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Executive Summary

Direct Certification with Medicaid for Free and Reduced-Price Meals (DCM-F/RP) Demonstration, Year 2

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Lara Hulsey, Andrew Gothro, Joshua Leftin, Liana Washburn, Brian Estes,* Kathy Wroblewska,* Hilary Wagner,* Amanda Lee, Claire Smither Wulsin, & Kelsey Chesnut

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Food and Nutrition Service
U.S. Department of Agriculture
1320 Braddock Place
Alexandria, VA 22314
Project Officer: Conor McGovern
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Submitted by:

Mathematica
P.O. Box 2393
Princeton, NJ 08543-2393
Telephone: (609) 799-3535
Facsimile: (609) 799-0005
Project Director: Lara Hulsey
Reference Number: 50505-4.3

*Insight Policy Research

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EXECUTIVE SUMMARY

The demonstration of Direct Certification with Medicaid for Free and Reduced-Price Meals (DCM-F/RP) allows authorized States and school districts to use information from Medicaid data files to identify students eligible to receive meals under the National School Lunch Program (NSLP) and School Breakfast Program (SBP) for free or at a reduced price. DCM-F/RP expanded the number of students certified to receive free school lunches and breakfasts without needing to complete an application and, for the first time, made it possible to certify students for reduced-price school meals without an application. DCM-F/RP could also increase the total numbers of students certified to receive free or reduced-price meals, the numbers of reimbursable school meals served, Federal reimbursement costs, and the costs that States incur for administering the NSLP and SBP. The U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) contracted with Mathematica to examine the effects of DCM-F/RP on these and other outcomes, and to describe the implementation experiences of States and districts.

A. The school meals programs and direct certification

The NSLP is the largest child nutrition program in the United States, providing lunches to almost 30 million students each school day in Federal fiscal year (FY) 2018. Along with the SBP, the NSLP is a cornerstone of the government's efforts to provide nutritious meals to schoolchildren and an essential resource for many families. All students enrolled in schools participating in the NSLP or SBP are eligible to receive subsidized school meals, but the meal reimbursements that the USDA provides are much larger for meals served to students who are certified to receive meals for free or at reduced prices. Districts use two methods to certify students for free or reduced-price meals:

1. **Certification through application.** For students to be certified based on an application, households must either provide detailed information on household size and income or demonstrate that they are "categorically eligible" because they participate in one of several public assistance programs, such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or the Food Distribution Program on Indian Reservations (FDPIR). School district staff assess the application information to determine whether the household meets eligibility requirements.
2. **Direct certification.** In the direct certification process, State agency or school district staff match administrative records from programs that confer categorical eligibility with student enrollment records to identify and automatically certify eligible students for free school meals. All districts that certify students for free or reduced-price meals are required to

conduct direct certification with SNAP and encouraged to also directly certify students in TANF and FDPIR households.[1]

Some schools and districts use alternative procedures that do not involve certifying individual students each year, and instead serve meals at no cost to all students. Districts participating in Provision 2 or Provision 3 conduct certification in a base year and are reimbursed in later years based on claims from that base year. Under the Community Eligibility Provision (CEP), authorized school districts and schools in high-poverty areas receive the Federal free reimbursement rate for between 64 and 100 percent of meals served—depending on the percentage of "identified students," those certified for free meals through means other than applications—and receive the lower, paid reimbursement rate for the remaining meals.

B. Demonstrations using Medicaid data for direct certification

Using Medicaid data for direct certification presents an opportunity to reach additional students. However, because Medicaid participation does not confer categorical eligibility, States and districts must use income information from Medicaid eligibility or enrollment files to determine whether a student is eligible for free or reduced-price meals under the DCM demonstrations.

The Healthy, Hunger-Free Kids Act of 2010 (HHFKA; P.L. 111-296) required FNS to conduct a demonstration that added Medicaid to the list of programs used to directly certify students for free school meals in selected States and districts. Under this demonstration, students were eligible for free meals if they were enrolled in Medicaid and in a household with Medicaid gross income not exceeding 133 percent of the Federal Poverty Level (FPL) for the family size used for determining Medicaid eligibility. Five States began conducting DCM in school year (SY) 2012–2013, and two others joined the demonstration over the subsequent two years.

