The Ins and Outs of Delinking:

Promoting Medicaid Enrollment of Children Who are Moving In and Out of the TANF System

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A National Health Access Initiative for Low-Income Uninsured Children

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About Covering Kids

Covering Kids is a national health access initiative for low-income, uninsured children. The program was made possible by a $47 million grant from the Robert Wood Johnson Foundation of Princeton, New Jersey, and is designed to help states and local communities increase the number of eligible children who benefit from health coverage programs by: designing and conducting outreach programs that identify and enroll eligible children into Medicaid and other coverage programs; simplifying the enrollment processes; and coordinating existing coverage programs for low-income children. Covering Kids receives direction and technical support from the Southern Institute on Children and Families, located in Columbia, South Carolina.

About the Center on Budget and Policy Priorities

The Center on Budget and Policy Priorities, located in Washington, D.C. is a nonprofit, non-partisan organization that studies government spending and the programs and public policy issues that have an impact on low- and moderate-income Americans. The Center works extensively on federal and state health policies, and provides technical assistance to state policymakers and state and local organizations on these issues and on the design of child health insurance applications, enrollment procedures and outreach activities. The Center is supported by foundations, individual contributors and publication sales.

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I. Introduction

Major changes are occurring in Medicaid programs throughout the nation. In most states, Medicaid eligibility rules are expanding to allow more children from low-income working families to qualify for coverage, and in some states, efforts are underway to coordinate enrollment procedures between Medicaid and new or expanded child health programs. At the same time, the welfare system, which for many years was the primary route for children to enroll in Medicaid, is itself undergoing major transformation. States are implementing new policies under the Temporary Assistance to Families (TANF) block grant, and welfare rolls are declining sharply in virtually all states. Fewer families are applying for welfare and a smaller percentage of those who do apply end up receiving ongoing cash aid. In addition, large numbers of families are leaving welfare when parents find work or when they become ineligible for aid due to welfare time limits or sanctions.

The expansions in eligibility and the linkages to new child health programs are prompting states to develop new systems for enrolling children. Most states have adopted shortened application forms that can be submitted by mail, and many have streamlined verification requirements and created new entry points into Medicaid. Less attention, however, has been paid to coordinating Medicaid enrollment with new welfare policies and procedures to assure that Medicaid-eligible children who are in contact with the welfare system are enrolled or are not dropped from coverage. As a result, children may be falling through the cracks.

In many ways, the issues related to coordinating Medicaid and welfare enrollment are not new. Families have always moved in and out of the welfare system. However, the scope of the changes in the welfare system, and the number of children affected by these changes, make it more important than ever to focus on the interaction between these two systems so that eligible children do not become or remain uninsured.

Effective coordination between Medicaid and TANF is possible if close attention is paid to the points in the TANF process where TANF rules and procedures may be inadvertently spilling over to Medicaid and causing eligible children to lose out on coverage. This issue brief considers the federal law requirements that apply to all Medicaid eligibility determinations, including those that occur in the welfare context. It suggests procedures that can promote Medicaid enrollment among eligible children who receive TANF, as well as those whose application for TANF assistance is denied or whose TANF benefits are terminated. It also identifies new options available to states to provide family coverage under Medicaid for parents as well as children; family coverage expansions can help boost children's enrollment, and can provide critical support to working families trying to get by with limited earnings.

II. Background

1. Why is it important to coordinate Medicaid and welfare policies and procedures?

Although the welfare system has changed considerably over the past few years, it remains a major contact point for poor children in need of and eligible for Medicaid. A large number of low-income families with children who are eligible for Medicaid still have contact with the welfare agency as recipients of ongoing cash assistance. Other families with uninsured children may have contact with the welfare system even if they do not end up receiving TANF benefits.

- Many families with Medicaid-eligible children apply for cash assistance but do not complete their applications or are denied assistance due to welfare rules that have no bearing on their children's eligibility for Medicaid.
- Other families with children may not be receiving ongoing cash welfare, but have been found eligible by the welfare agency for one-time "diversion" payments or for noncash services, including employment services and help with child care or transportation.
- Nationwide, thousands of children are leaving the cash assistance system each month when their parents find employment or when their family's welfare case is closed for other reasons.

Children in all of these situations are almost certain to be eligible for Medicaid and are at high risk of being uninsured if they are not covered by Medicaid.[1]

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[1]Many states have created separate child health programs that cover children whose family income is above Medicaid income standards. While in most instances the children who are moving in and out of the TANF system will be eligible for Medicaid, it will be important for states to also consider eligibility under these new programs for those children whose family incomes are above Medicaid income standards.

It’s the Law

Procedures that assure that Medicaid eligibility is properly considered as families move in and out of the welfare system not only represent good policy — in many cases, these procedures are required by federal law. As discussed more fully in the following sections of this paper, federal Medicaid law requires that:

- Families be allowed to apply for Medicaid without delay. TANF eligibility rules and application requirements should not delay a Medicaid application.

- All applications for Medicaid, including joint Medicaid/TANF applications, must be considered and eligibility must be determined promptly, generally, within 45 days. States cannot deny (or ignore) Medicaid when a family completes a joint Medicaid/TANF application simply because TANF benefits have been denied or delayed. When a family files a joint Medicaid/TANF application, Medicaid eligibility must be determined based on Medicaid rules.

