THE CALIFORNIA ENDOWMENT

How Much Does Churning in Medi-Cal Cost?

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Cover California's kids

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Introduction

Efforts in California to simplify the enrollment process and increase outreach for children in Medi-Cal have been successful, and by 2003, the Medi-Cal program enrolled nearly 3.4 million children.[1] Policymakers are beginning to move their focus beyond initial enrollment to ask questions about ways to keep eligible children stably insured and ways to increase cost efficiency of the system. Stability in Medi-Cal and in a health plan is important, and reducing churning is key to achieving stability for eligible children.

Why is stability in a Medi-Cal health plan important? Stable health care coverage is important for establishing a relationship with a physician, for having adequate preventive and primary care, and for appropriately treating any diseases or chronic conditions. Policymakers look to managed care as the delivery system to assure high-quality care for publicly-insured children. However, the expectation can be realized only if children are enrolled long enough for health plans to monitor care and intervene, if necessary. Quality oversight systems, such as HEDIS (Health Plan Employer Data and Information Set), recognize that health plans need time to affect care, and, for that reason, look at performance only for beneficiaries enrolled continuously for specified periods of time, usually one year.[2]

Why is churning important? Churning – that is, when children are disenrolled only to be re-enrolled after a short period of time – is an important reason for instability in coverage. Churning is of concern both for quality and efficiency reasons. Breaks in coverage, if they translate into gaps in care, may adversely affect quality. Further, inefficiencies are introduced if the same eligible children are enrolled and re-enrolled into Medi-Cal, and may lead to unnecessary costs.

> *"Churning – that is, when children are disenrolled only to be re-enrolled after a short period of time – is an important reason for instability in coverage. Churning is of concern both for quality and efficiency reasons."*

In this report, we examine the stability of enrollment in both Medi-Cal and Medi-Cal health plans, proportion of children who are disenrolled, only to be subsequently re-enrolled, and the costs to the state of processing and re-processing applications for the same eligible children. We selected a group of children who were covered by Medi-Cal in December 2003, and examine length of coverage and breaks in coverage in the preceding three years. We examine these issues for children in three age groups, corresponding to: young children (ages 5-7), school-aged children (ages 10-12), and adolescents (ages 15-17). Results are based on analyses of California Medi-Cal enrollment files. Information on cost is based on interviews and financial reports from the California Department of Health Services, the enrollment broker and Medi-Cal Managed Care plans. Our findings follow.

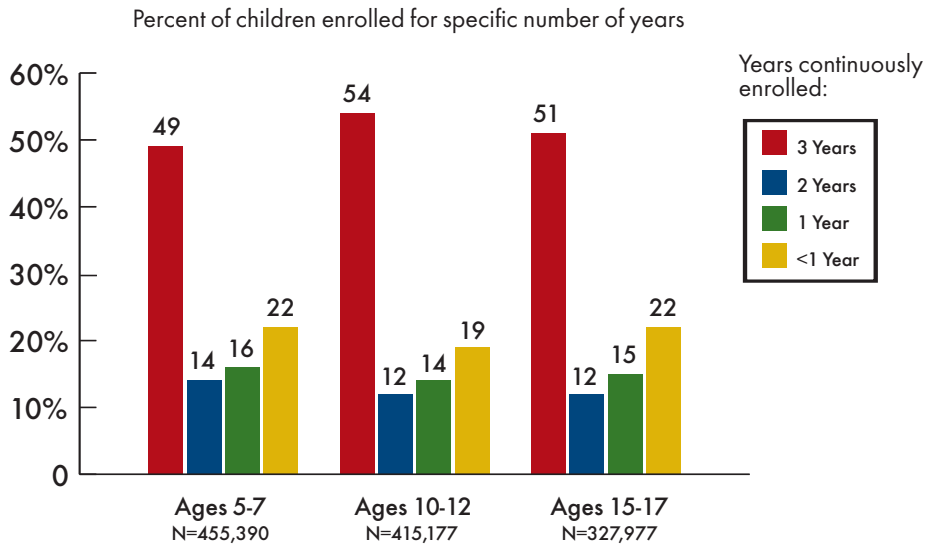
[1] Medi-Cal Budget and Cost Drivers, California HealthCare Foundation, May 2004.

[2] HEDIS 2005 Technical Specifications. National Committee for Quality Improvement. Washington: DC. 2005.

