

# Where Medicaid Ends

Churning,  
the Basic Health Plan,  
and Medicaid/exchange  
integration

MATTHEW BUETTGENS, THE URBAN INSTITUTE

NCSL Health Reform Implementation Task Force ,  
8 AUGUST 2011

# Summary

- Churning: Families moving in and out of Medicaid and subsidy eligibility
  - How many people would be affected?
  - Policy issues for states
- Some ways to address those issues
  - ESI-Medicaid premium assistance
  - Twelve-month Medicaid eligibility
  - The Basic Health Plan option
  - Integration of Medicaid and the Exchange

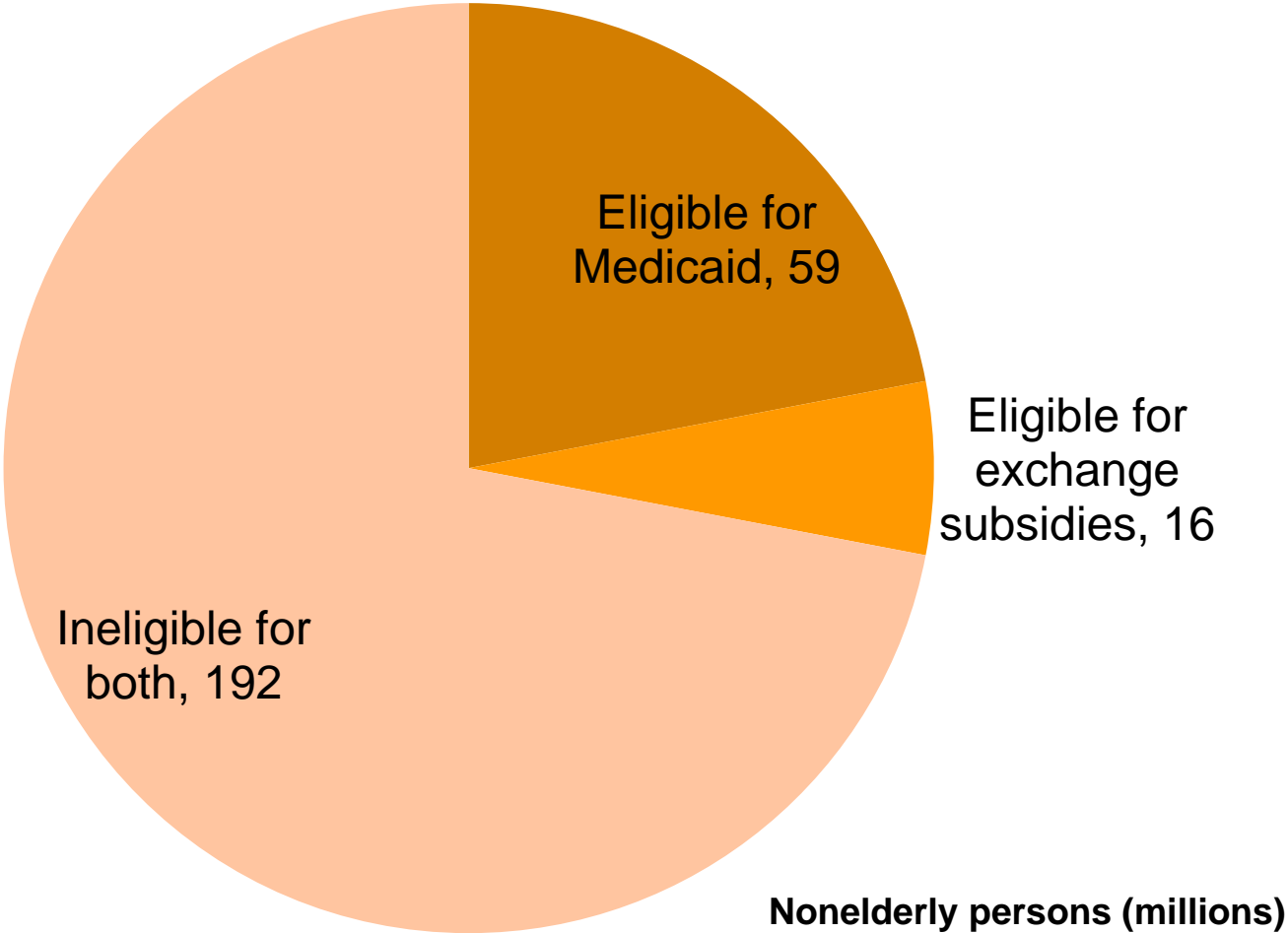


Results in this section are from an upcoming paper with Austin Nichols

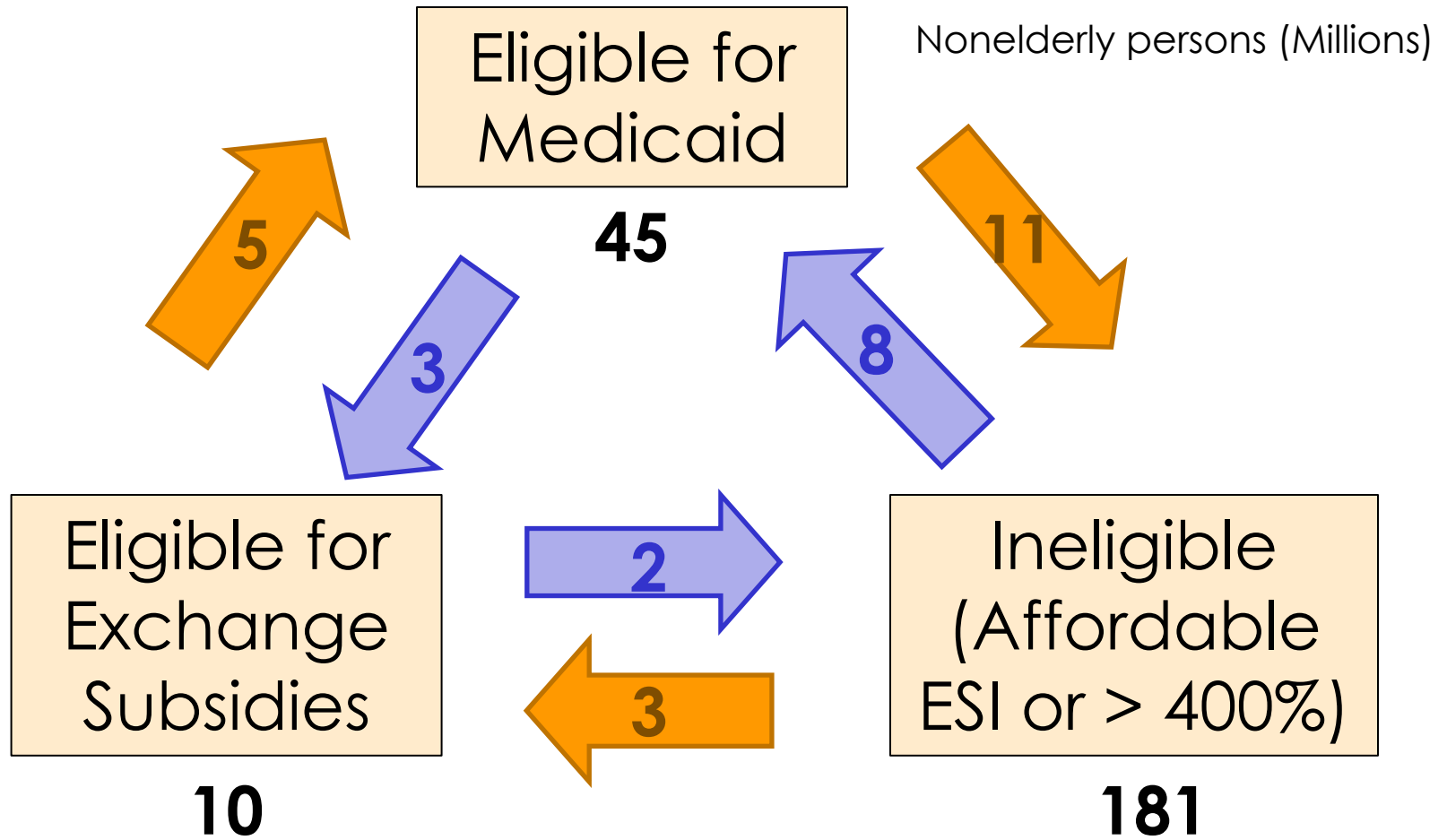
These results differ from other estimates of churning because we take into account the presence of affordable ESI offers when determining eligibility for subsidies in the exchange.