- Any voluntary withdrawal of a Medicaid application, including a joint Medicaid/TANF application, must be confirmed in writing.

- Medicaid benefits cannot be terminated solely because the family is no longer eligible for cash assistance. Medicaid coverage must be continued unless the state agency determines that the child or other family member is not eligible for Medicaid *under any Medicaid eligibility category.* If eligibility under one category ends, the state may not terminate coverage and suggest that the family reapply for Medicaid.

- TANF sanctions cannot be applied to Medicaid except in one limited situation– when the state opts to terminate Medicaid for a parent whose TANF benefits have been terminated for failure to follow TANF work requirements. *In no circumstance can children (other than teen heads of households) lose their Medicaid coverage as a result of a TANF sanction.*

These rules are set forth in federal Medicaid regulations. In addition, on March 22, 1999, the U.S. Department of Health and Human Services released new guidance that reviews these legal requirements and also suggest strategies for effective implementation. See, Letter to TANF Administrators, State Medicaid Directors, and CHIP Directors, March 22, 1999, and *Supporting Families in Transition: A Guide to Expanding Health Coverage in the Post-Welfare World (which will be referred to hereafter as "HHS Guide". The letter and the HHS Guide are posted at* www.acf.hhs.gov

2. Do policies that promote coordination between welfare and Medicaid add to the Medicaid stigma?

In some states activity is underway to change aspects of how the Medicaid program operates in an effort to reduce the welfare stigma that may be associated with Medicaid in that state. Strategies that assure that children moving in and out of the welfare system are properly evaluated for Medicaid are not necessarily in conflict with initiatives aimed at reducing welfare stigma.

If stigma is a problem, states will need to rely on an array of strategies to make the program more appealing to families and more accessible to families that do not receive welfare. For example, while welfare offices are important places to reach poor children in need of health insurance, welfare offices need not — and should not — serve as the only point of entry into Medicaid. Ideally, Medicaid applications will be available at multiple sites, including post-offices, unemployment insurance offices and job centers, and Medicaid enrollment strategies will be coordinated with programs serving low-income children in addition to TANF, such as child care subsidy programs, the school lunch and food stamp programs, and WIC. The welfare stigma may have attached to Medicaid in some states because the welfare office has traditionally been the *only* point of entry into Medicaid for low-income families. As states create alternate routes to the program and make other changes to streamline the enrollment process, the direct association between welfare and Medicaid will begin to disappear without losing a key point of contact with poor children.

3. What are the new federal rules that "delink" eligibility between welfare and Medicaid?

The federal welfare law enacted in 1996 eliminated the AFDC program and created the TANF block grant, a source of funds that states can use for their cash assistance programs as well as for other programs and services for low-income families with children. In order to assure that welfare changes, such as time limits, did not cause children to lose coverage under Medicaid, the welfare law "delinked" Medicaid eligibility from eligibility for cash assistance and established a new family coverage category under section 1931 of the federal Medicaid law (Title XIX).

The minimum eligibility rules for this new Medicaid eligibility category are set by federal law.[2] In general, families must be covered if:

- they have a child;
- they meet certain "family composition rules" which generally limit coverage to single-parent familes and to a small number of two-parent families;[3] and their income and resources fall below the income and

[2] HHS Guide, pages 5-6.

[3] Under these minimum requirements, two-parent families are eligible only if the principal wage earner works less than 100 hours per month or if one parent is incapacitated. As discussed, states now have a new option to eliminate this 100-hour rule and to cover two-parent families to the same extent that they cover single-parent families.

resource standards in effect in the state's AFDC program as of July 16, 1996.

At the same time the law guaranteed Medicaid coverage to families that meet these criteria, it also offered states broad flexibility to modify the July 16, 1996 rules.[4]

- States may drop the AFDC-based family composition rules and cover two-parent families to the same extent that they cover single parent families.[5]

- States may raise their income and resource eligibility standards, but not by more than the change in the Consumer Price Index, and they can lower these standards, but not below levels in effect in May 1988.

- States may use "less restrictive methodologies" for deciding how to count income. This option allows states to expand coverage to families with higher incomes by adopting more generous income deductions or disregards.

- States may use the same "less restrictive methodologies" option to liberalize or eliminate their asset test for families.

- States that had AFDC waivers that varied from any of the rules governing the new family eligibility category (for example, a waiver that allowed the state to cover two-parent families or that created more generous earnings disregards) can continue to apply these waiver rules.

Since eligibility for welfare is ***not*** a condition of eligibility for Medicaid under this new family coverage category, the new eligibility category assures that very low-income families with children can qualify for Medicaid even ***if they do not apply for or are not eligible for cash assistance***. At the same time, the broad flexibility accorded states to adopt less restrictive rules for calculating financial eligibility allows them to align their Medicaid financial eligibility rules and their TANF rules to promote coordination between the two programs. It also allows states to adopt even broader-based eligibility expansions in Medicaid for families with children to assure that a larger segment of low-income families are eligible for Medicaid coverage. The options to align rules and expand coverage are discussed in Question 5.