Beginning in SY 2016–2017, FNS initiated a new demonstration that differs from the previous DCM demonstration in several ways. First, the income threshold for free meal certification based on Medicaid data was set at 130 percent of the FPL, aligning with the standards for establishing NSLP/SBP eligibility based on income reported on an application. Second, the DCM-F/RP States also use the Medicaid data to identify students in households eligible to receive reduced-price meals and directly certify them at that level. Students can be certified for reduced-price meals under DCM-F/RP if their household income is between 130 and 185 percent of the FPL. Finally, guidelines for assessing eligibility were revised to reflect changes in Medicaid income and household definitions under the Patient Protection and Affordable Care Act of 2010.

Fifteen States participated in the DCM-F/RP demonstrations in SY 2017–2018. Cohort 1 comprises the 6 States that began conducting DCM-F/RP statewide in SY 2016–2017: Florida, Massachusetts, Nebraska, Utah, Virginia, and West Virginia. Cohort 2 includes the 8 new States

[1] Students documented as foster children, homeless, migrant, runaway, or participating in Head Start can also be directly certified for free school meals.

joining in SY 2017–2018: Connecticut, Indiana, Iowa, Michigan, Nevada, Texas, Washington, and Wisconsin. California expanded its implementation of DCM-F/RP from 14 districts in the first year to statewide in the second year and is treated as a Cohort 2 State for most analyses.

C. Evaluation of the DCM-F/RP demonstration

FNS contracted with Mathematica to conduct a study of the DCM-F/RP demonstration. Findings from the first year of the evaluation, which covered experiences during SY 2016–2017, are presented in an earlier report (Hulsey et al. 2019). The current report describes the experiences of States and districts during SY 2017–2018 and examines outcomes related to certification, participation, and costs through descriptive and comparative analyses. A subsequent report will examine outcomes two years later.

The effects of the demonstration on percentages of students certified, participation (numbers of meals served), and Federal reimbursements are measured by comparing the outcomes in the year before the demonstration to those same outcomes in SY 2017–2018. In this pre-post design, although the statistical model used to estimate changes accounts for the influence of included time-varying characteristics (such as local economic conditions) and any time-invariant characteristics (such as whether a district is public or private) on the outcomes of interest, time-varying factors not included in the model and unrelated to the demonstration (such as changes in student preferences for school meals) could still be driving some of the observed changes in outcomes.

Because Florida and Massachusetts had conducted DCM for free meals statewide during the baseline year under the previous DCM demonstration, analyses of effects related to free meals are not presented for those two States. Iowa was excluded from the analysis of one certification outcome because the necessary data were unavailable for that State. In addition, Nevada was excluded from analyses of certification, participation, and Federal reimbursements because it did not certify any students through DCM-F/RP in SY 2017–2018.

D. Summary of key findings

Implementation processes and challenges. States and districts integrated DCM-F/RP into their usual direct certification processes, and Cohort 1 States generally continued to use the same procedures they put into place during their first year of the demonstration. Key differences for Cohort 2 States to incorporate DCM-F/RP included the need to assess eligibility based on income and household size information in the Medicaid files and the need to add new program codes to their systems to indicate DCM-free and DCM-reduced-price. The expansion of the demonstration into additional States saw somewhat more variation in approaches across States, including which agency conducted each key step. For example, in three Cohort 2 States, staff of child nutritional agencies, rather than Medicaid eligibility agencies, assess eligibility for DCM-F/RP.

While preparing for the demonstration, Cohort 2 State agencies encountered challenges similar to those reported by Cohort 1 States in their first year, including difficulties identifying which Medicaid aid categories contained the information needed to assess students' eligibility for DCM-F/RP. The process of revising interagency agreements to include DCM-F/RP and creating a Medicaid data extract containing eligible children could be time-consuming, resulting in delays in implementation in some States. At the district level, a key challenge was local systems that track school meal certification information not recognizing Medicaid as a program option or that direct certification could confer reduced-price status, requiring staff to manually certify DCM-F/RP matches. Cohort 1 States reported resolving some of the challenges that had persisted during their first year of implementation.