# Medicaid and subsidy eligibility



# Churning: Beginning of 2014 v. 2014 Tax Return MAGI



# Churning

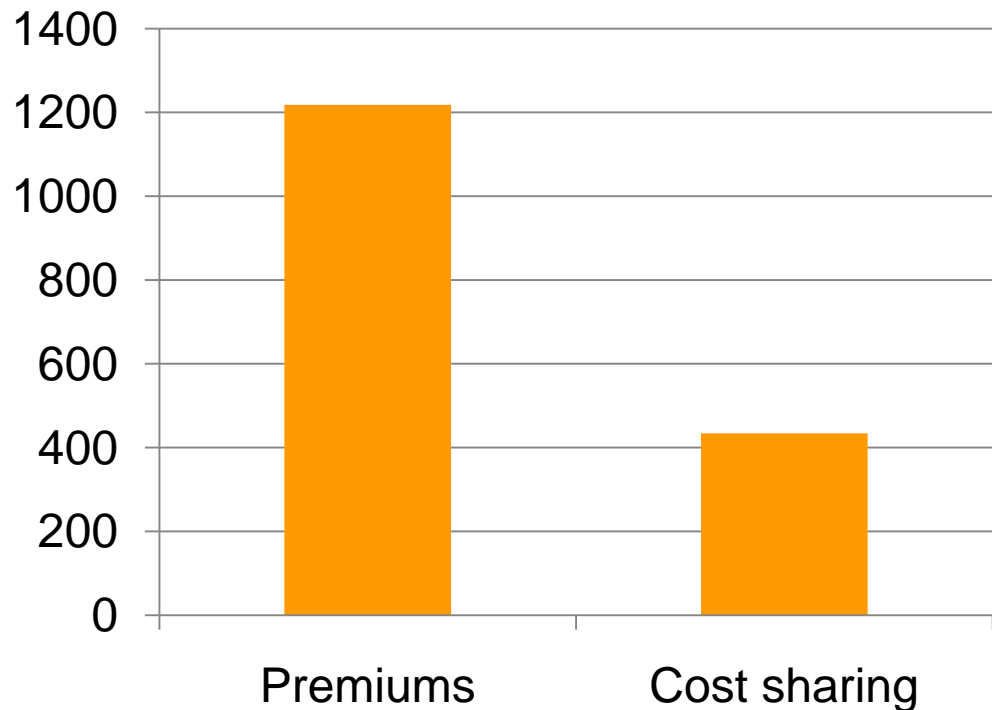
- These results are based on income changes from one annual income to another. There would also be monthly variations in eligibility (estimates not shown)
- For the exchanges, it is important to take into account affordable ESI offers. *Less than half of the churning around Medicaid eligibility involves subsidized exchange coverage.*
- Subsidy eligibility is more volatile than Medicaid eligibility. The number gaining or losing subsidy eligibility is greater than the number retaining it.



