



MEMORANDUM

July 9, 2015

To: Senate Committee on Health, Education, Labor, and Pensions
Attention: Bryce McKibben

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Subject: **Adding Medicaid to Means-Tested Programs that Qualify Federal Student Aid Applicants for the Simplified Needs Test**

This memorandum responds to your request for data to aid in the consideration of expanding the group of means-tested programs that qualify a student for a simplified needs test (SNT) when applying for federal student aid to include Medicaid. Specifically, this memorandum presents estimates related to receipt of qualified means-tested programs and Medicaid eligibility based on program rules in effect in 2012.

The question you asked was whether adding Medicaid to the list of means-tested programs could expand the population potentially eligible for the SNT. This memorandum, using data from 2012, shows that there is an estimated population of students and potential students in families with a member eligible for Medicaid, but the family does not receive benefits from a means-tested benefits program that currently qualifies a student for the SNT. Note that the 2012 data are based on Medicaid eligibility rules that were in effect prior to the implementation of the Medicaid expansion and other Medicaid eligibility changes under the Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended). Given increased Medicaid enrollment after these program changes went into effect (beginning January 1, 2014), it is likely that the population in families with an individual eligible for Medicaid, but not other need-tested programs, is larger today than it was in 2012.

Please note that, due to general interest in this topic, parts of this memorandum may be used in other CRS products. You will not be identified as the original requester.

Simplified Needs Test under Current Law

The SNT reduces the amount of information that a federal student aid applicant must provide on the Free Application for Federal Student Aid (FAFSA). Under current law, one pathway for a student to be eligible for the SNT is if the student (or, in the case of a dependent student, a student's parent) received a qualified means-tested benefit in the past 24 months *and* if the family's qualified income is below \$50,000.

Specifically, Section 479(b) of the Higher Education Act (HEA), as amended, specifies that means-tested benefits that entitle an applicant to the SNT include Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), free and reduced price lunch, Temporary Assistance for Needy Families (TANF), the special supplemental nutrition program for women, infants, and children (WIC), or

any other program identified by the Secretary of Education.¹ Guidance from the Department of Education (ED) has expanded this policy so that an income-eligible student qualifies for the SNT if any member of the student's family receives a qualified benefit.²

Students who do not qualify for the SNT on the basis of receipt of a means-tested benefit may qualify based upon other criteria. For example, students who do not qualify for the SNT on the basis of benefit receipt may qualify for the SNT on the basis of filing an eligible tax form and reporting qualified income below \$50,000.³

Data Source and Methodology

You requested an examination of how adding receipt of Medicaid to the criteria enabling applicants to use the SNT might affect SNT eligibility. The optimal data source for the analyses you requested would be applicant data from the FAFSA. This data source would limit the population to student aid applicants and define family units as specified by the HEA. Since the current need analysis formula does not consider Medicaid receipt, the FAFSA does not collect data on this benefit. As such, it is not possible to consider Medicaid receipt using a federal student aid data source.

In the absence of FAFSA data, CRS used a proxy measure in an attempt to estimate the scale of the potential effects of adding Medicaid to the criteria enabling students to use the SNT. Specifically, CRS used data from the Census Bureau's 2013 Annual Social and Economic Supplement (ASEC) from the Current Population Survey (CPS). The ASEC is an annual survey that produces the official estimates of money income and benefit receipt for the non-institutionalized population. The 2013 ASEC has data on income and benefit receipt from calendar year 2012.

Defining Benefit Receipt

Receipt of government benefits on the ASEC (and other surveys) is under-reported by survey respondents.⁴ Because of this under-reporting, CRS, when possible, refined ASEC estimates of program participation using the TRIM3 micro-simulation model. TRIM3 uses the demographic and income information available on the ASEC to produce estimates for benefit receipt that more closely align with program administrative records.⁵ In instances where refinements with the model were not possible, CRS relied on the (likely under-reported) participation data in the ASEC.

¹ As of this writing, the Secretary has not expanded the group of eligible programs.

² For example, the Expected Family Contribution Formula Guide for the 2015-16 academic year specifies that a dependent student qualifies for the SNT if "anyone included in the parents' household size (as defined by the FAFSA)" received a qualified benefit and that an independent student qualifies for the SNT if "anyone included in the student's household size (as defined by the FAFSA)" receives a qualified benefit. See <http://ifap.ed.gov/efcformulaguide/attachments/090214EFCFormulaGuide1516.pdf>.