4. Did the federal welfare law change the rules for Transitional Medical Assistance?

Yes and No. Under the pre-welfare law rules, families that had been on welfare (and therefore Medicaid) for at least three of the past six months qualified for

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[4] HHS Guide, pages 6-7, 12, and 20-21.

[5] A new federal Medicaid regulation issued on August 7, 1998 permits states to drop the 100-hour rule and cover two-parent families to the same extent they cover single-parent families. Before the new regulation, only states with two-parent family ("AFDC-U") waivers could dispense with the 100-hour rule in the Medicaid program, but now all states can cover two-parent families to the same extent they cover single-parent households.

Transitional Medical Assistance (TMA) when earnings or child support caused the family to lose cash assistance. TMA extends for six months without regard to family income, and for an additional six months if the family's gross earnings, less child care expenses, are below 185 percent of the federal poverty line.[6] The 1996 welfare law continued the basic TMA coverage rules but, since the law delinked eligibility for Medicaid and cash assistance, it also changed the qualifying "trigger" for TMA.

Under current law, families are eligible for TMA if they have received Medicaid coverage *under the new family coverage category created by section 1931* for at least three of the past six months and otherwise would lose Medicaid coverage due to earnings or child support.[7] In practice, because most of the families who are eligible for coverage under the new family coverage category will be receiving welfare (as a result of the low income and resource standards that apply to the family coverage category in most states) most of the families qualifying for TMA will be families leaving welfare due to child support or earnings. However, under the 1996 federal changes, it is the loss of Medicaid eligibility under the new family coverage category, not the loss of welfare, that technically triggers eligibility for TMA. As a result, low-income families who might never have been on welfare, but who receive Medicaid and whose earnings rise to the point that they are no longer eligible for ongoing coverage under the family coverage category, may now also benefit from the transitional coverage offered by TMA.

TMA rules should assure that virtually all families that receive Medicaid under the family coverage category who would otherwise lose eligibility for Medicaid because of earnings or child support are automatically continued on Medicaid for at least some period of time. Since TANF recipients are generally covered under the Medicaid family coverage category, TMA should guarantee at least transitional coverage to families who become ineligible for welfare as a result of earnings.

In many states, however, TMA has not been serving as the Medicaid safety net as effectively as it could. Families leaving welfare due to earnings are not always retaining Medicaid coverage. In addition, because the standard TMA rules require that a family must have received Medicaid in three of the prior six months, transitional coverage is not always available for families in which the parent finds a job quickly. Both of these issues are discussed in more detail in Questions 7 and 11.

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[6] Several states have TMA waivers that extend the period of TMA eligibility beyond the 12 months otherwise required by federal law.

[7] HHS Guide, pages 13-14.

III. Assuring The Link

Medicaid participation will be improved if families applying for TANF can be found eligible for Medicaid without having to make a separate application for Medicaid. States have options under the new federal Medicaid provisions to assure that families receiving TANF also receive Medicaid, and states can adopt new Medicaid policies that help them coordinate their Medicaid and TANF programs. The sections that follow consider the policies and procedures that will help assure that children receiving TANF also receive Medicaid.

5. Even though Medicaid and TANF eligibility are no longer technically linked, how can states assure that children receiving cash assistance continue to be "automatically" eligible for Medicaid?

Guidance from the Health Care Financing Administration (HCFA), the agency that administers the Medicaid program at the federal level, makes it clear that states can continue to automatically enroll all TANF recipients into Medicaid without a separate Medicaid determination, even though the law has technically delinked eligibility for the two programs. Federal law explicitly allows states the option to use a single application for TANF and Medicaid. As long as a state's eligibility rules for Medicaid are at least as generous as its TANF welfare program rules, states can essentially deem TANF recipients eligible for Medicaid, based on the joint TANF/Medicaid application, without having to make a separate Medicaid eligibility determination.[8]

Aligning TANF and Medicaid Income Rules

As noted above, states now have considerable flexibility to shape their Medicaid eligibility rules under the family coverage category and to vary those rules from the minimum requirements that are tied to the 1996 AFDC rules. This flexibility allows states to align their TANF rules and their Medicaid eligibility rules to assure that all TANF recipients are eligible for Medicaid.[9] For example, many states have adopted more generous earnings rules in their TANF programs in order to provide a TANF supplement to families with low wages. Under the Medicaid section 1931 family coverage options, states can adopt these same earned income disregards in their Medicaid programs to assure that the families with earnings that qualify for TANF also qualify for Medicaid.

Aligning TANF and Medicaid Resource Rules

States also can align their resource rules.[10] For example, many states have

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[8] Letter from Sally Richardson, Director, Center for State Medicaid Operations, HCFA, June 5, 1998.

[9] HHS Guide, page 12.

[10] HHS Guide, page 12.

liberalized their TANF rules regarding cars so that families that need a car to get to and from a job are not disqualified from receiving welfare. States can adopt the same resource rules in Medicaid so that these same families also can qualify for Medicaid. States can drop the resource test entirely for the family coverage category, as most states have done for children covered under the so-called "poverty-level" Medicaid categories.

