



Premiums and Cost Sharing in Separate CHIP Versus Subsidized Exchange Coverage



Medicaid and CHIP Payment and Access Commission

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Overview of presentation

- Purpose and context of analysis
- Data sources and assumptions
- Results
 - Average out-of-pocket spending for children in separate CHIP versus subsidized exchange coverage
 - Share of children with out-of-pocket spending exceeding various thresholds
- Next steps

Purpose: Provide more nuanced insights on affordability of coverage

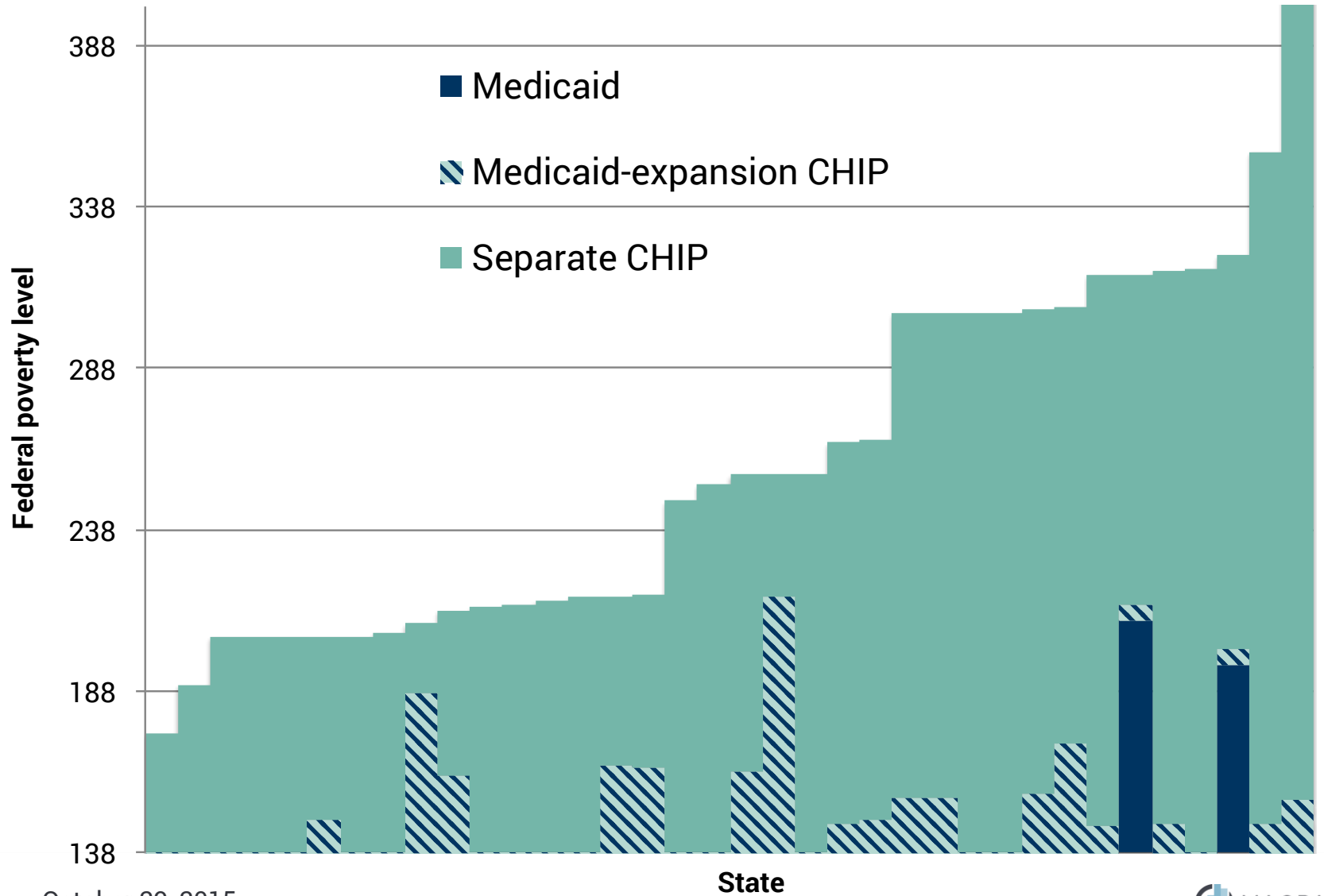
- Prior research found that, on average, children would face greater cost sharing in exchange plans compared to separate CHIP
- The findings in this new research were designed to answer with more specificity:
 - How exchange plans and separate CHIP differ
 - By both cost sharing and premiums
 - By state
 - By key income categories, across entire CHIP income range
 - The share of children who would exceed thresholds for out-of-pocket spending if enrolled in exchange rather than separate CHIP