³ Eligible tax forms include a form 1040A, 1040EZ, or 1040 if the form was filed only to allow the filer to claim certain education-related tax credits. FAFSA filers who are not required to file a tax return also qualify under this criterion.

⁴ For a discussion, see: Bruce D. Meyer, Wallace K.C. Mok, and James X. Sullivan, *The Under-reporting of Transfers in Household Surveys: Its Nature and Consequences*, National Bureau of Economic Research, Retirement Research Center, Working Paper NB08-12, September 18, 2008, <http://www.nber.org/aging/rrc/papers/onb08-12>.

⁵ TRIM3 is developed and maintained by the Urban Institute, under primary funding from the Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (HHS/ASPE). Information presented here is derived in part from the Transfer Income Model, Version 3 (TRIM3) and associated databases. TRIM3 requires users to input assumptions and/or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions presented (continued...)

In this analysis, TRIM3 was used to estimate receipt of TANF, SNAP, SSI, and WIC. TRIM3 does not estimate receipt of free- and reduced price school lunches; therefore, participation in these programs is as it was reported on the ASEC. TRIM3 estimates eligibility for Medicaid, but not benefit receipt. *As such, the Medicaid data in this memorandum reflect eligibility, not receipt.* The estimates of Medicaid eligibility reflect TRIM3's estimates in based on the 2012 eligibility criteria.

The most recent data for which TRIM3 estimates are available are from the 2013 ASEC. The 2013 ASEC was conducted in March of that year and captures information on income received by households in 2012. Some eligibility criteria for means-tested programs have changed since the survey was conducted. Most notably, the ACA expanded Medicaid eligibility to certain nonelderly adults with annual income up to 133% of the Federal Poverty Level beginning in 2014.⁶ Not all states participated in this expansion.⁷ The Office of the Actuary at the Centers for Medicare and Medicaid Services has projected that the ACA Medicaid expansion will add an estimated 3.7 million newly-eligible adults to Medicaid in FY2014 and about 12.6 million newly-eligible adults by FY2022.⁸

The ACA Medicaid changes in eligibility directly impact the population of interest in this analysis. However, cross-program data are not available to analyze what portion of Medicaid enrollees under the ACA expansion are part of families that receive benefits under other means-tested programs. As such, the data in this memorandum reflect the pre-ACA Medicaid eligibility rules from 2012.

Another limitation of the ASEC benefit data for this exercise is that that ASEC data are limited to the 12 months of 2012. The SNT is available to federal student aid applicants who are part of a family that has received a qualified benefit in the 24 months prior to application.

Defining Family Units, Income Levels, and Prior Education

Since SNT eligibility is on the basis of a family member receiving a specified benefit, CRS had to construct family units that were similar to the family unit as defined by the federal student aid formula. The TRIM3 model allows individual respondents to be classified as part of a household, family, or tax unit. None of these groups precisely aligns with the family unit as defined by the federal student aid

(...continued)

here are attributable only to the authors of this memorandum.

⁶ In addition, as of January 1, 2014, all states are required to use modified adjusted gross income (MAGI) rules in determining eligibility for most of Medicaid's nonelderly populations, including the ACA Medicaid expansion. The transition to the MAGI income rules represented a major change in terms of the types of information collected (such as what counts as income) and the definition of household (such as the inclusion of the income of a step parent) compared to former Medicaid eligibility rules. This change could mean some individuals who were previously eligible for Medicaid at the time the survey was conducted would no longer be found eligible (and vice versa) due to the change in the way income is counted for Medicaid eligibility.

⁷ Originally, it was assumed that all states would implement the ACA Medicaid expansion in 2014 as required by statute because implementation was required in order for states to receive any federal Medicaid funding. However, on June 28, 2012, the United States Supreme Court issued its decision in *National Federation of Independent Business (NFIB) v. Sebelius* finding that the federal government cannot terminate the federal Medicaid funding a state receives for its current Medicaid program if a state refuses to implement the ACA Medicaid expansion. As a result, states may implement the ACA Medicaid expansion at state option. For more information, see the "ACA Medicaid Expansion" section of CRS Report R43357, *Medicaid: An Overview*, coordinated by Alison Mitchell.