Applying the Same Income and Resource Rules Within the Family Coverage Category

It is important to note that states cannot adopt rules under their Medicaid family coverage category that only apply to TANF recipients. If the state changes its rules on how resources or earnings are counted, those rules must be applied to all families under the family coverage category — not just families applying for or receiving TANF.[11]

Broader Expansions of Family Coverage Under Medicaid Also Will Assure that All TANF Families are Covered Under Medicaid

States that take advantage of the options under the new family coverage category to cover low-income working families more broadly also can assure that all TANF recipients qualify for Medicaid. For example, Rhode Island now covers under its family coverage category all families whose income is below 185 percent of the federal poverty line. It covers two-parent families as well as single-parent families, and there is no resource test. Since Rhode Island's eligibility rules for Medicaid family coverage are now more generous than its TANF rules, all TANF recipients in Rhode Island are eligible for Medicaid. The state can enroll TANF-eligible families into Medicaid using a joint Medicaid/TANF application without making a separate determination of eligibility for Medicaid.

6. How can states assure that children in families receiving welfare diversion payments qualify for Medicaid?

About half of the states have implemented initiatives in their welfare programs in which some families receive a one-time lump sum payment in lieu of ongoing cash assistance. These payments, often called "diversion" payments because they divert families from ongoing cash aid, typically are provided to families who may need a one-time payment to help them retain or find employment. For example, some states use such payments to help families purchase or repair a car needed to get to and from work.

Assuring that Diversion Payments Do Not Make Children Ineligible for Medicaid

Under standard Medicaid rules these lump sum payments might make the

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[11]HHS Guide, page 6. Although states cannot have one set of Medicaid eligibility rules for TANF recipients and another for families that do not receive TANF, states can adopt earnings disregards policies for Medicaid *applicants* that are different than the rules for Medicaid *recipients*. Some states have taken this step to allow families that qualify for Medicaid under more restrictive rules and then find a job, to remain eligible for Medicaid.

children or other members of the family ineligible for Medicaid by causing their income or resources to exceed the state's eligibility standards.[12] States, however, can use the flexibility allowed them under the family coverage category to disregard these diversion payments so that they are not counted either as income or as a resource when Medicaid eligibility is determined.[13] States that adopt such policies can assure that families do not lose out on Medicaid coverage because they are provided a diversion payment instead of ongoing cash assistance.

Assuring that Families Receiving Diversion Payments Are Given a Chance to Apply for Medicaid

It also is important for states that offer diversion payments to be sure they have a procedure in place to take a Medicaid application so that Medicaid eligibility is considered when families are diverted from ongoing cash assistance. If the diversion payments are processed and a Medicaid eligibility determination is never made, children will lose out on Medicaid coverage even if the eligibility rules are changed so that they can be covered.

If a joint TANF/Medicaid application has been submitted, the state or local agency should allow the family to complete the application process for purposes of establishing Medicaid eligibility even if the diversion payment can be processed without a completed application. If the agency does not use a joint application to initiate diversion payments, the state can provide families a separate Medicaid application at the same time the diversion payment is being processed to assure that Medicaid eligibility is determined promptly without additional visits to the agency.

7. How can states assure that children whose parents find a job quickly qualify for Medicaid?

Another way that states can conform their Medicaid policies to their new welfare policies and procedures is by assuring that children whose parents find a job quickly perhaps because of job search efforts required under a state's welfare program, do not lose out on coverage. As discussed above, children in families who are receiving Medicaid and whose parents find a job can qualify for transitional coverage under TMA *if* the family has received Medicaid under the family coverage category for at least three of the prior six months. Families in which a parent finds a job quickly, however, may not have been on Medicaid for three months before the earnings began. TMA coverage would not be available to such families under standard TMA rules.[14]

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[12]Under standard Medicaid rules, lump sum payments are treated as income in the month received and, to the extent that such payments remain available to the family, as resources in following months.

[13]States that have eliminated the resource test for children under the poverty-level category and for all family members under the section 1931 family coverage category do not have to adopt a special resource disregard for diversion payments.

[14] When applicants first apply for Medicaid, their eligibility is to be determined for the three months prior to application to help families pay for unpaid medical bills. This three-month retroactive coverage also can be used to establish TMA eligibility.

The children in families in which parents quickly find employment have an alternate basis for establishing Medicaid eligibility — they may qualify for Medicaid under the poverty-level eligibility category.[15] In addition, states can rely on the "less restrictive methodologies" option under the family coverage category to assure that the entire family can qualify for regular Medicaid for at least three months and then receive TMA.

States can assure TMA eligibility for the whole family by adopting a time-limited earnings disregard. For example, a state can disregard all earnings (or earnings under a certain income limit, for example, 185 percent of the poverty line) for Medicaid recipients for three months. This would allow any family that qualified for Medicaid under the state's family coverage category in which the parent finds a job to receive at least three months of regular Medicaid coverage. When the three-month disregard lapses, the family would then be eligible for TMA.[16] This would allow the entire family to receive Medicaid and ensure that the emphasis on quick attachment to the labor force does not result in more uninsured children and parents. This kind of a time-limited disregard is a useful strategy in states that have not yet taken the step to more broadly expand Medicaid eligibility under the family coverage category.

If children whose parents quickly find work are not eligible for Medicaid under the poverty-level category, TMA or any other Medicaid category, they might be eligible for coverage under a separate child health program. TANF and Medicaid agencies should screen to determine eligibility under the child health program for all children who are not eligible for Medicaid.