Context: Variation in affordability of separate CHIP and exchange coverage

- CHIP eligibility, benefits, and cost sharing vary by state, but have to meet federal standards
 - Premiums and cost sharing limited to 5% of income
- Exchange eligibility, benefits, and cost sharing set in federal statute under broad parameters
 - Variation exists by state and by plan in terms of cost sharing and benefits
 - Unsubsidized premiums in second lowest cost silver exchange plan for children in 2015:
 - Approximately \$1,200 per year in Tennessee
 - Approximately \$2,700 in New York and Wyoming

States vary substantially in CHIP eligibility levels

2015 eligibility levels for 6–18-year-olds in 36 states with separate CHIP



Federal parameters for exchange cost sharing and premiums

Income as a % of poverty	Actuarial value (AV)	Premium (% of family income)
133–<150% FPL	94%	3.02–4.02%
150–<200% FPL	87%	4.02–6.34%
200–<250% FPL	73%	6.34–8.1%
250%+ FPL	70%	8.1–9.56%

Note: FPL is federal poverty level, which is currently \$24,250 for a family of four. Actuarial value is the average percentage of spending on covered benefits paid for by the plan rather than by enrollees. Premiums assume enrollment in the second lowest cost silver exchange plan.

Key findings

- Children losing separate CHIP would face 7 times greater out-of-pocket spending (premiums and cost sharing) in exchange coverage
 - Average separate CHIP: \$148 per year
 - Average exchange: \$1,073 per year
- Cost sharing for exchange coverage increases substantially as income rises, while CHIP requires little or no cost sharing in most states
- With exchange coverage, the vast majority of states would have 5–7 percent of children 150–200 percent FPL spending more than 5 percent of income out of pocket, levels prohibited in CHIP

Model data sources and assumptions

- Data source: A nationally representative sample of 3,926 low- and moderate income children from the Medical Expenditure Panel Survey (MEPS)
- The entire sample is run through the cost-sharing and premium parameters in 36 states:
 - Each state's separate CHIP plan (2013)
 - Second lowest cost silver plan in the state's county with the most children (2015)
- No additional utilization assumed from lower cost sharing
- Only for spending on standard medical benefits
- Modeling by Actuarial Research Corporation

Income and premium assumptions

- Entire sample modeled in four income categories in each state with separate CHIP, consistent with exchange cost-sharing reductions:
 - 133-<150% FPL
 - 150-<200% FPL
 - 200-<250% FPL
 - 250-400% FPL
- Premiums and cost sharing for each category generally assumed family income was, respectively:
 - 145% FPL (\$35,163 for a family of four)
 - 175% FPL (\$42,438 for a family of four)
 - 225% FPL (\$54,563 for a family of four)
 - 275% FPL (\$66,668 for a family of four)
- Child's share of out-of-pocket exchange premium is based on child's share of total family premium

Limitations

- Model does not account for spending on:
 - Dental
 - Vision
 - Other benefits that might be covered but not a standard medical benefit (e.g., home health)
- Model may not capture detailed cost-sharing policies on specific types of covered services
 - Model's cost sharing reflects application of broad cost-sharing parameters to categories of covered services
- Not all children in exchange coverage will be in the second lowest cost silver plan

National results: Average cost sharing and premiums in separate CHIP and exchanges

Children's cost sharing and premiums in separate CHIP vs. exchange coverage

	AV ¹	Average cost sharing	Average premium	Total (cost sharing and premium)
Separate CHIP	98%	\$31	\$118	\$148
Second lowest cost silver exchange plan	82%	\$266	\$806	\$1,073

¹ AV is effective actuarial value—that is, the percentage of covered benefits paid for by the plans for the children in the analysis.

Notes: CHIP is the State Children's Health Insurance Program. The second lowest cost silver plan was from each state's county with the most children and reflects applicable cost-sharing reductions.

Source: MACPAC analysis of preliminary results from Actuarial Research Corporation (ARC). These results are on an annual per-child basis, without regard to additional premiums and cost sharing or limitations on out-of-pocket spending in families with multiple enrolled children. The ARC results are provided by state and the four FPL categories. The national numbers here are based on weights using state-level enrollment in separate CHIP programs in FY 2014 as reported by states in the CHIP Statistical Enrollment Data System (SEDS) and assuming that individuals are evenly distributed across the income categories, with the exception of Alabama, New York, Pennsylvania, and Tennessee. For these states, the income distribution was altered to reflect those reported in their governors' letters to congressional committees in late 2014.