Significant Numbers of California's Medi-Cal Children Have Been Covered for a Surprisingly Long Time

Stable relationships with the health care system are important for achieving high-quality care. Stability in health care coverage is often a necessary condition for achieving stability in health care. Data from other states show problems retaining children over time.[3] Analyses of data from the California Medi-Cal enrollment files show a more positive picture for California, as shown in Figure 1. Specifically, approximately half of Medi-Cal children in all age groups have been enrolled for three consecutive years in Medi-Cal (49% for children ages 5-7, 54% for children ages 10-12, and 51% for adolescents ages 15-17). Approximately 20% of children in all age groups were newly enrolled and had been in Medi-Cal for less than one year (22% for children ages 5-7, 19% for children ages 10-12, and 22% for adolescents ages 15-17). The remaining almost one-third of children had been enrolled for more than one year, but less than three years. The tenure patterns across the age groups were strikingly similar.

FIGURE 1: **Almost half of Medi-Cal children have been enrolled continuously for 3 years**



Data Source: State Medi-Cal Enrollment File.
Note: Continuous enrollment over the three prior years for children enrolled in Medi-Cal in December 2003.

This is a surprisingly high percentage of very stably insured children in Medi-Cal, and indicates that Medi-Cal has the potential to affect quality of care.

[3] Dick, A.W., et al. Consequences Of States' Policies For SCHIP Disenrollment. *Health Care Financing Review.* 2002. 23(3): 65-88.

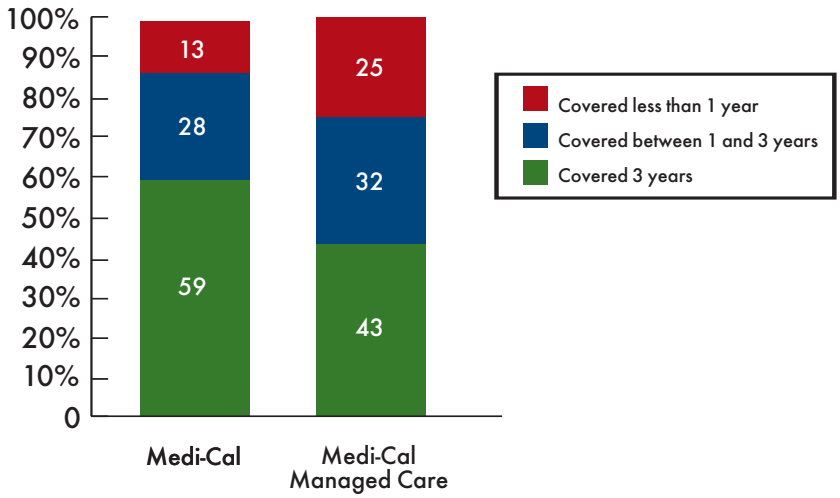
Continuity is High for Children in Medi-Cal Managed Care, and Even Higher for These Children in Medi-Cal

Medi-Cal coverage, like Medicaid coverage in other states, begins retroactively at the date of the application. This retroactive start date allows for coverage of the immediate health needs if the child is subsequently determined eligible. Retroactive coverage is an important feature of the Medi-Cal program because application for Medi-Cal is often triggered by a health crisis. In most states, it takes approximately two months to establish eligibility and get the card into the hands of beneficiaries, but if eligibility is subsequently established, providers will be reimbursed for services during this time.[4]

Enrollment in a managed care plan takes place after Medi-Cal eligibility has been determined through a process that can take additional time. Thus, the start date for actual management of care in California (and other states) can begin several months after the retroactive coverage in Medi-Cal. This means that we would expect a lower percentage of children to be continuously enrolled in a health plan than in Medi-Cal.

Figure 2 shows that this is the case in California. Data in this Figure are based on the approximately 70% of Medi-Cal children who were in a managed care plan as of December 2003. Because the patterns were similar across the age groups, data were combined. As shown in Figure 2, 43% of children had been enrolled in the same managed care plan for three or more years. However, because of the delays in enrolling in a health plan, more – almost 60% – had been enrolled in Medi-Cal for three or more years.