⁸ Christopher J. Truffer, John D. Klemm, and Christian J. Wolfe, et al., *2013 Actuarial Report on the Financial Outlook for Medicaid*, Office of the Actuary, Centers for Medicare & Medicaid Services, U.S. Department of Health & Human Services, 2014.

formula. CRS considered individuals in the context of the tax unit, which we considered to be the most similar to a family as defined by the federal student aid formula.⁹

In accordance with the implementation of SNT eligibility, all members of a tax unit were assigned the same benefit status. For example, if a child in a tax unit received a free or reduced price lunch, the child's parents and all other persons in the tax unit were classified as receiving a means-tested benefit for the purposes of SNT eligibility.

The SNT also requires an adjusted gross income (AGI) of less than \$50,000 in the prior tax year. As such, the analyses in this memorandum only consider tax units with an AGI below \$50,000. Tax units' 2012 AGIs were estimated by the TRIM3 model.

Further, since this analysis relates to federal student aid, individuals with a bachelor's degree were eliminated from the reference group (i.e., the group of individuals for whom SNT eligibility is examined).

After eliminating individuals from tax units with a 2012 AGI above \$50,000 and individuals with a bachelor's degree, the reference population includes about 44% of the total non-institutionalized population between the ages of 17 and 55. The reference population includes larger portions of younger age groups. The tables later in this memorandum include 62% of persons between the ages of 17 and 23, 48% of persons between the ages of 24 and 34, and 36% of persons between the ages of 35 and 55.

Estimating Benefit Recipients and Medicaid Eligible Persons

CRS performed two calculations to estimate the number of persons in the reference group who qualified for Medicaid but did not receive other benefits. First, CRS performed one calculation to determine if a person was a member of a tax unit that received at least one of the means-tested benefits that currently makes a federal student aid applicant eligible for the SNT. The second calculation determined if a person was a member of a tax unit that received at least one means-tested benefit or had at least one person eligible for Medicaid (as determined by TRIM3 using 2012 Medicaid rules). The group of individuals who are from tax units that had at least one member eligible for Medicaid but not receiving other relevant means-tested benefits may be thought of as the "Medicaid only" population for the purposes of this analysis. For a number of reasons that are explained at the end of this memorandum, it is very likely that only a subset of the "Medicaid only" population would be actually affected by a policy change that expanded the SNT to include Medicaid enrollees.

Disaggregating by Age and School Enrollment

The "total persons" data in the next section reflect the entire population between the ages of 17 and 55 that do not have a bachelor's degree and are part of a tax unit with income below \$50,000. It is not limited to FAFSA filers, postsecondary students, or any other subpopulation. To attempt to identify the subpopulations that were most likely to apply for federal student aid, CRS disaggregated by age and school enrollment status.

CRS considered persons between the ages of 17 and 55. Since school enrollment patterns vary by age, the data are divided into three age groups: (1) age 17 to 23, (2) age 24 to 34, and (3) age 35 to 55. The age 17

⁹ For example, a parent may claim a child as a dependent on a tax return up to age 23. This limitation largely aligns with the criteria for dependent students under the federal student aid formula, though there are numerous exceptions in both tax policy and federal student aid policy.

to 23 group was specified to approximate prospective students that would likely be classified as dependent students. The age limit of 55 was chosen to align with when the CPS no longer inquires about school enrollment.

To try to further identify likely federal student aid applicants, CRS identified persons who had both completed high school and were enrolled in school at the time of the survey.¹⁰ In the case of persons who were between the ages of 17 and 23, CRS also identified persons who had completed 11th grade and were enrolled in school as a separate group. This additional group aims to represent students who are enrolled in 12th grade and may apply for federal student aid to begin postsecondary school the year after the survey. This group of prospective students is separated out in **Table 1**.

Data on Benefit Receipt and Medicaid Eligibility

The tables in this section present data from 2012 on individuals who did not have a bachelor's degree and who were part of a tax unit with an AGI of less than \$50,000. The counts represent individuals, but, in accordance with the implementation of the FAFSA, all individuals within a tax unit are assigned the same benefit receipt status. **Table 1** presents data on the number of persons between the ages of 17 and 23 who were part of a tax unit that was eligible for any of the current programs that qualify a student aid applicant for the SNT, as well as data on the number of persons who received benefits under any of the current programs or were eligible for Medicaid. The data are subdivided by school enrollment status. **Table 2** and **Table 3** present similar data for persons ages 24-34 and 35-55, respectively.

