



MACPAC
Medicaid and CHIP Payment and Access Commission



Affordability of Coverage for Children Moving From CHIP to the Exchange

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December 11, 2014

Overview

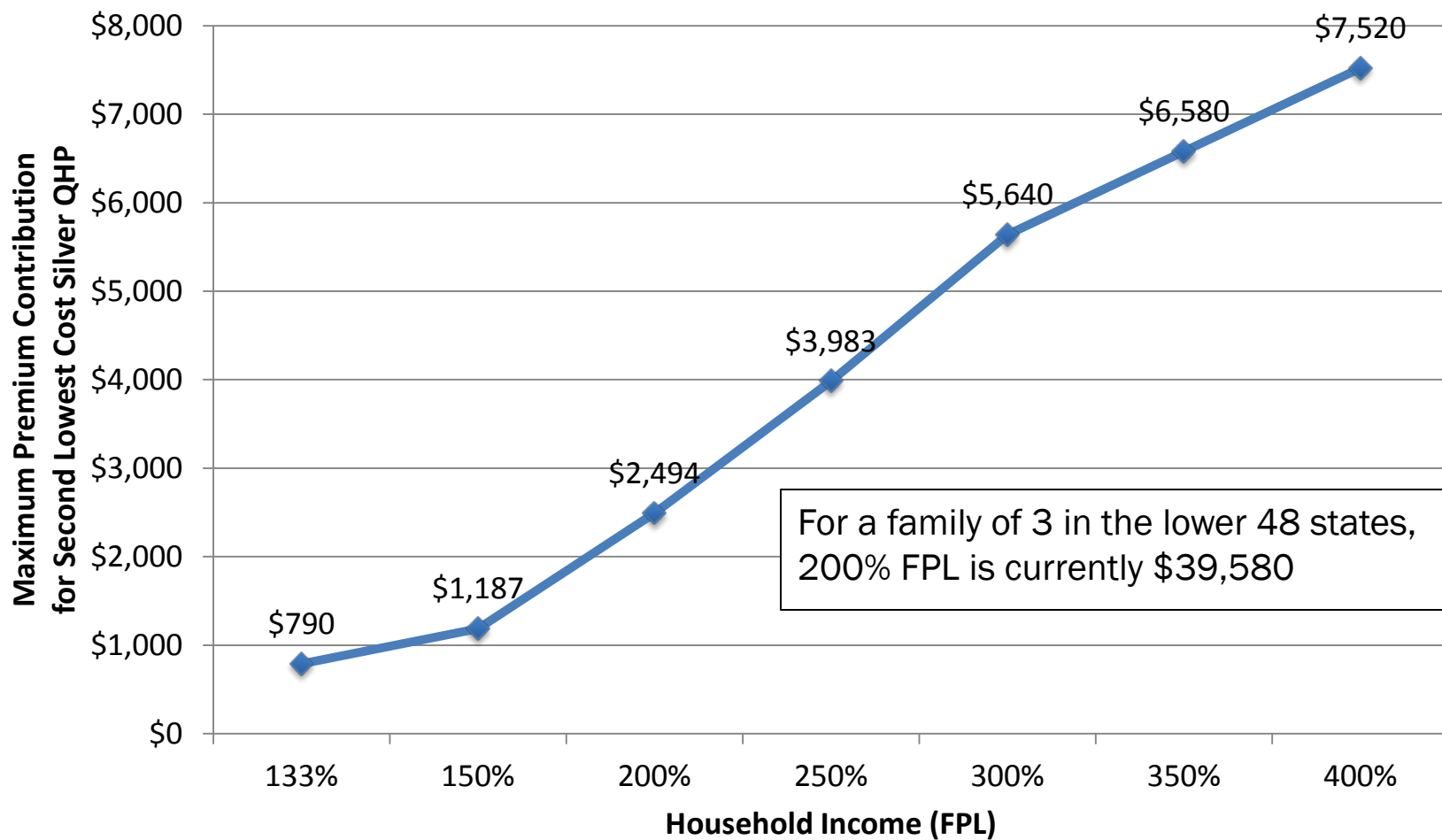
- Review premium and cost-sharing rules for enrollees in qualified health plans (QHPs) offered in an exchange
- Compare average CHIP and QHP premiums and cost sharing for children
- Outline options for reducing premiums and cost sharing for children in the exchange

