

## **Modernizing Medicaid and SCHIP So They Work Better for Children and Taxpayers: The case for wise investments in health IT**

Over the past decade, innovations in information technology have fundamentally changed the way Americans lead their lives. Technology has offered unprecedented challenges and opportunities, altering the way we learn, perform our jobs, and communicate with the world. Yet these same innovations have not been systematically applied to our nation's public healthcare system. There, 19<sup>th</sup> and 20<sup>th</sup> century tools are being used to manage 21<sup>st</sup> century programs. As a result, low-income children are being left out of or underserved by the health programs designed to serve them, Medicaid and the State Children's Health Insurance Program (SCHIP).

Our healthcare system needs a major information technology overhaul to achieve greater results from every dollar spent. According to the Rand Corporation, the United States could save at least \$77 billion with the effective use of information technology that integrates data sources.<sup>i</sup> To that end, we are seeing public and private investments in electronic health records and personal health records as well as in telemedicine and hand-held prescription devices.

However, despite its potential to deliver tremendous cost-savings and improved care, the technology that administers Medicaid and SCHIP is often woefully neglected, though these programs serve one-quarter of America's children. This neglect creates inefficiencies, impedes coordination with other programs, and prevents states from using common-sense practices to get low-income, eligible but uninsured children into coverage.

### ***Who benefits when we invest in Medicaid and SCHIP administrative technology?***

Fully 5.5 million uninsured children are eligible for public insurance coverage, or 62 percent of all uninsured children in the U.S..<sup>ii</sup> Being uninsured, these 5.5 million children are less likely to receive or more likely to delay needed care, resulting in more costly treatment down the line.<sup>iii</sup> Studies have found that these families are not participating in Medicaid or SCHIP because they are confused about eligibility or because they run up against enrollment and renewal barriers.<sup>iv</sup>

Meanwhile, the vast majority of these 5.5 million children have already submitted information to another public program and been found sufficiently low income to be income-eligible for Medicaid or SCHIP.<sup>v</sup> In many cases, government files also contain information that establishes their identity, citizenship, immigration status, and other measures that are necessary to prove eligibility. However, due to antiquated technology and policies that impede effective data sharing, a state is limited in its ability to use the data it holds in other, non-Medicaid databases to determine eligibility for Medicaid and SCHIP.

Such inefficiency in the Medicaid/SCHIP programs burdens state agencies, taxpayers, as well as families. This is not the case in the Medicare program, which automatically determines eligibility for its Part B subsidy program based on a data match with the Internal Revenue Service. If automated, data-driven enrollment works for seniors, why not for children?

### ***How can information technology help eligible but uninsured children?***

Modern information technology can help improve administrative efficiency, reduce paperwork, and increase access to affordable healthcare for children. We can save money and improve health at the same time with the right investments.

21<sup>st</sup> century health information technology tools, supported by appropriate federal enrollment policy including privacy and security protections, would allow states to leverage the data in their Medicaid/SCHIP systems to accomplish the following:

- Locate and reach out to known low-income, uninsured children,
- Streamline the application process for kids who are known to be income-eligible,
- Electronically obtain missing information and verify eligibility data,
- Electronically process information and calculate eligibility,
- Automate renewal for those children who remain eligible, and
- Easily track program efforts.

Such systems changes would allow states to work more efficiently and reduce unnecessary bureaucracy. Such was the experience in Utah, where a new data brokering system (eFind) recouped its costs in the first year of operation.<sup>vi</sup> Such systems changes would transform Medicaid from a largely paper-based, poorly coordinated system into one that connects across agencies and fully harnesses the power of today's technology.

***Congressional action is needed:***

Moving our public sector information technology systems into the 21<sup>st</sup> century will require a substantial investment from the federal government as well as leadership from Congress to let agencies change the way they do business. It will also require a genuine commitment at the state level in partnership with the private sector.

To that end, Congress should grant states:

- A higher federal funding match for development and deployment of technology that enhances the efficiency of the Medicaid and SCHIP eligibility systems and their ability to connect with other government databases (as is currently done for claims processing systems).
- Incentive payments that reward states for reaching out to and enrolling eligible but uninsured children.
- The ability to determine eligibility based on the findings of other need-based programs, commonly known as "expresslane," in combination with technology that improves verification and accountability.
- Additional federal funding along the lines of the flexible Medicaid Transformation Grants that helps states shoulder the initial financial burden of technology overhaul.

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<sup>i</sup> RAND Health, *Health Information Technology: Can HIT Lower Costs and Improve Quality?* (2005).

<sup>ii</sup> Medical Expenditure Panel Survey, 1996-2005, as analyzed in: J. Hudson and T. Selden, "Children's Eligibility and Coverage: Recent Trends and a Look Ahead," *Health Affairs* 26:5 (2007) w618-w629.

<sup>iii</sup> Californians for Healthy Kids, *Ensuring Coverage for all of California's Children* (Nov. 2006).

<sup>iv</sup> Center for Children and Families, *Making Real Gains for Children* (June 2007).

<sup>v</sup> For example, over 70% of all low-income, uninsured children in America receive Food Stamps, free and reduced price school lunches, or "WIC", all public nutrition, needs-tested programs that serve low-income children. S. Dorn and G. Kenney, *Automatically Enrolling Eligible Children and Families into Medicaid: Opportunities, Obstacles, and Options for Federal Policymakers* (The Commonwealth Fund, June 2006).

<sup>vi</sup> The Children's Partnership, *E-Health Snapshot: Harnessing Technology to Improve Medicaid and SCHIP Enrollment and Retention Practices* (Kaiser Commission on Medicaid and the Uninsured, May 2007).