More than one member of a family could attend college at the same time and it is possible that individuals from a single tax unit could be represented in more than one of the following tables. For example, in the case of a two-person tax unit with a 40-year-old parent who has no education beyond high school and receives no means-tested benefits and 18-year-old child who receives SSI, the child would be included as a recipient of a current benefit in **Table 1** and the parent would be included as a recipient of a current benefit in **Table 3**.

¹⁰ Unlike annual income data, which is for the prior calendar year, the CPS asks about school enrollment in the month of the survey. In this case, the month of the survey was March 2013.

Table 1. Estimated Receipt of Means-Tested Benefits and Eligibility for Medicaid, Persons Age 17-23

Limited to individuals without a bachelor's degree who are part of a tax unit with adjusted gross income under \$50,000 in 2012

	Population size (in thousands)	Recipient of Current Benefit ^a (% of population)	Recipient of Current Benefit ^a or Eligible for Medicaid (% of population)
Total persons	18,753	42.2%	50.3%
--Not enrolled in school or enrolled in school but have not completed 11 th grade	11,042	45.3%	51.9%
--Enrolled in school, completed high school	5,598	26.2%	36.4%
--Enrolled in school, completed 11 th grade	2,113	68.9%	78.3%

Source: CRS analysis of Annual Social and Economic Supplement (ASEC) from the Current Population Survey (CPS), using TRIM3 micro-simulation model to estimate receipt of means-tested programs, eligibility for Medicaid, and adjusted gross income. Free and reduced price school lunch receipt are unadjusted estimates as reported on the CPS.

Notes: Details may not add to totals because of rounding. Individuals are classified as a recipient of a current benefit if any person in their tax unit received the benefit in 2012. Individuals are classified as eligible for Medicaid if any person in their tax unit was eligible for Medicaid in 2012. Data are limited to individuals who do not have a bachelor's degree and who are part of tax units with an AGI below \$50,000.

- a. Current benefits are Supplemental Security Income, Supplemental Nutrition Assistance Program, Free and Reduced Price Lunch, Temporary Assistance for Needy Families, and the Special Supplemental Nutrition Program for Women, Infants, and Children.

In **Table 1** and the subsequent tables, the differences between the second and third column may be thought of as the “Medicaid only” population. This population can be considered as an upper-bound estimate of the population potentially affected by the proposal under consideration, based on the eligibility rules in effect in 2012. However, as discussed in the final part of this memorandum, it is likely that only a subset of the 2012 “Medicaid only” population would have had their SNT eligibility affected by the proposed change.

Within the age group represented in **Table 1**, there is substantial variation in benefit receipt among similarly aged students with different school enrollment statuses. The difference in benefit receipt rates between high school students and postsecondary education students is due to a large number of high school students being part of a tax unit which received free or reduced price lunch.

The next tables present data on persons age 24-34 and 35-55. As would be expected in these age groups, a smaller portion of the population is enrolled in school than is the case for the 17-23 age group.

Table 2. Estimated Receipt of Means-Tested Benefits and Eligibility for Medicaid, Persons Age 24-34

Limited to individuals without a bachelor's degree who are part of a tax unit with adjusted gross income under \$50,000 in 2012

	Population size (in thousands)	Recipient of Current Benefit ^b (% of population)	Recipient of Current Benefit ^b or Eligible for Medicaid (% of population)
Total persons	22,209	47.8%	53.4%
--Not enrolled in school or enrolled in school but have not completed high school	19,594	49.4%	54.9%
--Enrolled in school, completed high school	2,615	36.4%	43.2%

Source: CRS analysis of Annual Social and Economic Supplement (ASEC) from the Current Population Survey (CPS), using TRIM3 micro-simulation model to estimate receipt of means-tested programs, eligibility for Medicaid, and adjusted gross income. Free and reduced price school lunch receipt are unadjusted estimates as reported on the CPS.

Notes: Details may not add to totals because of rounding. Individuals are classified as a recipient of a current benefit if any person in their tax unit received the benefit in 2012. Individuals are classified as eligible for Medicaid if any person in their tax unit was eligible for Medicaid in 2012. Data are limited to individuals who do not have a bachelor's degree and who are part of tax units with an AGI below \$50,000.