FIGURE 2: **Children are covered by Medi-Cal for longer than they are enrolled in a health plan**

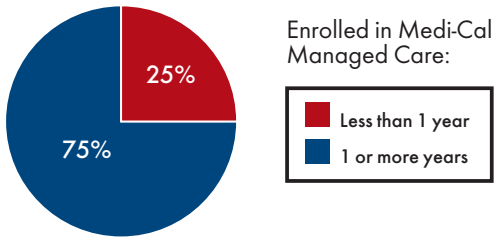


Data Source: State Medi-Cal Enrollment File.
Sample size for the 3 age groups in Medi-Cal Managed Care=832,780.

4 Fairbrother G. Park HL, Haidery A, Gray BH. Periods of Unmanaged Care in Medicaid Managed Care. Unpublished Manuscript. 2005.

Because health plans are held accountable for children enrolled at least one year according to the HEDIS, the one-year mark is an important one. It is generally thought that less than one year is not enough time to show improvement, thus plans are only asked to report on beneficiaries who have been enrolled for a year or more. Beyond reporting and accountability, one year has come to represent the minimum amount of time to bring about quality improvement. In California, three out of every four Medi-Cal children – a full 75% – had been enrolled in the same health plan for one or more years, and are part of the managed care reporting, as shown in Figure 3. The striking message of Figure 3 is that managed care as a delivery system has enormous potential for monitoring and intervening in care for a large proportion of poor children.

FIGURE 3: 3 of 4 Children in Medi-Cal Managed Care have been enrolled for 1 or more years



Data Source: State Medi-Cal Enrollment File.
Sample size for the 3 age groups in Medi-Cal Managed Care=832,780.

Approximately 20% of the Children in Medi-Cal Churn, and Most Breaks are Less Than Four Months

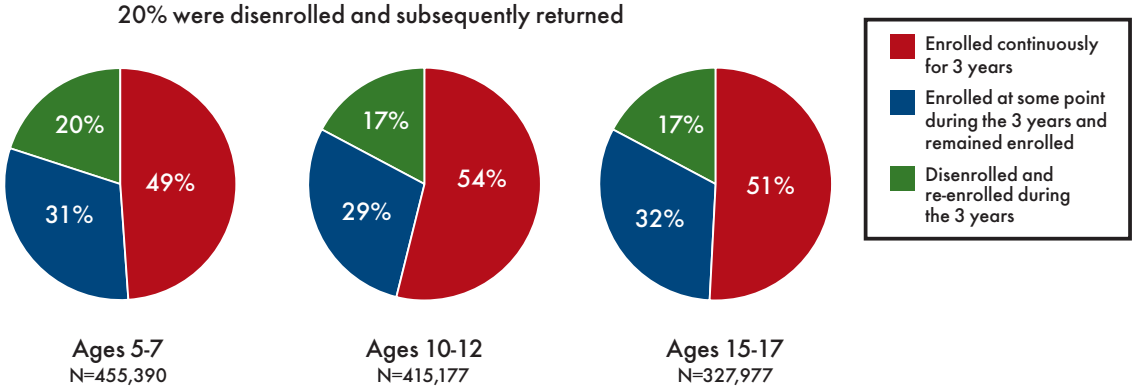
Stability in health care is important for optimum quality. The importance of a regular health care provider has been shown repeatedly, and children who are stably insured are more likely than others to have a regular health care provider, to have preventive care visits, and to receive needed care without delays.[5] As shown earlier in Figure 1, in California, about half of the children in all age groups enrolled in December 2003, had been continuously enrolled a full three years. These children clearly are stably insured. As shown in Figure 4, in addition to these stably insured children, a little under one-third of the children (31%, 29%, and 32% for the three age groups, respectively) were enrolled at some point during the three-year period and remained on the rolls.

> *"Stability in health care is important for optimum quality."*

However, 18% of children in all age groups (20%, 17%, and 17% for the three age groups, respectively) were disenrolled at least once in the course of the three years, but subsequently regained coverage. That means that over 600,000 of the nearly 3.4 million children enrolled in 2003 were removed from the rolls in the three-year period, only to be re-enrolled.

[5] The National Academies Institute of Medicine. Health Insurance is a Family Matter. 2002. National Academy Press: Washington, DC.

