

# A Policy Perspective on the Deficit Reduction Act

A commentary by Alan Weil, *executive director*  
National Academy for State Health Policy

This commentary is in response to the Issue Brief: *Deficit Reduction Act Citizenship Requirements through the Eyes of Covering Kids & Families Grantees.*

**Medicaid eligibility rules are an expression of our elected officials' determination of who deserves taxpayer-financed medical assistance. Once those rules are set, administrative processes and practices assure that only people who meet the eligibility standards are permitted to enroll. This aspect of program integrity—assuring that program funds are spent on people who are appropriately enrolled—is an important feature of any government program.**

The federal government's approach to monitoring state performance with respect to eligibility determinations has always centered on the concern that states might be inappropriately enrolling ineligible people. Since the federal government pays more than half of the costs of the Medicaid program, state errors result in federal costs. While the form of federal review has changed over the decades, and its current form—the Payment Error Rate Measurement or PERM regulation—is particularly onerous, the focus has been consistent over the years.

This current conception of error reduction should be reexamined in light of data showing that more than half of children without health insurance are eligible for public programs but not enrolled. These children suffer from a form of administrative error far more prevalent than erroneous eligibility determinations. They go without health insurance because complex eligibility rules, bureaucratic inertia, and occasionally intentional hurdles designed to save money conspire to prevent them from enrolling in programs that our same elected officials decided should be available to them.

The new citizenship documentation requirements in the Deficit Reduction Act of 2005, the topic of the attached issue brief, make the situation worse. The law does not change eligibility standards, but imposes yet another administrative hurdle to obtaining Medicaid. While the policy objective may make sense, the mechanism for

achieving it does not draw upon the real-world experiences of the four states that already had similar requirements. States were given completely unrealistic timelines for implementing the new procedures. Meanwhile, the Centers for Medicare and Medicaid Services has no plan to monitor whether the new requirements act as a barrier to enrollment among those who are eligible.

Doctors speak of tests yielding false positives and false negatives, while statisticians speak of Type I and Type II errors. In these fields there is an understanding that attempting to be too precise on one side of the equation yields reduced precision on the other side. Tightening eligibility documentation standards reduces the number of false positives—people erroneously enrolled in Medicaid—but also increases the number of false negatives—people erroneously deterred from enrolling in the program despite being eligible. The new citizenship documentation requirements were adopted without evidence of a substantial “false positives” problem, so it is most likely that the primary consequence will be an increase in “false negatives”.

With more than 46 million Americans without health insurance, and millions of these adults and children eligible for public coverage, we need to reconsider the balance between these two types of errors. In particular, the federal government needs to reconsider the meaning of accurate eligibility determination so that it rewards states for reaching those who are eligible as well as excluding those who are not.