# Churning and Affordability

Exchange benefits are substantial for those near 138% FPL, but OOP costs will still be significantly higher than under Medicaid, leading to a 'cliff' in benefits

**Average out-of-pocket costs for adults in the Exchange, 138-200% FPL**



# Some other effects of churning

- Transitions between different types of plans and different carriers: Difficult and more costly to administer, confusing for beneficiaries, with implications for continuity of care
- Subsidy claw-back at tax filing time could result in penalties for those whose incomes rise (up to \$300 single/\$600 family for those below 200% FPL)





# Goals for mitigating the effects of churning

- Smooth the benefits cliff at 138% FPL, reducing costs to families near the threshold
- Simplify administration and attract plans as similar as possible on both sides of the threshold
- Minimize transitions between plans
- Protect the lowest income families from exchange subsidy claw-back



# ESI-Medicaid Premium Assistance

- There is more churning around Medicaid eligibility for those with affordable ESI offers than for those without
- Thus, Medicaid premium assistance benefits are at least as important in addressing churning as policies involving the exchange
- Premium assistance programs become mandatory and are no longer limited to children and parents beginning in 2014



# Twelve-month continuous Medicaid Eligibility

- Would substantially reduce churning out of Medicaid eligibility.
- Increased Medicaid enrollment and therefore costs. However,
  - The majority would be near the eligibility threshold and would qualify for higher federal matching rates (90 percent after 2019)
  - Federal spending on a subsidized exchange enrollee would on average be higher than the federal share of Medicaid coverage. A state waiver could include a state/federal split of these savings
- Should be considered in a broader context of state costs and savings under health reform, see Buettgens, Dorn, and Carroll, “Consider Savings as well as Costs” on [healthpolicycenter.org](http://healthpolicycenter.org).



# The Basic Health Plan Option

- Provides coverage for those
  - At or below 200 percent FPL
  - Ineligible for Medicaid, CHIP, Medicare
  - Citizen or legally present immigrant
  - No access to affordable, comprehensive ESI
- State contracts with plans or providers
- Premiums and cost sharing may not exceed what they would have received in the exchange, benefits must be at least as comprehensive
- States can provide more generous coverage, such as the coverage furnished by Medicaid and CHIP



# The Basic Health Plan Option

- Federal government pays 95 percent of what it would have spent for tax credits and OOP cost-sharing subsidies if BHP members had enrolled in the exchange
- Federal dollars go into a state trust fund and must be spent on BHP enrollees



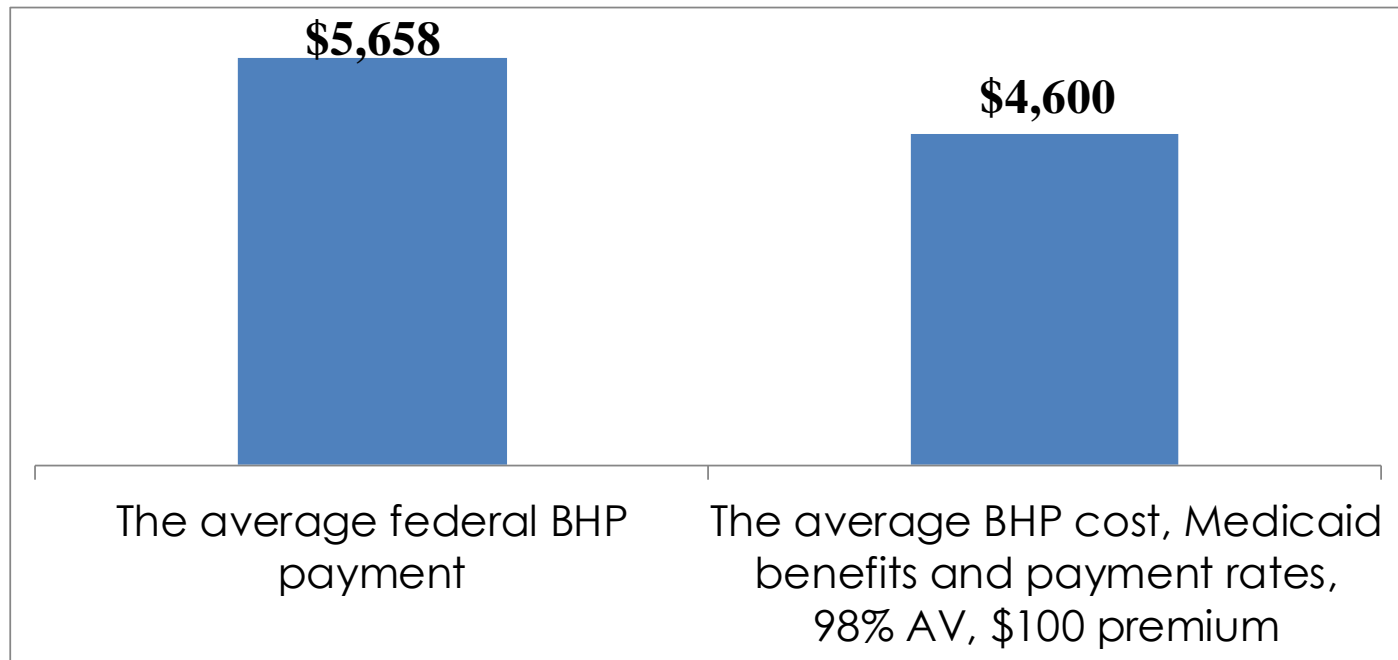
BHP results taken from an upcoming paper with Stan Dorn and Caitlin Carroll.