FIGURE 4: Most children had no breaks in Medi-Cal coverage, but approximately 20% were disenrolled and subsequently returned

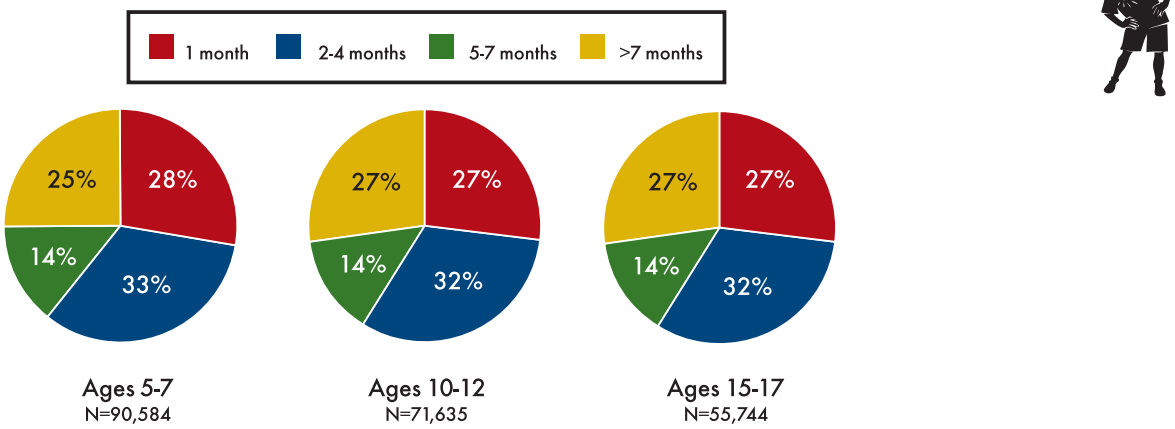


Data Source: State Medi-Cal Enrollment File.
Note: Refers to number of breaks in Medi-Cal between December 2003 and January 2001, for children covered in December 2003.

Most of these children (88%) had only one break in coverage in the three years, but small percentages exited and re-entered two or more times (11% had two breaks, and 1% had three or more breaks).

Most of the children disenrolled from Medi-Cal and subsequently re-enrolled, did so within four months. In all ages, approximately one-quarter of the children regained Medi-Cal coverage after one month and another approximately one-third regained coverage in two to four months (Figure 5). Thus, approximately 60% of children in all ages who were disenrolled from Medi-Cal were re-enrolled within four months. The median length of time without Medi-Cal coverage was 3 months.

FIGURE 5: Most children were back on Medi-Cal after breaks of 4 months or less



Data Source: State Medi-Cal Enrollment File.
Note: Includes only children who were on Medi-Cal between December 2003 and January 2001 and had at least one break in coverage.

The fact that the breaks in coverage were relatively short suggests that children probably remain eligible and lost coverage for other reasons, such as having trouble navigating the complexities of renewal. This study did not explore specific reasons for loss of coverage.

It is important to note that even though most children regained coverage in a short time, a little over a quarter of the children who were disenrolled and subsequently re-enrolled had breaks of more than 7 months (25% for children 5-7 and 27% for the other ages).

Costs to Process Beneficiaries into Medi-Cal and Medi-Cal Managed Care are Substantial

Churning is important because if the same eligible individuals are being enrolled and re-enrolled, then inefficiencies are introduced and quality of care may be adversely affected. Studies using national and other state data have shown disturbingly high levels of churning,[6] meaning that individuals are disenrolled, but are re-enrolled in a short time. Churning has significant implications for cost, in that administrative dollars to process applications diminish funds available for actual coverage. In times of fiscal constraint, it is especially important to focus public funds on health care, rather than administration.

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Costs to enroll are not limited to the costs involving Medi-Cal, but also include, for many individuals, costs associated with enrolling in a managed care plan. These include costs of the enrollment broker (Maximus in California) and costs to the health plan for new member processing. Costs to Maximus include those associated with helping beneficiaries select a health plan and maintaining files of members to be sent to health plans. The costs to health plans are for updating files, mailing out insurance cards, and ensuring that members have a primary care provider. Table 1 shows these costs for California.

As shown in Table 1, it is estimated to cost $180 to enroll a medically needy beneficiary in Medi-Cal and a health plan.[7] The largest cost is the cost around outreach, client assistance and processing the Medi-Cal application. However, approximately $28 goes to Maximus for every enrollment in managed care and another $26 goes to the health plan for processing new members. New member costs for health plans vary, depending on the level of assistance they give to families, the extensiveness of the new member screens, and the level of outreach. In California, both of the health plans interviewed undertook their own outreach activities and had increased their level of outreach as the state cut back funding for this activity.

