



NEW JERSEY HEALTH CARE  
**QUALITY INSTITUTE**



**Issue Brief**  
*Projections for New Jersey*  
*Medicaid Eligibility Trends During COVID-19*

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## Introduction

As of March 2020, New Jersey Medicaid provided coverage to nearly 1.7 million residents. Given the devastating financial impact of COVID-19 on employment and employer-sponsored coverage, Medicaid enrollment for children and families is expected to increase substantially over the second half of 2020 and into 2021.

This unprecedented enrollment growth will put additional demands on state budgets which are already reeling from reduced tax revenues. These revenue reductions will force difficult choices for policy makers. The U.S. Congress is currently considering whether or not to extend the Pandemic Emergency Unemployment Compensation (PEUC) beyond July 31<sup>st</sup>. The PEUC is not counted towards an individual's income calculation for Medicaid eligibility, but the state unemployment benefits are counted. Congress's decision to extend PEUC beyond July 31<sup>st</sup> as well as whether those payments will be counted as income for eligibility determinations will directly affect Medicaid enrollment rates and state budgets.

New Jersey recently extended state unemployment benefits for an additional 20 weeks, however the weekly benefit amount of state unemployment is much lower without the PEUC. For example, the average weekly benefit without PEUC is \$462 versus \$1,062 with PEUC.

In this issue brief, we examine three scenarios that policy makers can use to assess the pandemic's potential effect on Medicaid enrollment over the next 12-18 months. We also provide an estimate of the associated cost growth for the July 2020-June 2021 (formerly Full Year 2021) period for each scenario.

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## Pre COVID-19 Medicaid Enrollment Forecasts

Prior to COVID-19, enrollment of able bodied non-disabled adults and children was declining, consistent with record low unemployment rates. Mandatory minimum wage increases were expected to further reduce Medicaid enrollment as hourly workers' earnings grew. Given the State's full employment economy, Medicaid enrollment would likely have been flat or declined slightly for the balance of 2020 and into 2021.

## Post COVID-19 Medicaid Enrollment Forecasts

The pandemic’s impact on employment has been extraordinary. As employees lose their jobs, they also lose employer sponsored health insurance. This loss of coverage will ultimately result in increased Medicaid enrollment. Because state unemployment insurance payments count as income under Medicaid eligibility rules, there is a lag in Medicaid enrollment until an individual’s unemployment is reduced or exhausted. As illustrated in *Figure 1*, during “the Great Recession” in the first quarter of 2010, unemployment peaked at 10.3% while Medicaid enrollment did not peak until August 2011.

In previous recessions, the increase in unemployment levels was gradual, building over twelve to eighteen months. However, with the stay-at-home orders in place, New Jersey unemployment increased from 3.7% in March 2020 to almost 16% in April, dropping slightly in May to 15.2%. As the economy reopens, these unprecedented unemployment levels are expected to decline at a much faster rate than in previous recessions.

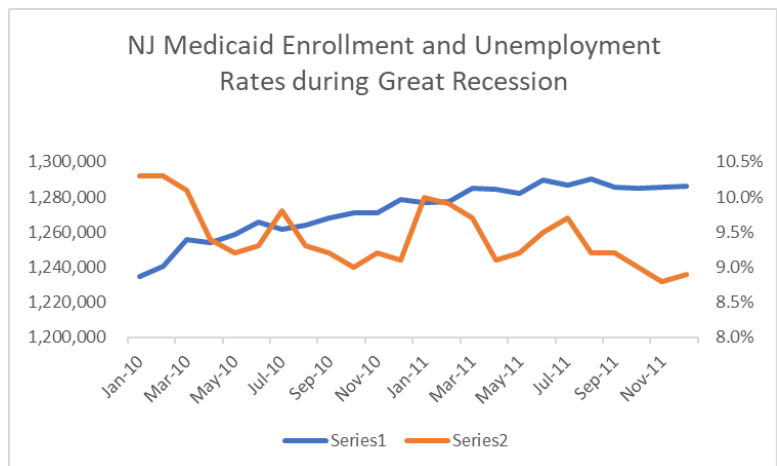


Figure 1

In addition to extending unemployment benefits through July 2020, the federal government provided states with additional relief but required that States suspend Medicaid case terminations. Specifically, under the *Families First Coronavirus Response Act*, the federal matching funds for Medicaid were increased by 6.2%. This enhanced reimbursement came with a maintenance of effort (MOE) requirement that coverage for anyone enrolled in the program be extended indefinitely. Normally, a small percentage of Medicaid enrollees drop or lose coverage and are terminated from the program each month. The continuous enrollment provision compounds the growing enrollment.

Some state programs have released estimates of Medicaid enrollment. Colorado anticipates a 40% increase through 2020, while Florida and Ohio estimate 15% and 10% respectively between April and June 2020; with additional growth throughout the year. States, such as

New Jersey, which expanded Medicaid are expected to experience greater increases in enrollment.

Below we discuss three potential scenarios for New Jersey Medicaid enrollment through 2021.

