

Fact Sheet

States Using the TEFRA Option for Children with Serious Mental Disorders

TEFRA Option for Children with Serious Mental Disorders

Twenty state Medicaid programs use the eligibility option known as TEFRA or Katie Beckett to expand eligibility to certain children with physical and mental disabilities.

Issue

In other states, policymakers have indicated that more information on TEFRA implementation would help them make a decision about whether to adopt this option.

The TEFRA option permits children with physical or mental disabilities (as defined in SSI regulations) to be offered home-based services instead of placement in an institution. Under current law, these children are covered under Medicaid while in the institution after the first 30 days; at that time their family's income and resources are no longer counted and so the child becomes financially eligible. If these children meet the federal definition of disability, they then become Medicaid-eligible.

TEFRA

A 2002 survey of states without the TEFRA option by the Bazelon Center for Mental Health Law identified the following as the major reasons why the state had not considered or had not adopted this option:

State Concerns

- lack of information on implementation of TEFRA by states with the option;
- concern over raising funds for the state match;
- overall costs, concern over budget-neutrality and ability to control the number of children who would become eligible; and
- mistaken belief that other Medicaid options will address this need;

The Bazelon Center for Mental Health Law recently conducted a study of the implementation of TEFRA in the 20 states with the option. Data from this study show:

TEFRA Implementation

- The overall number of children who qualify is low.
- The costs per child on TEFRA are low. A Minnesota study of TEFRA found that TEFRA only pays 23% of total health care costs for the children (private health insurance, families and schools pay the rest).
- Half the states with the option have rules that enable children with serious mental and emotional disorders to qualify; the other 10 states have rules or practices that create barriers for these children.

Other Medicaid options that state officials believe may meet the needs of these children do not, in fact, address the same issues. The Medicaid options cited by state officials as alternatives to TEFRA were:

Other Medicaid Options

- Medically needy option: This requires a family to spend down into poverty for their child to be eligible. But these families are seeking home- and community-based services only available through the public sector—services that cannot be purchased—and so they will not be able to “spend down” by accessing community care. Instead, the families are forced into paying for residential services in order to meet medically needy standards. In addition, families must frequently re-establish eligibility under the medically needy option. For these

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Other Medicaid Options (cont'd.)

reasons the medically needy option is impractical as a means of covering the community care these children need.

- Home- and community-based waivers: A home- and community-based waiver could be an alternative to TEFRA for these children. However, only three states have home- and community-based waivers for children with mental and emotional disorders; in no other state does this alternative Medicaid eligibility approach exist.

Costs

States had concerns over both the cost of the TEFRA option and the budget-neutrality of its implementation. These concerns were heightened by a fear that the state could not control the number of children who might be eligible (as it can with a home- and community-based waiver), and that this too would drive up overall costs to the state.

- Data from Minnesota (the only state that has studied this issue) show that the actual costs of providing home- and community-based services to TEFRA children are not high. Moreover, the costs for children with mental disorders were less than for other children.

- Budget-neutrality is a federal requirement for TEFRA, and states make the essential calculations themselves. Concern over budget-neutrality can be addressed by states by ensuring accurate assessments of the costs of institutional care and accurate assessments of whether the child truly needs the level of care provided in an institution. These are state decisions, controlled by the Medicaid agencies.

- Overall, few children qualify. First, all children must meet the stringent SSI definition of disability and second, they must need the level of care furnished in an institution. This greatly reduces the total number of potential eligibles, and the data confirm this.

State Match

Mental health officials were concerned about the need for state matching funds for services to these children. In most states, mental health authorities provide the Medicaid match for community-based mental health services. Accordingly, this is of concern. However, when parents of these children are forced into giving up custody to the state, the costs of their care will still fall on the state and the Medicaid match must still be paid. In these situations, the child becomes the responsibility of child welfare (not mental health), but the service furnished will be residential care that is far more expensive for the state than the TEFRA community-based services. Thus, while the mental health system “saves” the match, the state itself pays an even higher match.

State policymakers need to examine the full impact of policies designed to “save” the match. More effective would be to offer these families family-friendly community-based services that are available through the public mental health system by ensuring that the child becomes Medicaid-eligible through TEFRA.

The advantage of TEFRA for the child is obvious. Families on TEFRA in Minnesota (the only state with data) have incomes that are average for the state. If they have private insurance, mental health coverage is limited and the intensive community services their children need are typically not part of an insurance policy benefit package. The options facing these families are to place their child in an institution (Medicaid will pay after 30 days), give up custody to child welfare (child welfare will pay the Medicaid match and the costs of residential care), or continue to struggle along until their child will, most likely, enter the juvenile justice system and become a state responsibility. Families want their children to have access to services before such dire outcomes occur. TEFRA is an obvious policy option for states that wish to address these families' needs.