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Health Coverage for Individuals Affected by Hurricane Katrina: A Comparison of Different Approaches to Extend Medicaid Coverage

In the wake of the devastation caused by Hurricane Katrina, hundreds of thousands of Americans are struggling to cope with the loss of their homes and livelihoods, while the impacted states of Louisiana, Alabama, and Mississippi are reeling from significant losses of infrastructure and revenue sources and facing an unprecedented rebuilding effort. It is estimated that over a million Americans were displaced from New Orleans and other devastated areas as a result of Katrina. Tens of thousands have relocated to Texas and other states outside of the directly impacted areas.

As a country, we now face innumerable challenges to help the Hurricane survivors begin to rebuild their lives and to help the impacted states rebuild their communities. One key issue that requires immediate attention is the health care needs of survivors. Survey results suggest significant health needs among evacuees, with many suffering from a chronic health condition or physical disability.¹ Further, the psychological stress and trauma experienced by survivors will lead to increased need for mental health services. Many evacuees currently are not getting the care they need.

The areas affected by the Hurricane are some of the poorest in the country, with over one in five residents in Louisiana, Mississippi, and Alabama living in poverty before the disaster. Reflecting these high rates of poverty, these states had high uninsured rates prior to the disaster and large numbers of residents were enrolled in Medicaid. Many of those displaced by Katrina are now jobless, resulting in even higher rates of poverty among the affected population as well as losses of employer-sponsored coverage.

Given the high rates of impoverishment and limited coverage among Hurricane survivors, the Medicaid program is a critical vehicle for supporting their health needs. Approaches have been put forward to extend Medicaid coverage to Hurricane survivors, but they differ significantly regarding the extent to which they extend Medicaid eligibility and in the role of federal funding for coverage of Hurricane survivors. On September 15, 2005, bipartisan legislation (S. 1716) was introduced in the Senate to extend Medicaid eligibility to Katrina survivors. Alternatively, the Administration released a new waiver initiative on September 16, 2005, designed to assist states in providing Medicaid coverage to Hurricane survivors. The first state to receive a waiver under this initiative was Texas. To date, nine other waivers have been approved under the initiative.

Following are two documents that provide an overview of these approaches and their key differences. First is a table comparing the major components of the September 15th Senate bill, the Administration's waiver initiative, and the Texas waiver. Second is a fact sheet that provides greater detail on the Texas waiver and highlights some key questions raised by the waiver.

¹ The Washington Post, Kaiser Family Foundation, and Harvard University, "Survey of Hurricane Katrina Evacuees," September 2005, available at www.kff.org.

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**Health Coverage for Those Affected By Hurricane Katrina:
Comparison of the Bipartisan Senate Bill, the Administration's Waiver Initiative, and the
Texas Waiver**

	Bipartisan Senate Bill (S.1716, introduced 9/15/05)	HHS Waiver Template	Approved Texas Waiver
Who Gets Help Among Katrina Survivors and For How Long?¹			
Eligibility Rules	National Standards Children, pregnant women and people receiving Social Security disability benefits with incomes below 200% of poverty and other adults with incomes below 100% of poverty.	Varies State by State Each "Host" state chooses to apply either the "Home" state eligibility standards (i.e., home state for the Katrina survivor) or eligibility rules suggested by HHS; adults without children, regardless of income, are excluded unless elderly or disabled	HHS Suggested Levels Coverage for children, pregnant women, parents, individuals with disabilities, individuals in need of long-term care, and Medicare beneficiaries generally up to HHS suggested guidelines. ² No coverage for childless adults at any income level; pregnant women between 185% and 200% of FPL; or people receiving Social Security disability benefits with incomes between 100%-200% of FPL.
Application Procedures	Simplified National Application and Application Procedures Katrina survivors can self-attest to all eligibility factors with penalties for false statements.	State-Based Application; Self-Attestation Allowed For Some Items Katrina survivors can self-attest displacement, income, and immigration status, but other verification requirements may be imposed.	Application Design Not Specified; Self-Attestation Allowed For Some Items Katrina survivors can self-attest displacement, income, and immigration status, but other verification requirements may be imposed.
Resource Test	None	Varies State by State States decide whether to impose an assets test	None
Duration of Coverage	5 Months with Option to Extend to 10 Months After the disaster period, Katrina survivors receive help to apply for regular Medicaid coverage, when appropriate.	5 Months No requirement to assist potentially eligible Katrina survivors to transition to regular Medicaid or other coverage after the disaster period.	5 Months No plan for transition of qualified individuals to regular Medicaid after the disaster period.
Timing	Pending Legislation Coverage begins as soon as the law is enacted and may cover retroactive expenses; no state plan amendment or waiver needed.	Varies Depends on when the "Host" state applies, negotiates, and obtains a waiver. Retroactive eligibility available effective to August 24, 2005.	Coverage May Begin as of August 24, 2005