### Enrollment Scenario 1

In this slow recovery scenario, unemployment insurance will not be extended. New Jersey Medicaid enrollment will increase by 40% from 1.7 million in March 2020 to its peak of nearly 2.4 million by December 2020. As the employment picture improves, enrollment will decline to pre-coronavirus levels by the end of 2021. Using per capita cost estimates from the Governor’s Full Year 2021 Recommended Budget, we estimate an additional \$2 billion in Medicaid costs in FY 2021 as a result of COVID-19 under this enrollment scenario. *See figure 2.*

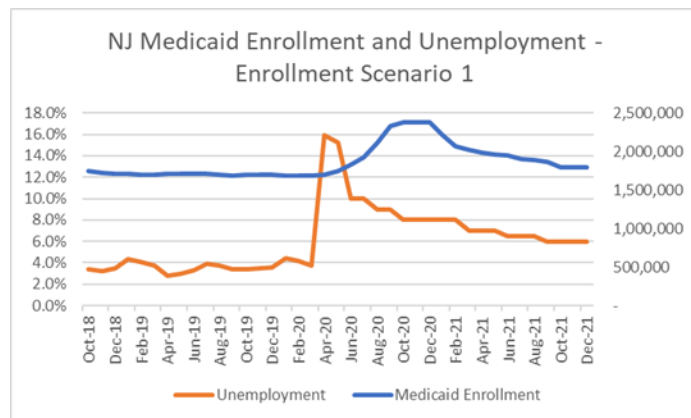


Figure 2

### Enrollment Scenario 2

In this scenario, Congress extends the unemployment benefit intact; or more likely modifies the benefit to incentivize a return to work through December 2020. Families would continue to use the additional unemployment payments to purchase health insurance through COBRA or the individual market. This would increase Medicaid enrollment by 20% with the peak in April 2021. This will result in a smaller growth in

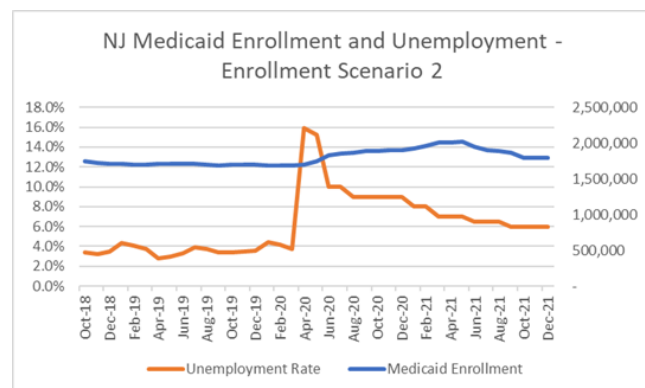


Figure 3

Medicaid enrollment over a longer period. Barring a second stay-at-home order, this is the most likely outcome. Under this scenario, we estimate an additional \$1.2 billion in new Medicaid costs in FY 2021. See figure 3.

### Enrollment Scenario 3

In this worst-case scenario, unemployment insurance is not extended *and* the economic recovery lags due to a strong second COVID-19 wave. Double-digit unemployment will persist through 2020 and the first quarter of 2021. We project this will result in a 60% increase in Medicaid enrollment that will not peak until August 2021. New costs in FY 2021 under scenario three are estimated to be \$3.2 billion. See figure 4.

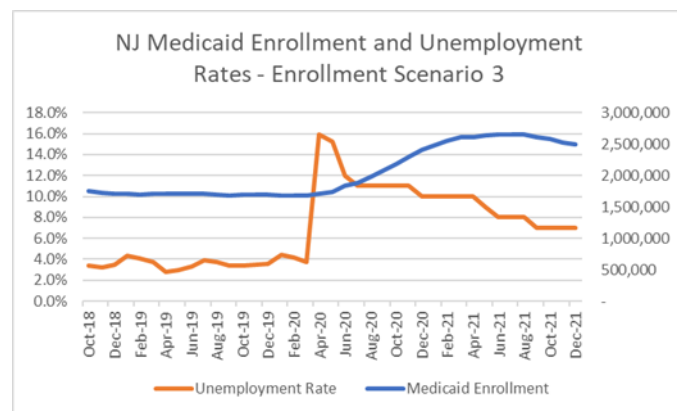


Figure 4

### Conclusion and Policy Recommendations

The Families First Coronavirus Response Act increased federal matching funds for Medicaid but also included an MOE requirement that restricts the states' authority to limit or reduce Medicaid enrollment, including normal case terminations. The current increased level of unemployment benefits provides an effective buffer to rapid enrollment growth, but those benefits are scheduled to expire in July 2020.

As Congress considers another phase of economic stimulus, it should focus on ways to support states struggling to protect their residents in a pandemic and balance their budgets. Extending unemployment through December 2020 would limit increases in Medicaid enrollment at least through the end of 2020. It would also give the economy a chance to reopen and for employment levels to recover. Without an extension, states such as New Jersey will face larger enrollment increases and will struggle to find the funds to support expansion of the program.