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[15]The "poverty-level" eligibility category refers to the Medicaid eligibility category that covers children whose income falls below state income eligibility standards that are set with reference to the federal poverty line, and who meet other Medicaid eligibility criteria. Federal law requires states to cover children under age six if their family income is below 133 percent of the poverty line and children born after September 30, 1983 (currently, children age six through age 15) if their family income is below 100 percent of the federal poverty line. Most states have covered children under these poverty-level categories beyond the federal minimum requirements.

[16]Federal rules require that TMA be provided when a family's earnings *or* the lapse of an earnings disregard would otherwise make the family ineligible for Medicaid under the section 1931 family coverage category.

IV. Assuring the Programs Delink When Appropriate — the Application Stage

Questions 5 - 7 considered the ways in which states can coordinate their Medicaid and TANF rules and procedures in order to maximize the opportunity for children and parents receiving TANF to also receive Medicaid without having to go through a separate eligibility determination. However, it is just as important for states to develop policies and procedures that assure that Medicaid eligibility is properly evaluated for children whose families do *not* make it through the TANF application process. Many of these procedures are required by federal law, although additional strategies not required by law can help assure that children are properly evaluated for coverage (see box on page 14.)

The key to this set of issues is remembering that Medicaid eligibility no longer depends on eligibility for welfare and that Medicaid rules, not TANF rules, should determine Medicaid eligibility even for families that also are applying for cash assistance.

8. How can states assure that families have the opportunity to apply for Medicaid without delay even if they are discouraged from applying for TANF?

In many states, TANF rules and procedures require families to take certain steps before they can receive or complete a TANF application. In some states, TANF applications are discouraged by requiring families to wait a period of time before they can apply, or by requiring families to first exhaust other resources. These TANF rules and procedures should not stand in the way of a Medicaid application.

Federal rules require that families be allowed to apply for Medicaid "without delay."[17] For example, if a family is not allowed to submit its TANF application until the parent has made a certain number of job contacts, the family should still be allowed to file a Medicaid application — either the joint TANF/Medicaid application or a Medicaid-only application. The family should be offered the opportunity to apply for Medicaid without having to go to another office to complete the Medicaid application.

9. How can states assure that Medicaid eligibility is determined

[17] HHS Guide, page 7.

promptly, even if TANF rules result in a delay or a denial of TANF benefits?

Medicaid problems also may arise when an application is completed, but the decision regarding TANF benefits is delayed or TANF benefits are denied. Federal Medicaid rules require that all applications for Medicaid be determined promptly. This is a longstanding rule that applies to all Medicaid applications, including joint Medicaid / TANF applications.[18] In practice, this means that if a determination relating to TANF eligibility is delayed due to TANF requirements, or if the family is found not eligible for TANF, the joint program application still should be processed in a timely way to determine whether the children or other members of the family are eligible for Medicaid.

TANF Delays Should Not Delay Medicaid Determinations

Some states require that TANF applicants meet certain requirements before their eligibility for TANF is determined. For example, some states require TANF applicants to make a certain number of job search contacts before their TANF application will be processed. These TANF job search requirements, however, do not have anything to do with Medicaid eligibility, and therefore, they should not result in a delay in processing the Medicaid portion of the joint application. The agency should inform the family that Medicaid eligibility can be determined while the parent is attempting to comply with the job search requirements, so that the family completes the application and provides whatever verification may be required under Medicaid rules. The agency should then promptly determine Medicaid eligibility, even if the family has not yet complied with all of the TANF requirements.[19]

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[18] HHS Guide, pages 7-9; letter from Sally Richardson, Director, Center for State Medicaid Operations, HCFA, June 5, 1998.

[19] HHS Guide, page 8.

Strategies for Preventing Welfare Policies from Spilling Over to Medicaid At the Application Stage

Strategies that may prevent inappropriate Medicaid denials include the following:

- States that delink Medicaid and TANF case actions in their computer systems starting from the time the application is filed are less likely to have TANF case actions inadvertently spill over to Medicaid. Under a delinked computer system, action taken on TANF benefits will not automatically affect the Medicaid eligibility determination process. South Dakota, Delaware, and Arizona have implemented or are planning to implement new computer systems that separately consider Medicaid ineligibility.

- Depending on how agencies are organized, some states or localities might consider relying on Medicaid agency staff, rather than TANF agency staff, to handle the Medicaid eligibility determination once a joint application for benefits has been filed. This might help to assure that the Medicaid portion of the application proceeds separately based on Medicaid rules.

- Training for staff and information to families, community organizations and health care providers on the ways in which Medicaid and TANF rules differ will be critical. Many families that do not follow through with their joint TANF/Medicaid application may not realize that the TANF rules do not apply to Medicaid and that they can qualify for Medicaid even if they do not qualify for or do not want TANF benefits. Information provided to families early on in the application process can help prevent families from inadvertently abandoning their Medicaid application.

- Other steps could be taken to help prevent families from unintentionally walking away from their Medicaid application. For example, if a joint application is denied because the family did not follow through and complete the application process, instead of simply sending the family a denial notice the agency could inform the family that the rules and requirements for TANF and Medicaid are not the same, and advise them of the specific steps they need to take to complete their Medicaid application.

