



**MACPAC**  
Medicaid and CHIP Payment and Access Commission



# **Premium Assistance: Medicaid's Expanding Role in the Private Insurance Market**

Martha Heberlein  
December 11, 2014

# Overview

- Managed care compared to premium assistance
- Rationale for choosing premium assistance
- Differences in benefits and cost sharing
- Continued Medicaid protections for enrollees
- Cost considerations
- Need for thorough evaluation

# Comparison of the Use of Private Plans in Medicaid – Managed Care

- Majority of enrollees receive benefits through managed care
- Pursued for better care coordination, program accountability, predictable budgetary expenditures
- Contracts establish the terms of service delivery and enforcement mechanism for standards

# Comparison of the Use of Private Plans in Medicaid – Premium Assistance

- Purchasing coverage through a separate (exchange or employer-based) system
- Previous use limited in terms of enrollment and concentrated on employer-sponsored coverage
- States do not contract directly with insurers, limiting authority over quality assurance, data collection, and pricing

# Why States Might Choose Premium Assistance

- Political appeal
- Reducing churning
- Improving access to providers

# Benefit Differences between Traditional Medicaid and Premium Assistance Waivers

- Medicaid enrollees in the new adult group receive Alternative Benefit Package (ABP)
- QHPs must provide the 10 Essential Health Benefits (EHB)
- Medicaid benefits missing from QHPs must either be provided through a wrap or waived

# Cost Sharing Requirements under the Premium Assistance Waivers

	ARKANSAS	IOWA
<b>Premiums</b>	No premiums	\$10 premiums between 100% and 138% FPL (after year 1)
<b>Per-Service Cost Sharing</b>	Amendment submitted to implement HSA	Co-payment for non-emergency use of ED
<b>Incentives</b>	N/A	Premiums waived for participation in healthy behaviors
<b>Aggregate Cap</b>	5% of income (\$67 per month for an individual at 138% FPL)*	5% of income (\$67 per month for an individual at 138% FPL)*

\* May also be calculated quarterly

# Medicaid Protections Not Waived in Arkansas and Iowa

- Exemptions for medically frail
- Retroactive coverage
- Appeal rights



# Cost Considerations in Adopting Premium Assistance

- Federal policy requires Section 1115 waivers to be budget neutral
- Potential for higher cost by purchasing private plans which historically have been more expensive
- Costs may be affected if other factors, such as the composition of the exchange, are also considered

# Important Questions to Consider When Evaluating Premium Assistance

1. Are more people covered?
2. How does it affect access to care?
3. Are wrapped benefits provided to those who need them?
4. What is the impact of premiums, cost sharing, and incentives on enrollment and service utilization?
5. Does QHP enrollment ease transitions and improve continuity of coverage?
6. Is the medically frail exemption screening accurate?
7. Is there a larger effect on the marketplace in terms of cost and competition?

# Limited Data Now, Widespread Interest will Lead to Better Understanding

- Extensive interest among states and researchers as to the effect of premium assistance will feed ongoing analyses
- The relative merits of premium assistance have implications beyond Arkansas and Iowa –
  - Medicaid expansion in other states
  - Children currently covered through CHIP
  - Section 1332 innovation waivers in 2017