Cost sharing in CHIP versus exchange, by income

Income as a % of poverty	CHIP			
	AV	Average cost sharing	Average premium	Total (cost sharing & premium)
133–<150% FPL	99%	\$12	\$19	\$31
150–<200% FPL	97%	\$44	\$56	\$100
200–<250% FPL	99%	\$13	\$224	\$237
250–400% FPL	99%	\$18	\$431	\$448

	Second lowest cost silver exchange plan			
133–<150% FPL	92%	\$113	\$398	\$511
150–<200% FPL	84%	\$240	\$675	\$915
200–<250% FPL	75%	\$373	\$1,176	\$1,550
250–400% FPL	68%	\$477	\$1,565	\$2,043

Note: AV is effective actuarial value—that is, the percentage of covered benefits paid for by the plans for the children in the analysis.

Source: Preliminary results from Actuarial Research Corporation (ARC), which model premiums and cost-sharing parameters in separate CHIP and the second lowest cost silver plans in 36 states with separate CHIP programs.

Actuarial values in exchange plans: Required levels vs. children's experience

Income as a % of poverty	Effective actuarial value for children in exchange plans	Actuarial value required for exchange plans
133–<150% FPL	92%	94%
150–<200% FPL	84%	87%
200–<250% FPL	75%	73%
250%+ FPL	68%	70%

Note: FPL is federal poverty level, which is currently \$24,250 for a family of four. Actuarial value is the average percentage of spending on covered benefits paid for by the plan rather than by enrollees.

Source: Preliminary results from Actuarial Research Corporation (ARC), which model cost-sharing parameters for the second lowest cost silver plans in 36 states with separate CHIP programs, and §1402(c)(1)(B) of the Patient Protection and Affordable Care Act (P.L. 111-148, as amended).

Results: State-specific examples

Texas: Cost sharing in CHIP versus exchange

Income as a % of poverty	CHIP			
	AV	Average cost sharing	Average premium	Total (cost sharing & premium)
133–<150% FPL	99%	\$19	\$0	\$19
150–<200% FPL	94%	\$96	\$0	\$96
200–<250% FPL	–	–	–	–
250–400% FPL	–	–	–	–

	Second lowest cost silver exchange plan			
133–<150% FPL	94%	\$92	\$398	\$490
150–<200% FPL	83%	\$256	\$675	\$931
200–<250% FPL	77%	\$345	\$1,191	\$1,535
250–400% FPL	69%	\$455	\$1,583	\$2,038

Note: AV is effective actuarial value—that is, the percentage of covered benefits paid for by the plans for the children in the analysis.

Source: Preliminary results from Actuarial Research Corporation (ARC).

NY: Cost sharing in CHIP versus exchange

Income as a % of poverty	CHIP			
	AV	Average cost sharing	Average premium	Total (cost sharing & premium)
133–<150% FPL	100%	\$0	\$0	\$0
150–<200% FPL	100%	\$0	\$104	\$104
200–<250% FPL	100%	\$0	\$173	\$173
250–400% FPL	100%	\$0	\$520	\$520

	Second lowest cost silver exchange plan			
133–<150% FPL	96%	\$63	\$433	\$496
150–<200% FPL	91%	\$140	\$675	\$815
200–<250% FPL	79%	\$315	\$1,201	\$1,516
250–400% FPL	75%	\$377	\$1,783	\$2,160

Note: AV is effective actuarial value—that is, the percentage of covered benefits paid for by the plans for the children in the analysis.

Source: Preliminary results from Actuarial Research Corporation (ARC).

National results: Share of children with out-of-pocket spending (cost sharing and premiums) exceeding various thresholds

Out-of-pocket spending thresholds used in analysis

- Each income group in each separate CHIP state was assessed against four thresholds:
 - 2% of family income
 - 5% of family income (none exceeding in CHIP)
 - 10% of family income (none exceeding in CHIP)
 - \$1,000
- First three thresholds will vary by income group and family size

Example thresholds for a family of 4 in 2015 for assessing child out-of-pocket spending

Income as percent of poverty	2% of income	5% of income	10% of income	\$1,000
145% FPL	\$703	\$1,758	\$3,516	\$1,000
175% FPL	\$849	\$2,122	\$4,244	\$1,000
225% FPL	\$1,091	\$2,728	\$5,456	\$1,000
275% FPL	\$1,334	\$3,334	\$6,669	\$1,000

Notes: For a family of four, annual income at:

- 145% FPL is \$35,163
- 175% FPL is \$42,438
- 225% FPL is \$54,563
- 275% FPL is \$66,688