Certification. Substantial numbers of students were directly certified through DCM-F/RP in SY 2017–2018. Almost 1 million students were directly certified for free meals based on Medicaid data across the 12 States that participated in the DCM-F/RP demonstration but not in the previous DCM demonstration. An additional 259,000 students were directly certified for reduced-price meals based on DCM-F/RP in the 14 States across cohorts that conducted DCM-F/RP in SY 2017–2018.

All 12 States that did not participate in the previous DCM demonstration directly certified students for free meals based on DCM-F/RP, ranging from 0.6 to 10.5 percent of students (Figure ES.1). For comparison, between 10.1 and 27.5 percent of students were directly certified for free meals based on any program in these States. All 14 demonstration States directly certified students for reduced-price meals based on DCM-F/RP in SY 2017–2018; the percentages ranged from less than 0.1 percent to 5.4 percent of enrolled students. For these two outcomes, because no students were certified through DCM-F/RP in these States in the baseline year, the full change between baseline and SY 2017–2018 is attributable to the demonstration, although experiences in other years or other States could differ.

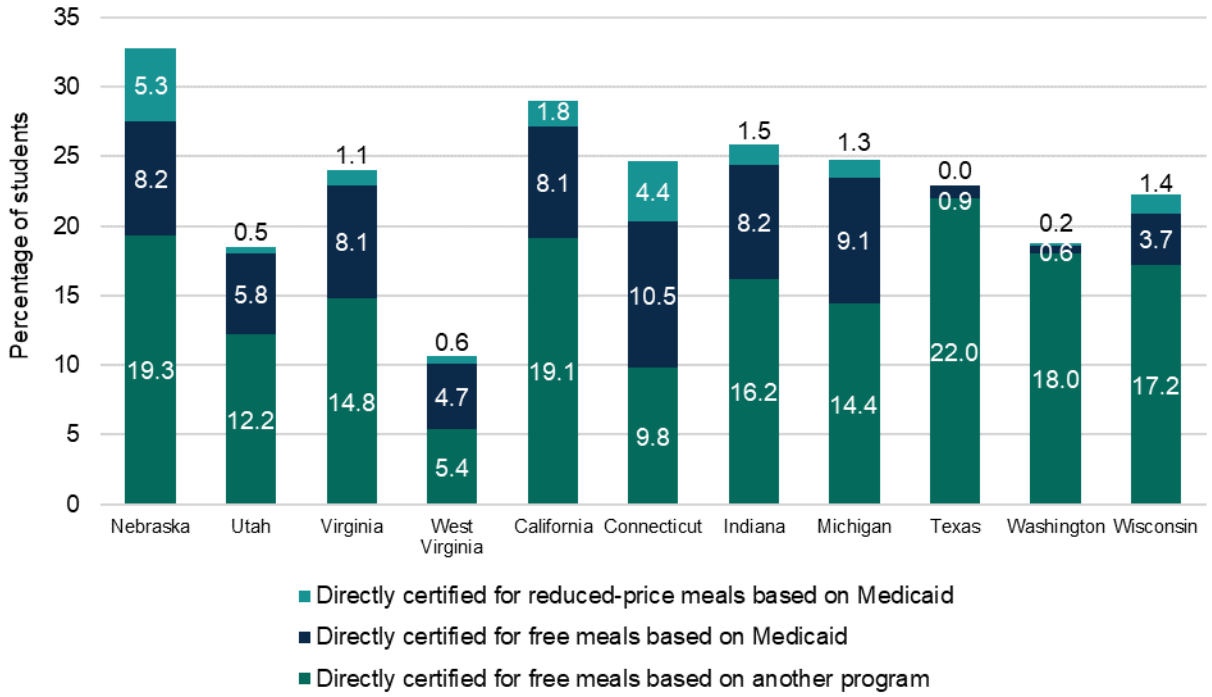
Although some of these students would have been certified for free or reduced-price meals by application in the absence of the demonstration, overall certification rates improved during DCM-F/RP implementation in some States. Seven of the 12 States that did not participate in the previous DCM demonstration experienced statistically significant increases (of between 2.5 and 9.0 percentage points) in the total percentage of students certified for free meals. Although 1 State saw a statistically significant decrease in this outcome, it was due to even larger increases in the percentage of students attending CEP schools, which are not included in certification counts. The total percentage of students certified for reduced-price meals also increased significantly in 5 of the 14 States but decreased significantly in 5 others. Mixed results on this outcome are expected as DCM-F/RP can move students from reduced-price to free status as well as from paid to reduced-price status.