The paper will include state-level estimates.

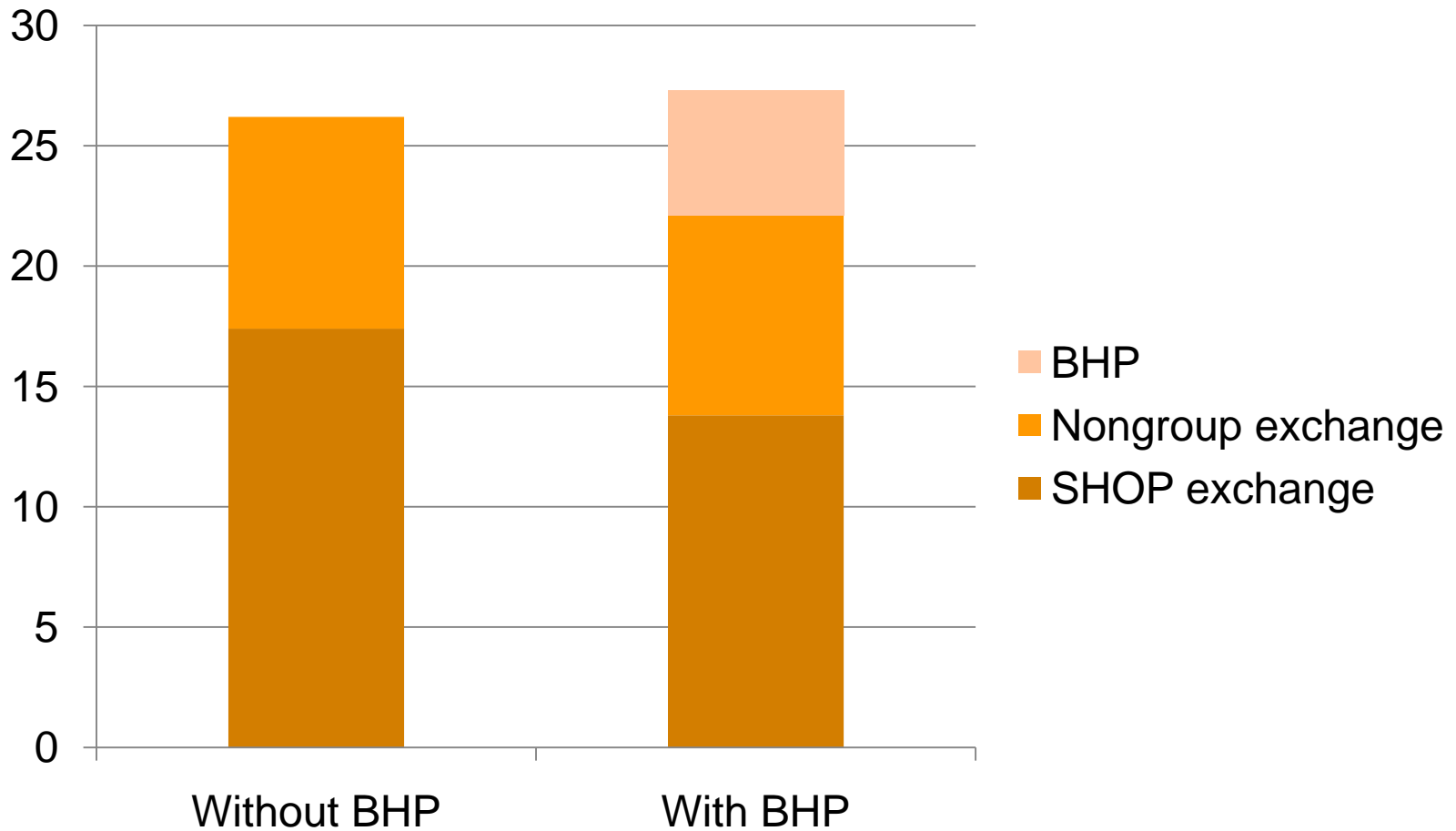


# BHP Payments v. Costs

BHP provider payment and capitation fees could be raised significantly above Medicaid levels



# BHP and Exchange Enrollment





# BHP addresses all churning goals

- Benefit package could match Medicaid or CHIP at 138% FPL and be more like the exchange at 200% FPL
- BHP providers are likely to include current Medicaid MCOs with payment rates that could be significantly higher than Medicaid, though below commercial
- Many of the same plans could be in both Medicaid and BHP
- BHP enrollees shielded from exchange subsidy claw-back
- BHP would be funded through federal dollars



# Concerns with BHP

- Involves a trade-off between greater affordability and benefits in BHP versus expanded access to providers in the exchange paying higher rates.
- Adverse selection in the exchange.
  - We find that BHP enrollees are in general lower-cost than remaining nongroup exchange enrollees.
  - Risk adjustment across the entire individual market mitigates the effect on premiums
  - Our simulation suggests that the resulting premium changes do not significantly discourage exchange enrollment overall, though there is state variation.
  - Can be mitigated by other state policy decisions, such as merging SHOP and nongroup exchanges



# Concerns with BHP, Continued

- Reduced exchange enrollment would mean less negotiating leverage with plans. However, many state exchanges will not have authority to actively exclude qualifying plans, so this will be irrelevant.
- Tobacco use rating and BHP don't mix.
