployment and decrease when there is a decline in

62. WAITING FOR ECONOMIC RECOVERY, *supra* note 25, at 4.
63. SMITH ET AL., *supra* note 34, at 4.
64. *Id.*
65. *Id.*
66. MACPAC REPORT, *supra* note 3, at 9.
67. *Id.* at 12.
68. *Id.* at 17.

unemployment. Undoubtedly, the rising unemployment rate reflects that Americans are significantly impacted when employer-sponsored insurance and income are taken away. Thus, often the only option for health insurance coverage is Medicaid.