Participation. The increases in certification rates translated into increases, relative to the baseline year, in the percentage of lunches served for free in most States but had more mixed

effects on other participation outcomes. For the NSLP, the percentage of lunches served for free increased (by between 0.9 and 8.0 percentage points) in all but 3 of the 12 States for which the outcome was measured, but decreased (by 1.4 percentage points) in 1 State and did not change significantly in the remaining 2. For the SBP, the percentage of breakfasts served for free increased in 5 States (by between 1.3 and 6.2 percentage points) but decreased in 1 (Virginia, by 3.2 percentage points) and did not change significantly in the other 6 States for which the outcome was measured. However, the percentage of lunches served at a reduced price decreased in 7 States (by between 0.7 and 1.9 percentage points) and only increased in 1 State (Massachusetts, by 2.6 percentage points). Similarly, the percentage of breakfasts served at a reduced price decreased in 7 States (by between 0.6 and 2.1 percentage points) and only increased in 1 (Indiana, by 1.0 percentage points); the other 6 States experienced no statistically significant change in this outcome between the baseline year and SY 2017–2018. For both breakfasts and lunches, in each State where the percentage of meals served for free increased, this increase was larger than any decrease in the percentage served at a reduced price, indicating an increase in the overall percentage of meals served for free or at a reduced price.

DCM-F/RP was associated with mixed effects on school meal participation rates (the number of meals served per student per school day). Three States experienced statistically significant increases in the NSLP participation rate between the baseline and SY 2017–2018, ranging from 0.02 to 0.07 lunches served per student per day, which translate to between 1.8 and 6.6 percentage point increases. Five States (the same 3 plus 2 others) had significant increases in the SBP participation rate, ranging from 0.01 to 0.04 breakfasts per student per day. However, 3 other States experienced statistically significant decreases in the NSLP participation rate (of between 0.01 and 0.03 lunches per student per day), and 1 other saw a significant decrease in the SBP participation rate (of 0.01 breakfasts per student per day). The decreases between the baseline year and SY 2017–2018 were inconsistent with the anticipated direction of the effect of the demonstration and might reflect changes in factors unrelated to DCM-F/RP. Although the statistical model used to estimate changes accounts for the influence of included time-varying characteristics (such as local economic conditions) and any time-invariant district characteristics (such as type of district) that might affect outcomes, the model cannot control for unmeasured time-variant factors, such as other changes to school or meal procedures or changes in student preferences for school meals. In addition, the small magnitude of some of the changes in meals served per student per day limits the practical importance of some findings for this outcome. For example, 0.01 breakfasts per student per day translates into less than two additional meals per student across a full school year.

Figure ES.1. Percentage of enrolled students directly certified in SY 2017–2018, for States that did not participate in previous DCM demonstration



Source: Administrative records provided by State administrators.

Notes: Each outcome in this figure reflects the percentage of students who attend schools that certify individual students and are directly certified based on the specified program, among all students enrolled in the district. Iowa is excluded from this figure because data for one outcome are unavailable. Values in this figure are regression adjusted.

Federal reimbursement costs. The findings on Federal reimbursements were similarly mixed, but more States saw increases than decreases. For the NSLP, 10 States experienced statistically significant increases in the blended reimbursement rate (BRR), defined as average reimbursement per meal served, ranging from 2 cents to 18 cents, and 7 States had increases in reimbursements per student per day, from 2 cents to 13 cents. However, the BRR decreased by a statistically significant 4 cents in 1 State, and reimbursements per student per day decreased by a statistically significant 6 cents in another. Fewer States saw significant changes in SBP reimbursements. The SBP BRR and reimbursements per student per day each increased significantly, by between 1 cent and 10 cents, in 6 States, but decreased—by somewhat larger amounts—in 1 (for reimbursements per student per day) or 2 (for the BRR) States, and saw no significant changes in other States. Similar to the participation findings, these decreases between the baseline year and SY 2017–2018 were inconsistent with the anticipated effect of the demonstration and might reflect changes in factors unrelated to DCM-F/RP.