Exchange Premium Tax Credits

- Qualifying individuals and families with incomes between 100 to 400 percent FPL can receive a premium tax credit
- Premium tax credits reduce what families pay for QHP coverage
- Family premium contribution is based on household income (2 to 9.5 percent)

$$\text{Premium tax credit} = \left[\begin{array}{c} 2^{\text{nd}} \text{ lowest cost} \\ \text{silver QHP} \\ \text{premium} \end{array} \right] - \left[\begin{array}{c} \text{Family} \\ \text{premium} \\ \text{contribution} \end{array} \right]$$

Maximum Premium Contributions by Income, Family of 3



Source: MACPAC analysis of 2014 federal poverty levels

Family Premium Payment Changes Due to Children Moving From CHIP to Exchange

- Adding a child to a QHP will result in little or no increase to the family's premium payment if:
 - Parents are already enrolled in QHP coverage;
 - Parents receive tax credits, and;
 - The premium for parent-only QHP coverage exceeds a family's maximum premium contribution amount
- Higher-income and single-parent families are more likely to see an increase in the family's premium payment from adding a child to a QHP

Exchange Cost-Sharing Reductions

- Cost-sharing reductions improve the actuarial value (AV) of silver QHPs and lower out-of-pocket cost-sharing maximums

Income (% FPL)	AV for silver QHP with cost sharing reductions	Family out-of-pocket cost-sharing maximum
100-150%	94%	\$4,500
150-200%	87%	\$4,500
200-250%	73%	\$10,400

- Gold and platinum QHPs have higher actuarial values (80 and 90 percent respectively) but higher premiums

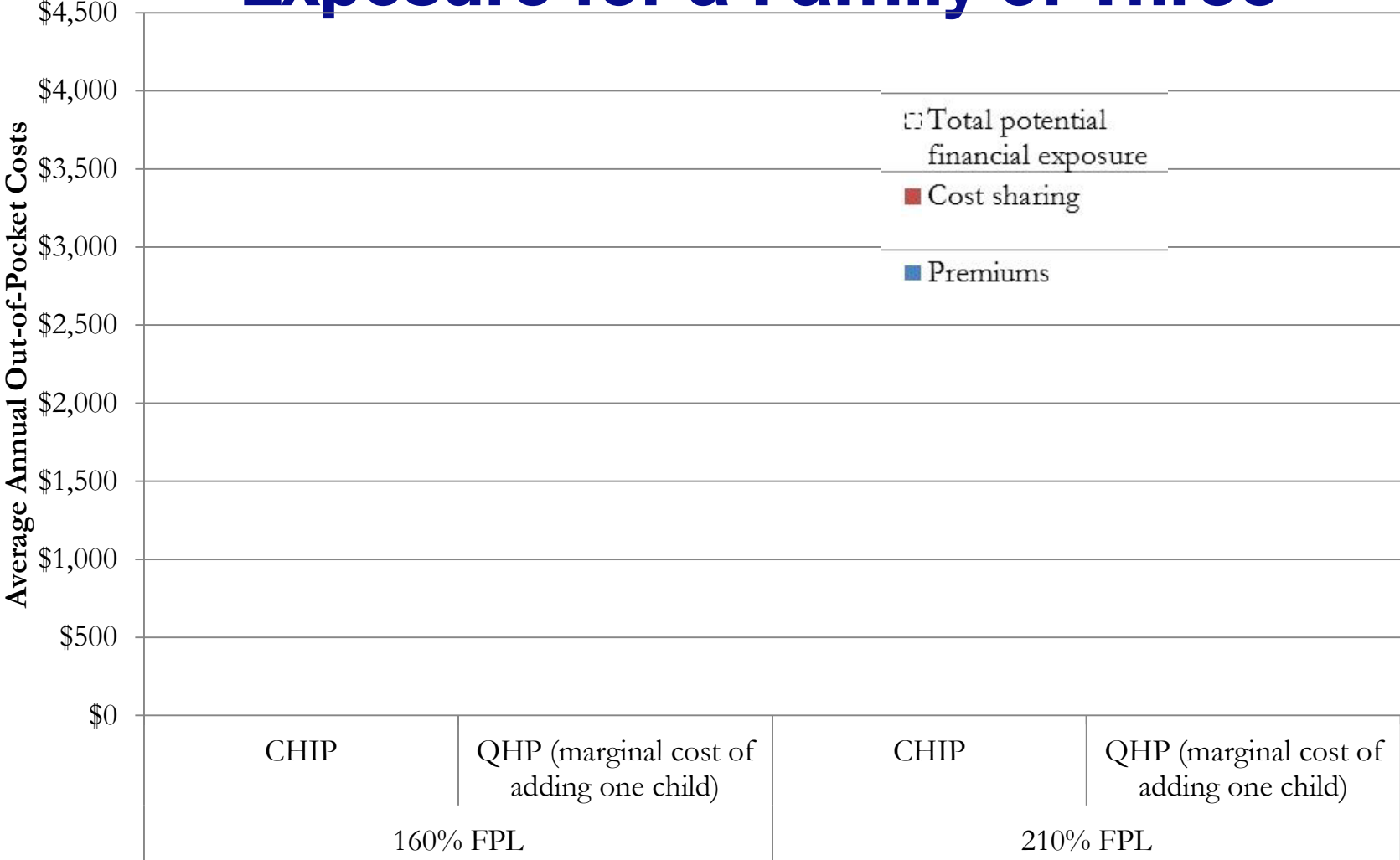
Hypothetical Example of CHIP and QHP Premiums and Cost Sharing

