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Maintenance of Effort Requirements Ensure Health Insurance During Tough Economic Times

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Maintenance of effort provisions, which stabilize funding for health care services, serve an important role in maintaining the provision of adequate health care and important economic activity that is critical to economic recovery. As states struggle to balance continuing budget shortfalls, some states have suggested eliminating MOE requirements from Medicaid and CHIP programs.

Maintenance of Effort Requirements Stabilize Health Care Services

Maintenance of effort (MOE) is the requirement that states maintain a specified financial commitment level for certain programs as a condition of receiving federal money.¹ MOE requirements apply to a variety of state and federal education and health programs.²

MOE requirements stabilize funding for various programs during periods of economic uncertainty. By ensuring the stability of services, they provide security particularly to lower-income families whose limited means become increasingly meager during a recession.³ Many lower and middle-income families must choose purchasing one necessity over another, often opting to cut health care first.

A recent Kaiser and Georgetown University Center for Children and Families survey of all fifty states found that despite the recent economic downturn, MOE requirements steadied Medicaid and CHIP coverage levels in many states.⁴

During the recent recession, revenues plummeted in most states, including Missouri. Without these MOE requirements, states would likely scale back health care programs like Medicaid and CHIP to save money at a time when more families need government assistance.⁵

¹ National Institutes of Health. Grants Glossary. Available at: <http://grants.nih.gov/grants/policy/gps/2glossar.htm>.

² Ibid.

³ Guyer, Jocelyn and Martha Heberlein. "Eliminating Medicaid and CHIP Stability Provisions (MoE): What's at Stake for Children and Families." Georgetown Center for Children and Families. February 2011. Available at: <http://ccf.georgetown.edu>.

⁴ The Kaiser Commission on Medicaid and the Uninsured. News Release: With federal support states hold steady in Medicaid and CHIP coverage policies for low-income children and families despite recession. January 2011. Available at: <http://www.kff.org/medicaid/kcmu011111nr.cfm>.

⁵ Ibid.

Health Care Reform Requires Maintenance of Effort

The health care reform bill, known as the Patient Protection and Affordable Care Act or ACA, has MOE requirements for state Medicaid and Children's Health Insurance Programs (CHIP). The Medicaid MOE provision is an extension of the one included in the 2009 American Recovery and Reinvestment Act (ARRA).⁶ States must maintain their 2009 funding levels until 2014, when new levels will be set and the states' health insurance exchanges will be operating.⁷

The ACA established a new MOE for state CHIPs, which requires that states maintain through 2019 at least the level of funding that was in effect on March 23, 2010, the day that the health care reform bill passed.⁸ These requirements incentivize states to comply since Medicaid and CHIP are funded through a combination of federal and state dollars. If a state does not meet its MOE, it could potentially lose substantial federal funding. States would not be able to finance these programs on their own to provide coverage for their most vulnerable citizens.

The ACA also requires that states maintain existing eligibility or enrollment levels.⁹ This ensures that states can neither restrict who enrolls in Medicaid or CHIP nor drop current enrollees. This MOE was added because in the past, states have added administrative barriers like extensive paperwork for beneficiaries to apply or even renew their eligibility.¹⁰

Short Term Gains of Eliminating MOE Would Mean Long Term Losses

The stability MOE requirements provide has recently been threatened by several Governors' requests to eliminate them to balance their states' budgets. However, cutting programs like Medicaid and CHIP would only provide short-term savings. A 2007 study showed that states spend more in the long-run when CHIP enrollment decreases. Costs increase overall because primary, routine care is shifted to emergency care, which is far more expensive.¹¹ A similar effect would occur with Medicaid recipients, costing the states, federal government and all of us more money over time. The cost for uncompensated care for higher numbers of uninsured individuals boosts the premium costs for those who have insurance.

The Center on Budget and Policy Priorities explains that not only would cutting the MOE cause several million individuals to lose health insurance coverage, but it would also negatively affect the economic recovery. Medicaid cuts would remove a combination of state and federal funds from the economy, but the state would only save the portion it contributed. Eliminating MOEs would cause lower economic growth and a loss in jobs that would have otherwise have been supported by Medicaid spending.¹² A

⁶ Families USA Factsheet. "Maintenance of effort requirements under health reform." March 2010. Available at: <http://www.familiesusa.org/assets/pdfs/health-reform/maintenance-of-effort.pdf>.

⁷ Lueck, Sarah. "Medicaid maintenance-of-effort requirement does not stop states from fighting fraud." Center on Budget and Policy Priorities. June 2011. Available at: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3511>.

⁸ The CHIP provides insurance coverage for children from lower-income families whose incomes are still too high to qualify for Medicaid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Rimsza ME, Butler RJ, Johnson WG (2007). "Impact of Medicaid disenrollment on health care use and cost". *Pediatrics* 119 (5): e1026–32. doi:10.1542/peds.2006-2747. PMID 17473075. <http://pediatrics.aappublications.org/cgi/pmidlookup?view=long&pmid=17473075>. Retrieved 2011-06-23.

¹² Ibid #7.

recent study by Families USA indicated that a five percent cut in Medicaid in 2011 would cost 5,330 jobs and \$633 million in lost economic activity.¹³

Conclusion

MOE requirements provide an important safety net for lower income families with no other alternatives to access health insurance. It is important that policy makers recognize that although eliminating these requirements would allow states to decrease immediate spending, it is unlikely that long term savings would occur.

¹³ Families USA. "Jobs at Risk: Federal Medicaid Cuts Would Harm State Economies." June 2011. Available at <http://www.familiesusa.org/resources/publications/reports/medicaid-cuts-hurt-states.html>