Range of share of children across states with spending above thresholds in CHIP versus exchange

Income as a % of poverty	CHIP			
	2% of income	5% of income	10% of income	\$1,000
133-<150%	0% ¹	0%	0%	0%
150-<200%	0-2% ¹	0%	0%	0-1% ¹
200-<250%	0-2% ²	0%	0%	0-1%
250-400%	0-66%	0%	0%	0-99%

	Second lowest cost silver exchange plan			
133-<150%	14-34%	1-3%	0%	0-9%
150-<200%	34-54%	2-9%	0-1%	17-39%
200-<250%	61-75% ³	8-16%	1-3%	87-91% ³
250-400%	59-94%	8-17%	1-3%	99%

1 Excluding Utah, which had 1% and 13% above 2%-of-income threshold for the first two income groups, respectively, and 9% of above the \$1,000 threshold for the 150-<200% FPL range.

2 Excluding Missouri, which had 13% above this threshold.

3 Excluding South Dakota, which had 54% above the 2%-of-income threshold and 61% above \$1,000 threshold.

Note: Excluding Massachusetts from exchange ranges because it has additional cost-sharing and premium limitations.

Source: Preliminary results from Actuarial Research Corporation (ARC).

Results: State-specific examples

Texas: Share of individual children with spending above thresholds in CHIP versus exchange

Income as a % of poverty	CHIP			
	2% of income	5% of income	10% of income	\$1,000
133–<150%	0%	0%	0%	0%
150–<200%	2%	0%	0%	1%
200–<250%	–	–	–	–
250–400%	–	–	–	–

	Second lowest cost silver exchange plan			
133–<150%	15%	2%	0%	4%
150–<200%	47%	5%	1%	27%
200–<250%	67%	9%	2%	87%
250–400%	87%	11%	2%	99%

NY: Share of individual children with spending above thresholds in CHIP versus exchange

Income as a % of poverty	CHIP			
	2% of income	5% of income	10% of income	\$1,000
133–<150%	0%	0%	0%	0%
150–<200%	0%	0%	0%	0%
200–<250%	0%	0%	0%	0%
250–400%	0%	0%	0%	0%

	Second lowest cost silver exchange plan			
133–<150%	15%	1%	0%	2%
150–<200%	39%	2%	0%	17%
200–<250%	71%	9%	1%	89%
250–400%	94%	13%	2%	99%

Share of children with spending above thresholds accounting for multiple enrolled children in family

Income as a % of poverty	CHIP			
	2% of income	5% of income	10% of income	\$1,000
133-<150%	0-3%	0%	0%	0-1%
150-<200%	0-14% ¹	0%	0%	0-5% ^{1,2}
200-<250%	0-47% ²	0%	0%	0-75%
250-400%	0-100%	0%	0%	0-100%

	Second lowest cost silver exchange plan			
133-<150%	62-83%	8-20%	0-1%	32-57%
150-<200%	81-94%	24-47%	2-6%	67-83%
200-<250%	93-97%	41-64%	8-19%	90-97%
250-400%	98-99%	49-71%	7-21%	99-100%

¹ Excluding Utah, which had 30% above 2%-of-income threshold for the 150-<200% FPL group, and 25% of above the \$1,000 threshold for the 150-<200% FPL group.

² Excluding Missouri, which had 12% above the \$1,000 threshold for the 150-<200% FPL group, and 87% above 2%-of-income threshold for the 200-<250% FPL group.

Note: Excluding Massachusetts from exchange ranges because it has additional cost-sharing and premium limitations.

Key takeaways

- Children losing separate CHIP face greater out-of-pocket spending in exchange coverage in all states
- Even in exchange coverage, which has national standards for cost sharing, substantial variation exists by plan and state
- CHIP prohibits out-of-pocket spending of more than 5% of income, but 1–17% of children would exceed this threshold in exchange coverage, depending on the state, plan, and family income

Next steps

- Affordability
 - Part 3 of the ARC analysis: What are the characteristics of children exceeding out-of-pocket spending thresholds in exchange plans?
 - Explore whether analysis can be repeated for employer-sponsored insurance
- Coverage
 - Urban Institute results under various example scenarios projected to 2018 and 2020

Discussion questions

- Are current levels of out-of-pocket spending in subsidized exchange coverage appropriate for low- and moderate-income children?
- Should coverage for low- and moderate-income children in exchange plans be more highly subsidized than under current law?
- How much variation in premiums and cost sharing should exist across states—in CHIP or exchange coverage—for low- and moderate-income children?