Using existing data, MACPAC estimated average CHIP and QHP costs for a hypothetical family of three at 160 and 210 percent FPL

Some caveats:

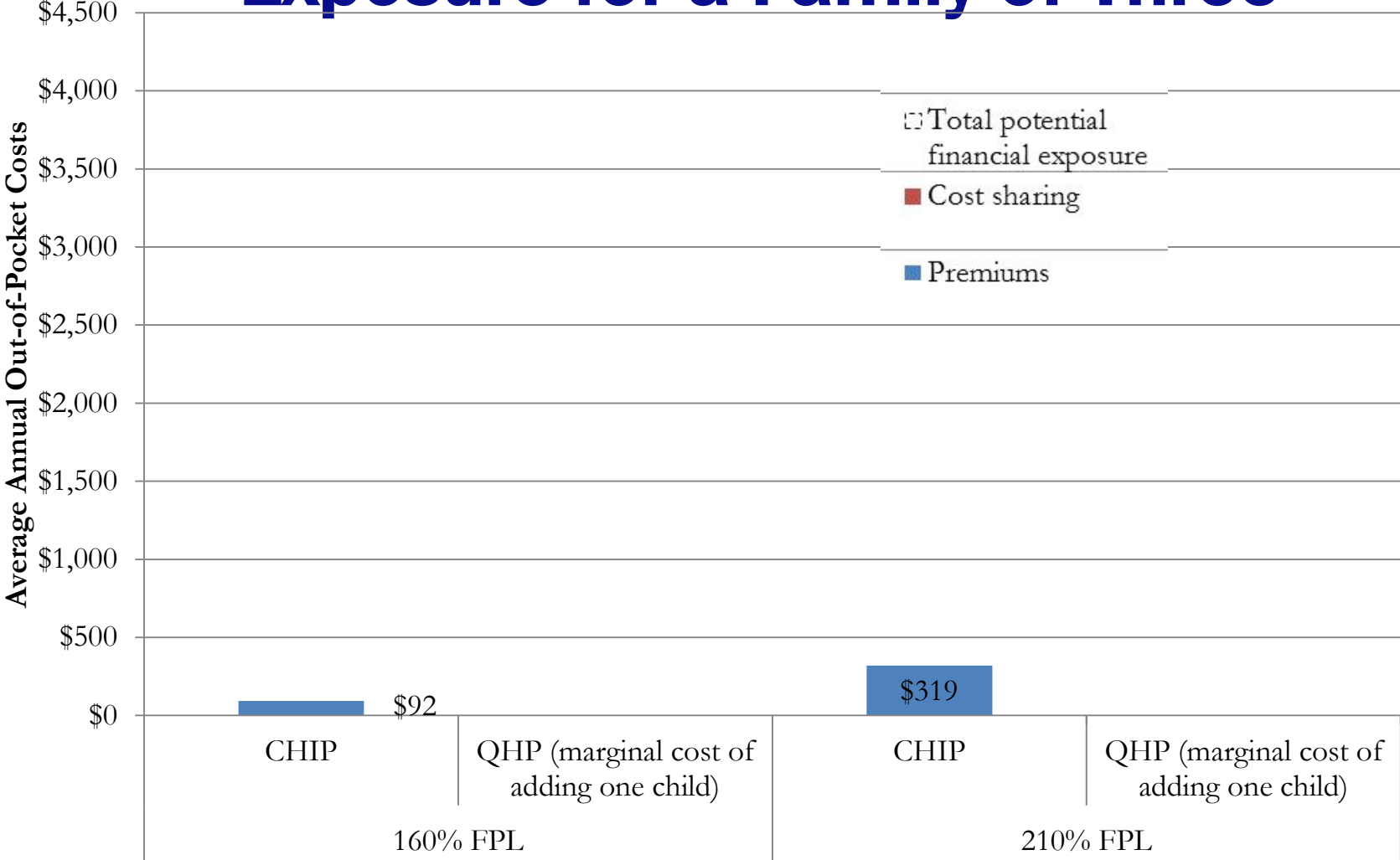
- Not all families are average
- Not all states are the same
- Not all QHPs are alike