TANF Denials Should Not Result In Medicaid Denials

Since Medicaid eligibility is now delinked from eligibility for TANF, a TANF denial does not necessarily mean that the children or other members of the family are ineligible for Medicaid. The basic point of the new family coverage category created by section 1931 was to assure that TANF rules do not result in families losing Medicaid cover-

age. When a family that has filed a joint application is denied TANF, Medicaid eligibility must be determined based on that joint application.[20]

Consider the job search example discussed previously. If a parent who applied for TANF and Medicaid was found not to have fully complied with the TANF job search requirements and was denied TANF on that basis, Medicaid eligibility still should be determined ***based on the joint Medicaid/TANF application.*** Families denied TANF cannot be told that they might be eligible for Medicaid and advised to reapply for Medicaid only. A joint application is a Medicaid application and federal law requires that the Medicaid agency determine a family's eligibility for Medicaid based on that application, regardless of the outcome of the TANF portion of the application.

Each state, and in some cases, each local welfare agency, will need to develop its own procedures for assuring that Medicaid eligibility is properly determined in all cases in which TANF is delayed or denied. The particular strategies that will be effective and efficient will vary from state to state, and perhaps from county to county. In no case, however, can Medicaid eligibility be denied or ignored simply because TANF benefits have been denied.

Federal Funds Available to Help States Redesign Their Medicaid Enrollment System in Light of the New "Delinking" Provision

The section of the 1996 federal welfare law that delinked eligibility for Medicaid from eligibility for TANF assistance also sets aside $500 million in federal Medicaid matching funds that states can use for outreach and to revamp their Medicaid enrollment systems. These funds can defray a large share of the cost to states of developing new systems (including worker training and notices to families) that may be needed to assure that Medicaid eligibility determinations are properly made when TANF benefits are delayed, denied or terminated. The funds can be drawn down at an enhanced matching rate, ranging from a 75 percent to a 90 percent match rate, depending on the activity, and they are available for the first three years following the state's adoption of a TANF plan. See Vol. 62, No. 93 Federal Reg., May 14, 1997. To date only a small number of states have taken advantage of these funds.

10. How can families that choose not to apply for TANF be given the opportunity to apply for Medicaid?

Some families with children who are eligible for TANF might choose not to apply

[20] HHS Guide, pages 8-9.

for TANF due to time limits or other TANF rules and restrictions. Since TANF eligibility and Medicaid eligibility are no longer linked, states must provide families with the opportunity to apply for Medicaid even if they are not applying for TANF.

In order to promote the opportunity for children to apply for Medicaid, states are designing new Medicaid-only applications in addition to the joint Medicaid/TANF applications. Most states also are creating new opportunities for children to apply for Medicaid without going to a welfare office. However, while most states have Medicaid-only applications for children, only a few states have a Medicaid-only application that covers the entire family. In many states, the only way a family with children can apply for Medicaid on behalf of all members of the family is to go to the welfare office and apply using a joint Medicaid/TANF/Food Stamp application. This may discourage applications from families that choose not to apply for TANF and that do not want to apply for health insurance at the welfare office.

Application procedures that allow all family members to apply together are likely to promote the enrollment of children as well as their parents. Recent studies suggest that children are more likely to enroll in coverage if their whole family is able to enroll, and children are more likely to utilize health care services if all members of the family have coverage. Since the information required to determine parents' eligibility for Medicaid is largely the same as the information needed to determine children's eligibility for Medicaid, Medicaid applications for children can be expanded to cover parents without adding complexity to the application process.[21] The District of Columbia's Medicaid application for parents and children is only two pages.

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[21]Since most states have dropped the resource requirement for children, in general, a question about resources may be the only additional question that needs to be asked in an application that covers parents as well as children. As noted above, states now have the option under federal law to drop the resource test under the family coverage category for parents as well as children.

V. Assuring the Programs Delink When Appropriate — the Termination Stage

Under federal law, a child's Medicaid benefits cannot be terminated simply because the family loses TANF benefits.[22] Since eligibility for the programs are now delinked, a TANF case closing does not directly affect Medicaid eligibility, and therefore, should not automatically trigger a Medicaid closing. Although the loss of TANF eligibility might prompt the agency to review whether a change in family circumstances has occurred that might affect the basis for ongoing Medicaid eligibility, in almost all cases the children will continue to be eligible for Medicaid. In many cases the parent will continue to be eligible as well, either under the new family coverage category or through TMA.

Under longstanding Medicaid rules, the state or local agency must examine eligibility under all Medicaid categories before terminating benefits. Medicaid coverage cannot be terminated unless the agency determines that the child — and every other family member — is not eligible for Medicaid under *any* Medicaid eligibility category.[23] If family circumstances have changed, the agency may need to ask the family to provide current information in order to assess ongoing eligibility. It may not, however, simply close a Medicaid case and then require family members to reapply for benefits. The rules governing situations when TANF benefits are terminated and strategies for assuring that Medicaid continues for eligible children and other family members are discussed in the sections that follow.