Bipartisan Senate Bill (S.1716, introduced 9/15/05)				HHS Waiver Template	Approved Texas Waiver
What Type of Coverage Is Provided to Katrina Survivors?					
Minimum Benefits for Adults	At Least the State's Medicaid Benefits Can provide (and receive federal payments for) additional mental health services, care coordination services, and home and community-based services.	Can Be Less Than the State's Medicaid Benefits Can provide additional benefits, but also allows a reduced benefit package for Katrina survivors.	Standard Texas Medicaid Benefits Allows state to provide additional mental health benefits or home and community-based care, subject to available funding through the uncompensated care pool.		
Minimum Benefits for Children	Full Medicaid Benefits Including EPSDT for all children.	Can be Less Than the State's Medicaid Benefits Children may be enrolled in SCHIP, which can have limited benefits, cost sharing, waiting lists.	Some Will Receive SCHIP Benefits Texas SCHIP benefit limits apply to those determined eligible for SCHIP rather than Medicaid. ³ Because some children will be enrolled in SCHIP rather than Medicaid, children in the same families may be in different programs and children may be in a different program from their parents.		
Cost Sharing	None	Varies State by State States can choose to exempt evacuees from cost sharing requirements	None		
Provider Arrangements	Varies State by State Could be fee-for-service or managed care	Varies State by State Could be fee-for-service or managed care	Fee-for-Service		
Who is Paying for Coverage of Katrina Survivors?					
Funding Source	100% Federal Medicaid Payments For benefits and related administrative costs; no state share	Unclear Under signed Memorandums of Understanding (MOUs), "Home" states (Louisiana, Alabama, and Mississippi) are responsible for the "Host" states' share of costs for evacuees. Waiver initiative fact sheet notes that states "will be made whole for the costs of care incurred for evacuees." ⁴	Unclear Under MOUs, nonfederal share of Medicaid costs are to be paid by "Home" state. Mechanism of payment is not specified.		

Bipartisan Senate Bill (S.1716, introduced 9/15/05)		HHS Waiver Template	Approved Texas Waiver
What Funding is Available for Uncompensated Care?			
Mechanism	Establishes an Uncompensated Care Pool National approach that would create a pool to fund uncompensated care and increase Medicare bad debt payments to hospitals in affected areas.	States Choose Whether or Not to Establish an Uncompensated Care Pool	Establishes an Uncompensated Care Pool Amount and source of funds and mechanism for payment to providers not specified. Pool would potentially reimburse providers for costs incurred between August 24, 2005 and January 31, 2006 for services provided to uninsured evacuees and services not covered by Texas Medicaid or SCHIP
What Additional Federal Financing is Available for States Directly and Indirectly Affected by Katrina?			
Change in Federal Medicaid and SCHIP Matching Rates	(1) 100% FMAP for Louisiana, Mississippi, and affected Alabama counties through 2006 (2) Cancellation of FMAP reduction for all states for FY 2006	None	None⁵

¹ A "Katrina survivor" is in both plans a person who lives/lived in affected counties/parishes; the Senate bill includes people who lost their jobs in affected counties/parishes

² Under the waiver, Texas will look at gross, not net income.