State administrative costs. The administrative costs incurred by State agencies in SY 2017–2018 to implement DCM-F/RP (over and above other certification costs) varied widely and were

considerably lower in Cohort 1 States, which were in their second year of implementation. Costs ranged from $0 to approximately $16,000 in Cohort 1 States and from around $30,000 to $373,000 in Cohort 2 States. This cohort difference was due in part to the fact that Cohort 1 States did not incur any start-up costs in SY 2017–2018, because they had completed start-up activities in the prior year. Over 90 percent of the total administrative costs incurred by Cohort 2 States were start-up costs, a pattern similar to that of Cohort 1 States during their first year of DCM-F/RP implementation. In addition, costs for ongoing activities after the first DCM-F/RP match were lower on average in Cohort 1 States than Cohort 2 States.

The division of costs between child nutrition and Medicaid eligibility agencies varied by State, but on average Medicaid eligibility agencies incurred higher costs. This was driven in part by the relatively large Medicaid eligibility agency costs in the four States with the largest total State administrative costs in SY 2017–2018: Texas, Wisconsin, Nevada, and Connecticut. In the two States with the highest costs (Texas and Wisconsin), the largest expenditure—comprising the majority of their total costs—was for developing the queries for producing the Medicaid data extracts needed for DCM-F/RP.

E. Limitations

Limitations of the DCM-F/RP demonstration design and available data necessitate caution in interpreting the findings. An experimental design, like that used for the first DCM demonstration, was not possible for the new demonstration, so the effects of DCM-F/RP are estimated using less rigorous methods, as discussed in Section C.

The timing of implementation in Cohort 2 States also affected both the potential of the demonstration to affect outcomes in SY 2017–2018 and the data available for the analysis. Only 1 of the 8 States in their first year of the demonstration conducted their first DCM-F/RP match by the beginning of the school year. Nevada was excluded from some analyses because it did not certify students through DCM-F/RP until the next school year. For other States that conducted their first DCM-F/RP match after October 2017, limited availability of data meant that the baseline certification outcomes are measured as of a different month than the DCM-F/RP year data. If certification rates increased over the school year, those changes could be confounded with the effects of DCM-F/RP on some outcome measures.

Other limitations relate to the data available. Specific certification data elements were unavailable for 3 States, leading to (1) Iowa's exclusion from analyses of one key outcome and (2) the estimation of two key outcome measures for Nebraska and one for Indiana by combining data sources. In addition, some districts were excluded from the analysis sample due to incomplete or inconsistent administrative data (notably in Washington and Texas), and other undetected errors could remain in the data. Finally, findings related to State administrative costs and to State and district processes and challenges are based on staff reports, which reflect the perspectives of respondents and could be subject to recall error.

F. Summary and next steps

In summary, the evaluation found that DCM-F/RP resulted in substantial numbers of students directly certified to receive free or reduced-price meals based on Medicaid data, comprising almost one-third of all students directly certified for free or reduced-price meals. Because Medicaid is lowest in priority among programs used for direct certification, these students would not have been directly certified in the absence of the demonstration. Although some of these students would have been certified by application in the absence of DCM-F/RP, the total percentage of students certified for free meals grew between the baseline year and SY 2017–2018 in most demonstration States, and the total percentage of students certified for reduced-price meals grew in some States. These increases in certification rates did not translate into consistent increases in participation (meals served) or Federal reimbursements, however. State administrative costs for implementing DCM-F/RP varied widely, but the large majority of the costs were for start-up activities (which only Cohort 2 States incurred in SY 2017–2018) rather than ongoing activities. Cohort 2 States and districts experienced some challenges during their first year of the DCM-F/RP demonstration, and several conducted their first DCM-F/RP late in the school year. The next report of the evaluation will focus on SY 2019–2020, at which time all 15 demonstration States will have completed at least one year of DCM-F/RP.

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