11. How is Medicaid eligibility affected if a parent finds a job?

If a family's TANF benefits are terminated because the parent finds a job or increases her earnings, the loss of TANF itself should not affect Medicaid eligibility for any family member. The new earnings, however, might put the family over the Medicaid income limit for the family coverage category. If this happens, in most cases, all members of the family should continue to receive Medicaid under the Transitional Medical Assistance (TMA) category without any interruption in coverage. TMA should be extended automatically — no new application for Medicaid should be required.

New strategies are likely to be needed in most states to assure that families eligible for TMA actually receive the coverage. Early studies on how families are faring after they leave the welfare system suggest that many families with earnings are not enrolled in Medicaid and are uninsured.

Strategies to Assure TMA Coverage

The Medicaid agency is required by federal law to evaluate continued eligibility

[22] HHS Guide, page 13.

[23] HHS Guide, pages 13-14 and 15.

based on all of the information it has available.[24] If the agency knows the parent is now working, that may be sufficient information to continue coverage under TMA since eligibility for TMA during the first six months does not depend on the amount of family earnings.

For example, consider a family that has been receiving TANF and Medicaid and then the parent finds a part-time job. Under TANF and Medicaid budgeting rules, the family may continue to be eligible for Medicaid as well as supplemental TANF benefits. If the parent begins to work full time, the family may no longer be eligible for TANF or for ongoing Medicaid coverage under the family coverage category. However, all members of the family would be eligible for Transitional Medical Assistance. Since there is no income limit for the first six months of TMA, the family should be continued on Medicaid under the TMA category without a lapse in coverage even if the parent has not yet provided the agency with pay stubs showing exactly the level of her new earnings. In order to continue coverage under TMA, the agency only needs to know that the family has earnings.

Some families may be losing out on TMA because they do not know that TMA coverage is available. A parent that finds work may simply ask that the "case" be closed and not inform the agency that the family now has earnings. If the agency does not have the information necessary to evaluate continued Medicaid eligibility, it should inform the family about what is needed before closing the family's Medicaid case. For example, the notice sent to families that have asked that their TANF case be closed could inform them that they still may be eligible for Medicaid if they have earnings and advise them of the information needed in order for the agency to continue their Medicaid coverage. Procedures should be adopted so that families can provide whatever information is needed through the mail or by phone; it is particularly difficult for a parent who is starting a new job to take time off from work to submit documents in person.

If a family does continue to receive Medicaid under TMA, once the TMA coverage period ends, federal Medicaid rules require that the agency evaluate each family member's eligibility for Medicaid under other eligibility categories before coverage is terminated. Since children are covered under Medicaid at higher income levels than their parents in most states, the children in the family are likely to be eligible for Medicaid (or for coverage under a separate child health program) once the TMA coverage ends even if the parent is no longer eligible.

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[24] HHS Guide, page 13.

Strategies for Preventing Welfare Policies from Spilling Over to Medicaid When TANF Benefits are Terminated

- The new 12-month continuous eligibility option for Medicaid guarantees that coverage for children will continue for at least 12 months regardless of changes in family circumstances. This option can assure that children's Medicaid coverage is not disrupted by any action taken on the TANF case.

- Even if a state has not adopted the 12-month continuous eligibility option, it can establish Medicaid eligibility reviews that are separate from and less frequent than TANF reviews in order to limit situations in which TANF case closings might inappropriately affect Medicaid. TANF cases are typically reviewed every three or six months. Under federal law, Medicaid reviews can be scheduled every 12 months.

- Even states that choose to keep their Medicaid and TANF eligibility reviews together could decide that when a TANF case is closed, the Medicaid benefits will automatically continue for some period of time. This could prevent inappropriate Medicaid closings and give the family time to provide additional information to establish ongoing eligibility for Medicaid if further information is needed. Massachusetts automatically continues families' Medicaid coverage for four months after TANF benefits are closed.

- Medicaid eligibility reviews can be simplified and handled through the mail, in much the same way that states have simplified their Medicaid applications for children. Recertification forms could be shortened, and the necessary information could be filled in by the agency based on the information on hand. The family could be asked to return the form by mail if it has changes to report. This would help parents respond to requests for eligibility reviews without having to take time off from work and risk losing pay.

- Given the historic ties between welfare and Medicaid, case closing and sanction notices often carry misinformation about the consequences of a TANF case action on Medicaid. States should conduct a thorough review of their notices.

- Families receiving TANF also need information about how their Medicaid eligibility will be affected if the parent finds a job or the family reaches a time limit. The Southern Institute on Children and Families has prepared state-specific brochures for 13 states on the range of benefits, including Medicaid, that working families can receive even if they are no longer eligible for welfare.

- Welfare agency staff may not be fully informed on Medicaid eligibility rules. Staff training, supervisor sign-offs for Medicaid case closings, and other mechanisms to help reinforce the message that the rules for Medicaid are different than the welfare rules could help avoid implementation problems.