³ In Louisiana, all children up to 200% of FPL are eligible for Medicaid. According to the waiver, cost sharing for children under SCHIP would not be imposed. Other SCHIP benefit limits would apply.

⁴ Centers for Medicare and Medicaid Services, "Disaster Relief Emergency Medicaid Waiver Program," Medicaid Fact Sheet, September 15, 2005

⁵ Texas is projected to lose \$40 million due to its scheduled FMAP reduction.

OVERVIEW OF THE TEXKAT WAIVER PROGRAM

In the wake of the devastation caused by Hurricane Katrina, tens of thousands of Americans have been displaced from their homes and are now residing in other areas. The impacted states of Louisiana, Alabama, and Mississippi are reeling from significant infrastructure and revenue losses as they face an unprecedented rebuilding effort. On September 16, 2005, the Administration released a new waiver initiative designed to assist in providing health coverage to survivors of Hurricane Katrina. The Administration has pursued this waiver approach as an alternative to legislation introduced in the Senate that would extend Medicaid eligibility with 100% federal financing for Katrina survivors.

The Texas "TexKat" Medicaid and SCHIP waiver is the first waiver approved under this new initiative. As of October 10, 2005, similar waivers had been approved in Alabama, Arkansas, the District of Columbia, Florida, Georgia, Idaho, Mississippi, Puerto Rico, and Tennessee. The TexKat waiver:

- Establishes temporary, five-month eligibility under Texas Medicaid or SCHIP programs for Katrina "evacuees" who meet certain categorical and income requirements. Under separate "Memorandums of Understanding" (MOUs), the "Home" states impacted by Katrina (Louisiana, Mississippi, and Alabama) are responsible for the state share of Medicaid and SCHIP costs for Katrina survivors residing and receiving care in the "Host" state of Texas.
- Authorizes an uncompensated care pool from which Texas may reimburse providers for the costs of furnishing services to uninsured evacuees and pay for services not covered under Texas Medicaid or SCHIP programs that are provided to evacuees. The amount and source of funds as well as the payment mechanisms for the uncompensated care pool are not specified.

Eligibility for Temporary Medicaid

The waiver allows Texas to extend temporary Medicaid and SCHIP eligibility to evacuees who meet the categorical and income requirements listed in Table 1. No resource test will apply. Texas will accept applications for temporary coverage from August 24,

2005 to January 31, 2006. Evacuees will receive up to five months of coverage; temporary coverage for those applying in January will extend through June 2006. Eligibility may begin effective August 24, 2005.

**Table 1:
Evacuee Eligibility for TexKat**

Population	Income as % of FPL or SSI
Children	≤ 200% FPL
Pregnant women from LA and MS	≤ 185% FPL
Pregnant women from AL	≤ 133% FPL
Parents	≤ 100% FPL
Individuals with disabilities	≤ 300% SSI
Individuals in need of long-term	≤ 300% SSI
Medicare recipients	≤ 100% FPL
Adults without dependent children	Not Eligible

FPL=Federal poverty level, \$16,090 for family of three in 2005.
SSI=Supplemental Security Income level; 300% SSI = 218% FPL.

An "evacuee" is a resident of a designated emergency area who has been displaced from his or her "Home" state by the emergency. The waiver does not allow Texas to extend Medicaid or SCHIP eligibility to evacuees who are non-elderly adults without dependent children, regardless of their income, or to immigrants that have not met legal conditions for permanent residence ("non-qualified aliens").

At the end of the temporary eligibility period, individuals must reapply for eligibility under a permanent category; neither "Host" (Texas) nor "Home" states are obligated to provide applications for regular Medicaid or to automatically redetermine eligibility for regular Medicaid at the end of the temporary eligibility period.