- If the benchmark plan for exchange subsidies has payment rates substantially below prevailing commercial rates, BHP payments would decrease. If BHP plans do not experience similar cost savings, this would harm the balance of payments for the program.



# Medicaid/Exchange Integration

- Mandated “no wrong door” interface for eligibility and enrollment and “navigators” will assist the choices of low-income consumers
- If they return to the interface or navigator after a change in circumstances, their choices and benefits would be updated appropriately
- However, normal fluctuations of income, particularly for part-time workers, can have important consequences for eligibility and benefits



# Integration of Markets

- Beyond integrating eligibility and enrollment, a state could in principle have a unified insurance market with plans spanning Medicaid, the individual exchange, the SHOP exchange, and BHP
- Implementation would be complex
  - Different benefit package mandates: Essential health benefits, Medicaid benchmark benefits, and full Medicaid benefits (benchmark-exempt). Probably a standard benefit package with wrap-arounds for the higher tiers.
  - A plan would very likely have to reimburse providers at different rates for Medicaid and the exchange
  - Actuarial soundness requirements for Medicaid would necessitate separate risk pooling



# Market Integration and Churning

- The benefits cliff and subsidy claw-back would be unchanged unless BHP is also implemented.
- Potentially substantial administrative simplification and cost savings
- Those moving between Medicaid, BHP, and the exchange could stay in the same plan
- There are other reasons for considering integration outside the scope of this presentation