Estimated Average Annual Financial Exposure for a Family of Three



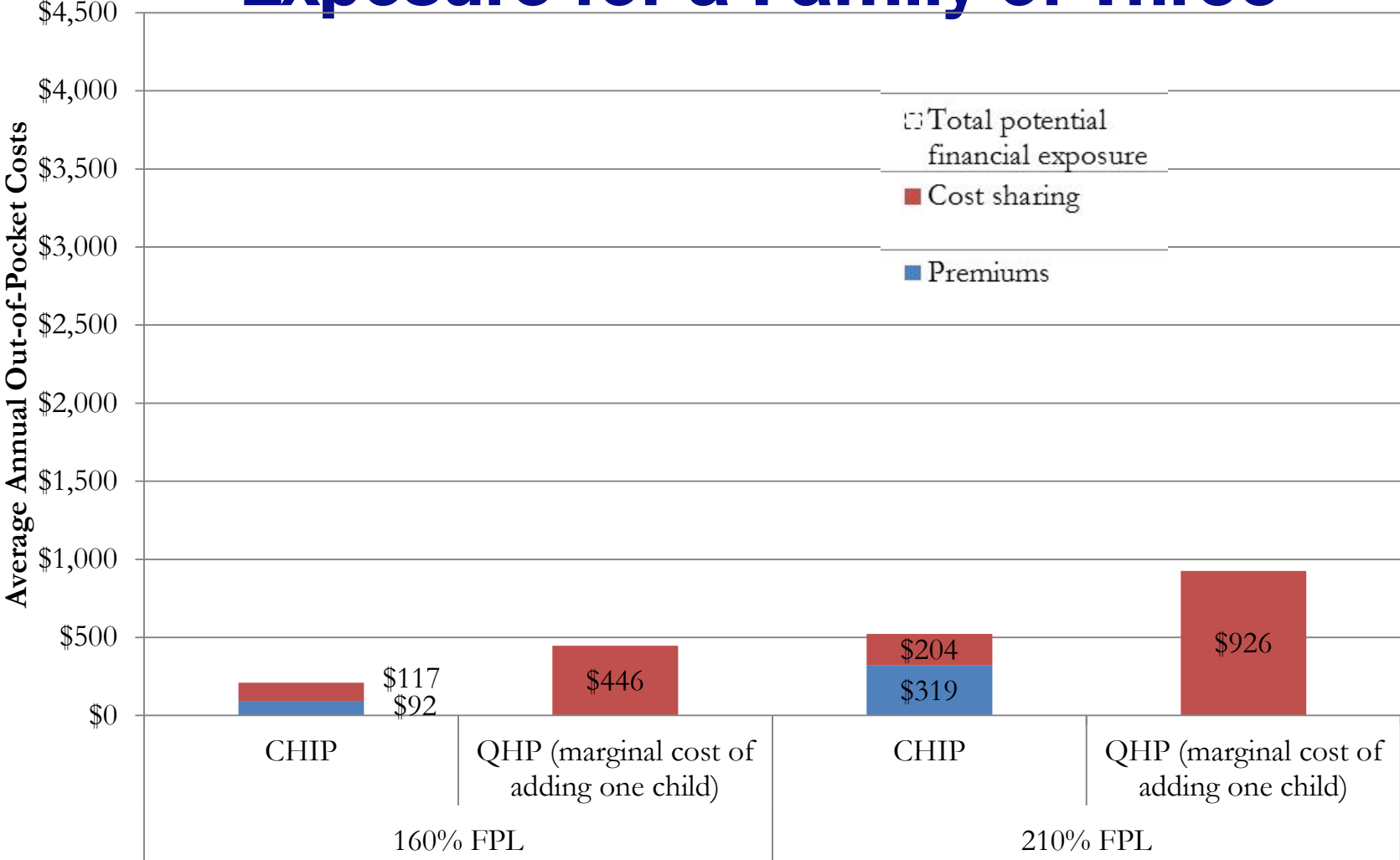
Source: MACPAC analysis of Bly et al. 2014 and Cardwell et al. 2014
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Estimated Average Annual Financial Exposure for a Family of Three