Enrollment in Temporary Medicaid

Individuals can establish evacuee status by self-attesting displacement, income, and immigration status, but they are required to cooperate in demonstrating their evacuee status. "Host" states assure that they will, to the greatest extent possible, verify eligibility, residency, and citizenship and prevent fraud and abuse. Both "Host" and "Home" states may

be subject to audit by other Federal agencies to assure that only evacuee expenses are claimed and to detect provider or client fraud or abuse.

Evacuee applicants will be screened for Medicaid and SCHIP enrolled in the program for which they are eligible for the temporary coverage period. Because Texas eligibility standards for children vary by age, some families may have different children in different programs; further, some children may be in a different program from their parents. Which program an individual is enrolled in will have implications for benefits received, as SCHIP benefits are more limited than Medicaid.

Benefits & Cost Sharing for Temporary Medicaid

The minimum benefits for evacuees will be services included in the regular Texas Medicaid or SCHIP program (depending on whether an individual qualifies under Medicaid or SCHIP). Texas may add services that are not otherwise covered for evacuees, including home and community based services, but is not required to do so. Services beyond those included in the Texas Medicaid or SCHIP program that are provided to evacuees will be paid through the uncompensated care pool. Texas will exempt all evacuees from cost sharing. (The waiver initiative gives states the option to provide more limited benefits to evacuees and to charge them cost sharing.)

Financing of Temporary Medicaid Coverage

The waiver terms and conditions state that Texas will use the standard Medicaid and SCHIP funding process, which would require state matching payments and, thus, result in added costs to Texas for services provided to evacuees. However, according to MOUs signed between the federal government and the “Home” states of Louisiana, Mississippi, and Alabama, the “Home” states will be responsible for the state share of Medicaid and SCHIP expenditures for Katrina survivors residing in other states.

When, how, and to whom these “Home” states will make their payments remain unclear. Further, given the huge economic and infrastructure losses in these states, it is unclear whether they will be able to pay these costs. In other contexts, the Administration has stated that it is working with the Congress to address the situation.

Unlike other Section 1115 waivers, the TexKat waiver does not require Texas to demonstrate budget neutrality—i.e., to show that the federal government would not spend more under the waiver than it would without the waiver. The federal government is presuming that individuals covered by the waiver are otherwise eligible for Medicaid or SCHIP in their respective “Home” state and, thus, costs to the federal government would have been otherwise incurred. The cost of providing services to evacuees is not counted against other waivers in the state, including Home and Community Based Services waiver slots.

Uncompensated Care Pool

The waiver authorizes a pool from which Texas can reimburse providers that incur uncompensated care costs for furnishing services to uninsured evacuees and to pay for services not covered under the Texas Medicaid or SCHIP programs that are provided to evacuees. The pool is available for expenses incurred from August 24, 2005 to January 31, 2006. Information has not been provided regarding the levels and sources of funding for the pool or on how pool claims will be prioritized or paid to providers.

Conclusion

The TexKat waiver is the first waiver approved under the Administration’s new section 1115 waiver initiative to provide health care services to Hurricane Katrina survivors. The waiver enables Texas to provide assistance to some groups of Katrina survivors. However, many survivors in need, particularly adults without dependent children, remain ineligible for Medicaid or SCHIP under the waiver and would only gain assistance through care financed by the uncompensated care pool.

Critical components of the waiver remain unclear, including the levels and sources of funding for the uncompensated care pool as well as its payment mechanisms. Finally, the financing of Medicaid and SCHIP eligibility for Katrina evacuees, under which the “Home” states are responsible for the state share of costs, raises significant concerns. Louisiana, Mississippi, and Alabama have lost large components of their economies leaving them with extremely compromised revenue situations as they face an unprecedented rebuilding effort. Their ability to fund Medicaid and SCHIP expenses for Katrina survivors, and, whether they should be responsible for this funding, are critical questions that remain.

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