- b. Current benefits are Supplemental Security Income, Supplemental Nutrition Assistance Program, Free and Reduced Price Lunch, Temporary Assistance for Needy Families and the Special Supplemental Nutrition Program for Women, Infants, and Children.

Table 3. Estimated Receipt of Means-Tested Benefits and Eligibility for Medicaid, Persons Age 35-55

Limited to individuals without a bachelor's degree who are part of a tax unit with adjusted gross income under \$50,000 in 2012

	Population size (in thousands)	Recipient of Current Benefit ^a (% of population)	Recipient of Current Benefit ^a or Eligible for Medicaid (% of population)
Total persons	31,244	48.2%	54.8%
--Not enrolled in school or enrolled in school but have not completed high school	30,224	48.0%	54.7%
--Enrolled in school, completed high school	1,021	53.6%	59.8%

Source: CRS analysis of Annual Social and Economic Supplement (ASEC) from the Current Population Survey (CPS), using TRIM3 micro-simulation model to estimate receipt of means-tested programs, eligibility for Medicaid, and adjusted gross income. Free and reduced price school lunch receipt are unadjusted estimates as reported on the CPS.

Notes: Details may not add to totals because of rounding. Individuals are classified as a recipient of a current benefit if any person in their tax unit received the benefit in 2012. Individuals are classified as eligible for Medicaid if any person in their tax unit was eligible for Medicaid in 2012. Data are limited to individuals who do not have a bachelor's degree and who are part of tax units with an AGI below \$50,000.

- a. Current benefits are Supplemental Security Income, Supplemental Nutrition Assistance Program, Free and Reduced Price Lunch, Temporary Assistance for Needy Families and the Special Supplemental Nutrition Program for Women, Infants, and Children.

Considerations Related to Student Financial Aid

The tables in the prior section show that, as of 2012, there is a measurable population that is part of a tax unit that is eligible for Medicaid but does not receive benefits under the other means-tested programs that qualify a federal student aid applicant for the SNT. Since receipt of a means-tested benefit is only one method of establishing SNT eligibility, the “Medicaid only” population identified in **Tables 1-3** should be considered a high upper bound estimate for the number of individuals in 2012 that would have been potentially affected by a policy change that expanded the SNT to Medicaid enrollees. Possible scenarios in which an individual could be in the “Medicaid only” population in the tables but not be newly-eligible for the SNT include but are not limited to:

- *The individual does not apply for federal student aid.* A majority of persons in the 17-23 age group and a large majority of persons in older age groups are not enrolled in higher education. Further, some individuals who pursue higher education do not pursue federal student aid.
- *The individual is already eligible for the SNT under other criteria.* In addition to means-tested benefit receipt, income-eligible student aid applicants may qualify for the SNT on other criteria such as qualified income and qualified tax form for the applicant’s tax return (or not being required to file a tax return). In this analysis, we were unable to consider the tax forms completed by individuals. It is likely that a substantial portion of the “Medicaid only” population already qualified for the SNT based on other criteria, such as meeting the income and tax form criteria.
- *A Medicaid-eligible individual may not pursue the benefit.* The data in this memorandum provide estimates of Medicaid eligibility, while the SNT is based on benefit receipt. As such, an individual who is eligible for Medicaid but does not enroll would not be eligible for the SNT, even if the list of qualified programs was expanded. In 2012, not all persons eligible for Medicaid enrolled. In light of the health insurance mandate and Medicaid expansion in the ACA, enrollment rates among Medicaid-eligible populations are expected to have increased since 2012.

Analysis is further complicated by the lack of cross-program data available that take into account the changes to Medicaid eligibility rules that were enacted under the ACA. For example, if a large portion of the new enrollees under the ACA Medicaid expansion were part of a family that otherwise did not receive a qualified means-tested benefit, the size of the “Medicaid only” population would be higher in 2015 than it was in 2012.

There may also be behavioral aspects of applying for student financial aid that are not captured by these analyses. For example, it is possible that a student may receive a qualified benefit but not respond accurately on the FAFSA. By increasing the number of programs that are on the FAFSA, it may increase the likelihood that beneficiaries of means-tested programs will identify as such.