12. How do TANF sanctions affect Medicaid eligibility?

While children, as well as other family members, can lose TANF benefits as a result of a TANF program sanction, there is never any instance in which a TANF sanction can result in a child losing Medicaid, unless she or he is a teen head of household. In general, TANF sanctions *cannot* be applied to Medicaid. States have the *option* to apply TANF sanctions to Medicaid in *one* situation: if a parent's cash assistance is terminated due to the parent's failure to comply with a TANF work requirement, the state may terminate the parent's Medicaid benefits as well.[25]

There are three aspects of this rule that significantly limit its application:

- It is a state option, not a federal requirement.
- States that choose the option can only terminate the benefits of parents, and even then, only if they are not pregnant. ***Children cannot lose Medicaid coverage as a result of a TANF sanction unless they are teen heads of households.***
- The option only applies to TANF work rule sanctions. If a family is sanctioned under TANF for failing to comply with any requirement other than a work requirement, Medicaid cannot be affected, even for the parent.

13. How do TANF time limits affect Medicaid eligibility?

TANF time limits do not apply to Medicaid. This is true in all states, including those states that adopted time limits in their welfare programs through federal waivers before the federal welfare law allowing time limits was enacted. Since eligibility for Medicaid and welfare are delinked, when a family loses cash assistance due to a time limit, Medicaid eligibility should not be directly affected.

If the agency knows the family's income at the time the TANF case is closed, and the family's income continues to be below the Medicaid income standards, no further action needs to be taken to continue Medicaid coverage, assuming other Medicaid eligibility criteria continue to be met. If the agency does not know what income the family has at the time TANF benefits are terminated, it cannot simply terminate Medicaid eligibility. If more information is needed, the agency should gather that information either through the mail or by setting up an eligibility review. In order to avoid confusion for families as well as for agency staff and assure that Medicaid is not terminated inappropriately when a TANF case is closed, states could automatically extend Medicaid coverage beyond the month in which the TANF case is closed and then evaluate Medicaid eligbility.

Most families probably do not realize they may remain eligible for Medicaid even if they reach the TANF time limit. Therefore, it is particularly important to provide information about Medicaid eligibility whenever families are advised of the TANF time limit rules and particularly as families get closer to reaching the time limit.

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[25] HHS Guide, pages 14-15.

VI. Checklist

Where are the Medicaid "risk points" for children moving in and out of the TANF system?

"Risk Points"	Procedural requirements and strategies that can help children get and stay enrolled in Medicaid
Are families that try to apply for TANF and Medicaid discouraged from filing an application due to TANF policies and procedures?	Families must be given the opportunity to apply for Medicaid "without delay." Even if families are discouraged from applying for TANF or are required to meet TANF requirements before they file an application for TANF, families must be allowed to apply for Medicaid, either through a joint Medicaid/TANF application or a Medicaid-only application.
Are families not following through with their applications because of TANF rules or requirements?	All applicants should be informed that Medicaid and TANF rules are not the same and that TANF rules and procedures do not apply to Medicaid. Families should be advised of what they need to do to complete the Medicaid aspect of the application process.
Are there delays in processing a joint Medicaid/TANF application that are due to TANF program rules or requirements?	Medicaid applications, including joint TANF/Medicaid applications, must be determined promptly, generally within 45 days. TANF delays should not cause a delay in the Medicaid eligibility determination.
When TANF benefits are denied based on a joint Medicaid/TANF application, is Medicaid eligibility separately evaluated?	The agency must determine Medicaid eligibility based on the joint application, applying Medicaid — not TANF — rules. Medicaid eligibility no longer depends on eligibility for cash assistance.
How can families that do not want to apply for TANF apply for Medicaid?	States can develop simplified Medicaid applications for families, as most states have done for children. Families could be permited to mail in applications and to apply at outstation sites and other locations in addition to the welfare office.
Are children in families that receive lump sum "diversion payments" being evaluated for Medicaid eligbility?	If a family has filed a joint Medicaid/TANF application, the application should be completed and processed to determine Medicaid eligibility even if the diversion payment is provided without a completed application. If a joint application has not be filed, the agency could provide families with a joint application or a Medicaid-only application to allow them to enroll in Medicaid at the same time they are offered a diversion payment.

What happens when families that have been receiving Medicaid and TANF become ineligible for TANF due to earnings?	Medicaid coverage cannot be terminated unless the agency determines that the chidlren and other family members are not eligible for Medicaid *under any eligibility category*. If the family has earnings, the children and the parents will be eligible for Transitional Medical Assistance ("TMA"). The children also may be eligible under the "poverty-level" category. Families need to be informed that Medicaid coverage does not stop if the parent finds work. This will help prevent families from simply closing "their case" when they have earnings, not knowing that they may continue to qualify for Medicaid. If the agency knows the family has earnings, it does not need verification of the exact level of earnings the family will receive in order for the family to continue to qualify for Medicaid under TMA; there is no earnings limit for the first six months of TMA.
Are children that lose TANF benefits due to a TANF sanction also losing Medicaid?	A TANF sanction can never be the basis for terminating a child's Medicaid coverage. States do have an option to stop Medicaid coverage as a result of a TANF sanction, but only for parents (and teen heads of households) and only if the parent is sanctioned due to a TANF work rule violation.
Are children that lose TANF benefits due to TANF time limits also losing Medicaid?	TANF time limits cannot be applied to Medicaid. Families should be informed that TANF time limits do not affect their Medicaid eligibility. If the agency does not know what income the family has after the family loses TANF benefits due to a time limit, it can request further information or schedule an eligibility review. It should not simply close the Medicaid case.