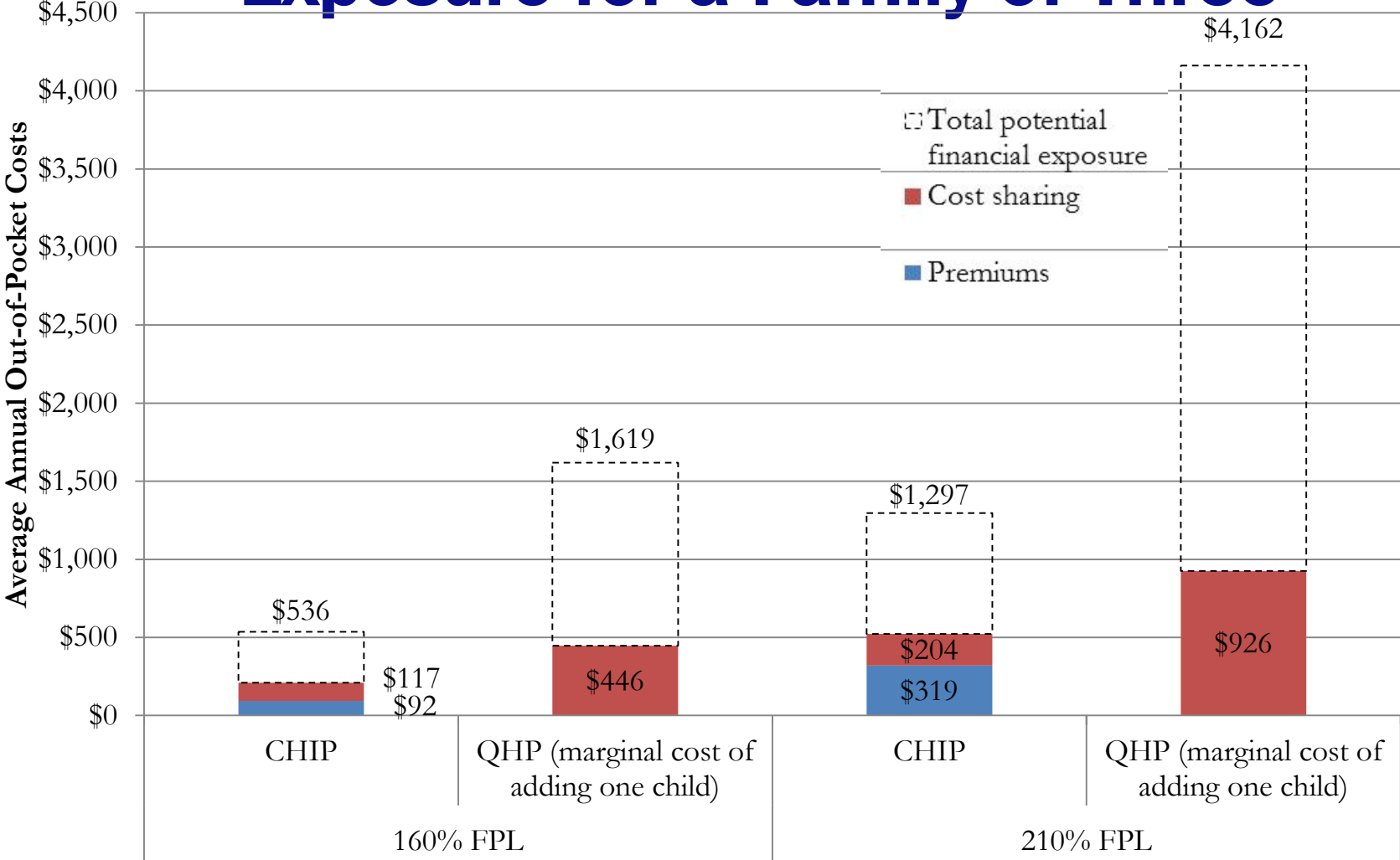
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Approaches for Addressing Exchange Affordability for Children Moving from CHIP

- Lower premiums - may reduce enrollment barriers or help families purchase gold or platinum QHPs
- Reduce cost sharing - may improve children's access to care after they are enrolled in a QHP
- Affordability issues could be addressed by:
 - Providing new wrap-around subsidies, or
 - Changing current exchange subsidies

Existing Premium Wrap Programs

- Four states (MA, NY, RI, and VT) have received CMS approval for Section 1115 demonstrations that subsidize exchange premiums for adults previously covered by prior state Medicaid expansions
- Medicaid and CHIP premium assistance programs have experience (and challenges) subsidizing employer-sponsored insurance premiums

Existing Cost Sharing Wrap Programs

- Arkansas and Iowa's premium assistance programs lower QHP cost sharing for newly eligible adults by enrolling them into higher actuarial value (AV) silver plans
 - All silver QHPs must offer a 94 percent AV plan and a 100 percent AV plan for cost sharing reductions
- Other strategies used in Medicaid and CHIP premium assistance programs include:
 - Separate Medicaid cards for cost-sharing expenses
 - Requiring enrollees to track and submit expenses

Options for Changing Current Exchange Subsidies

- The premium tax credit could be increased to reduce a family's maximum premium contribution
- Cost-sharing reductions could be increased by:
 - Increasing QHP actuarial values (lowering average cost sharing expenses)
 - Lowering out-of-pocket cost-sharing maximums
 - Extending cost-sharing reductions to families with incomes greater than 250 percent FPL

Issues for Consideration

- Does the Commission want to address premiums, cost sharing, or both?
- Would a new wrap-around program or changes to current exchange subsidies be most effective?
- Which children would qualify for additional assistance? All children or a subset?
- Should there be a threshold level of enrollee spending before a subsidy is available?
 - Current, state-specific CHIP cost-sharing maximums?
 - 5 percent of family income?