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6 Short, P.F. and D.R. Graefe. Battery-Powered Health Insurance? Stability in Coverage of the Uninsured. *Health Affairs*. 2003. 22(6): 244-55.

7 Figures are for medically needy individuals processed, not just children. It is not possible to separate costs for children from costs associated with others.

TABLE 1: It costs about $200 to enroll a beneficiary in Medi-Cal and Medi-Cal Managed Care	
Cost for outreach and eligibility determination for Medi-Cal (county cost)	$126
Enrollment broker costs	$28
Costs to health plans to process new members	$26
TOTAL	**$180**

Note: Cost for eligibility determination is from DHS, County Administrative Expense Section.
Enrollment broker costs are based on contracted amount to the broker divided by number of beneficiaries assisted.
Cost to health plans is based on average of costs in two Medi-Cal Managed Care health plans.

This means that California is spending over $120 million to re-process the 18% of the more than 3 million eligible Medi-Cal children who were disenrolled only to be re-enrolled in the three-year period.

Conclusions

It is clear that in California sufficiently large numbers of children are both covered by Medi-Cal and enrolled in a health plan for a long enough period to expect quality improvement. Approximately half of children in all age groups are covered by Medi-Cal for three years or more. However, despite the overall high continuity, a smaller, but substantial proportion – approximately 20% or 600,000 children – are disenrolled, only to be re-enrolled a short time later. These children are likely to have been continuously eligible, but were removed for other reasons, such as not having renewal paperwork submitted on time. The costs for processing beneficiaries into Medi-Cal and subsequently into a managed care plan are just under $200. This means that California is spending over $120 million to re-process eligible children who have been disenrolled in a three-year period. For children who are continuously eligible for care, not only is this wasteful, but also the process of re-enrollment can lead to an unnecessary gap in health care.

> *"California is spending over $120 million to re-process eligible children who have been disenrolled in a three-year period."*

Methodological Notes

We described length of enrollment and breaks in enrollment for children enrolled in Medi-Cal and Medi-Cal Managed Care as of December 2003. We contrasted enrollment patterns over a three-year period for children in three age groups: young children ages 5 to 7 years, older school-aged children 10 to 12 and adolescents 15 to 17, excluding the Medi-Cal disabled, blind, aged, pregnant and foster care children, and SSI. In all cases, children were enrolled in Medi-Cal as of December 2003, and our objective was to determine how stable and consistent their coverage had been over the past three-year period. We did this by calculating the proportion of children covered by Medi-Cal for the entire three year period, for two years, for one year, and for less than one year. Next, we determined whether there had been breaks in coverage and how long the breaks lasted. We performed the same calculation for children in Medi-Cal Managed Care.

Some cautionary notes are in order. These data are from state-level enrollment files, which in turn are created from county enrollment files. The information in our tables is as up-to-date and complete as the state files. Further, although state enrollment files show high proportions of children with continuous enrollment, we have no way of knowing whether families realize this and utilize care to which they are entitled.

We also calculated the cost to enroll a child in Medi-Cal Managed Care. The cost has three components: first, cost to perform outreach and determine Medi-Cal eligibility; second, cost of the enrollment broker to assist in enrolling in a health plan; and finally, cost to the health plan to process the child and perform new member tasks. We took the costs associated with Medi-Cal coverage from California state analyses. Enrollment broker costs per enrollee were determined by dividing the expenditure for the enrollment broker by the number of enrollees processed. Finally, we assessed in two Medi-Cal Managed Care plans the costs associated with new member activities and divided these by the number of new members. New member activities included updating enrollment files from tapes, performing outreach, and assisting in selection of primary care practitioner. It was not possible to separate costs for adults from costs associated for children. The costs presented are costs per enrollee.

The total costs over a three-year period due to churning were calculated by taking the number of children in Medi-Cal with breaks, multiplying this number by the percent with one, two, and three or more breaks, and multiplying this number by the $180 cost per break (e.g. $180 for one break, $360 for two breaks, etc). The calculations presented are estimates to give orders of magnitude of the total money being spent to enroll and re-enroll children in California.

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