CHAPTER 5

Design Considerations for the Future of Children's Coverage: Focus on Affordability

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Key Points

- MACPAC's analysis of out-of-pocket spending for children in the State Children's Health Insurance Program (CHIP) income range in 36 states that cover children under separate CHIP examines three key questions:
  - How do premiums and cost sharing differ between separate CHIP and exchange coverage?
  - What share of children will face a substantially greater financial burden if they move to exchange coverage?
  - What are the characteristics of children in the CHIP income range who would face the largest out-of-pocket spending in exchange coverage?
- Children's premiums and cost sharing average $158 per year across 36 states with separate CHIP.
- In no state does exchange coverage offer out-of-pocket protections comparable to CHIP. In subsidized exchange coverage, these same children would face $1,073 in average annual out-of-pocket spending if enrolled in the second lowest cost silver plan.
- The differences between CHIP and exchange coverage are greatest above 200 percent of the federal poverty level (FPL)—$48,500 for a family of four—reflecting the income-related design of cost sharing protection in exchange coverage. However, few CHIP enrollees have family income above 200 percent FPL.
- Whether low- and moderate-income children are eligible for the cost sharing protections of CHIP depends on CHIP eligibility levels in the state where they reside.
- In every state with separate CHIP, some children face out-of-pocket spending in exchange coverage exceeding 5 percent of income, levels that are prohibited under CHIP.
- Children being treated for chronic conditions comprise a majority of those who would have high out-of-pocket spending in exchange coverage. However, there is also a sizeable group of otherwise healthy children who experience an unexpected acute episode that causes high health care spending.
  - Well over half (59 percent) of children whose out-of-pocket spending in exchange coverage would exceed 5 percent of income were treated for a chronic condition.
  - More than a third (34 percent) of children whose out-of-pocket spending would exceed 5 percent of income in exchange coverage were treated for an acute condition—for example, for trauma or an infection—and had no chronic conditions.
- Affordability of coverage to families is one of several policy objectives the Commission will be considering as it prepares recommendations on the design of children's coverage and the future of CHIP.

CHAPTER 5: Design Considerations for the Future of Children's Coverage: Focus on Affordability

Over the past several years, MACPAC has spent considerable time discussing the future of coverage for low- and moderate-income children, first prompted by the then-impending expiration of federal funding for the State Children's Health Insurance Program (CHIP) after fiscal year (FY) 2015. In our March and June 2014 reports to Congress, the Commission documented the historical contributions of CHIP and Medicaid to reducing uninsurance among this population and analyzed available evidence on the effects of an abrupt end to CHIP funding. We found that many children now served by the program would not have a smooth transition to another source of coverage offering comparable benefits and cost sharing. The number of uninsured children would rise, and the out-of-pocket spending for children obtaining other coverage would often be significantly higher. Moreover, in the Commission's view at the time, it was not clear that the plans available through health insurance exchanges were ready to serve as an adequate alternative for children enrolled in CHIP.

Concerns around these issues led the Commission to recommend in our June 2014 report to Congress that CHIP funding be extended by two years and that the time be used to address limitations in the availability and adequacy of other sources of pediatric coverage, particularly through the exchanges. In our March 2015 report, the Commission reiterated this recommendation based on additional evidence related to projected rates of uninsurance, higher burdens from cost sharing, and concerns about provider networks and comparability of benefits.

Given that the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA, P.L. 114-10) provided new federal CHIP allotments in FY 2016 and FY 2017, policymakers have more time to consider options. The Commission is now focusing analyses and deliberations on how to ensure that low- and moderate-income children have access to high quality health coverage that is affordable to families and is integrated with the full array of available coverage options, including Medicaid, exchange, and employer-sponsored coverage.

Beginning in the summer of 2015, the Commission began conducting a new set of analyses to inform the design of future policy for children's coverage. Our analyses were undertaken to accomplish the following:

- compare out-of-pocket spending—that is, accounting for both premiums and cost sharing—in the exchanges to separate CHIP (the focus of the rest of this chapter);
- examine the impact of out-of-pocket spending on children's use and access to care;
- assess the impact of an end to CHIP funding on Medicaid-expansion CHIP;
- document how states implemented the transition of so-called stairstep children (6- to 18-year-olds between 100 percent and 138 percent of the federal poverty level) from separate CHIP to Medicaid;
- inventory the design of subsidies under other federal programs providing assistance to low-income families;
- document the experience of low- and moderate-income families covered by employer-sponsored insurance; and
- assess the use of premium assistance both before and after implementation of the Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended).

Throughout 2016, the Commission will be drawing upon these analyses as we discuss the concerns about children's coverage, the available options for addressing these concerns, and what the trade-offs would be for each alternative. Our goal is to have a package of recommendations completed by the time a new Congress convenes in 2017, when policymakers will once again face the exhaustion of federal CHIP funding.

As we consider various alternatives for ensuring adequate and affordable coverage for low- and moderate-income children, the Commission will be discussing several fundamental issues, among them affordability to families, effects on coverage and uninsurance, adequacy of covered benefits, and the effects on federal and state budgets. In this chapter, we begin with the issue of affordability—in particular, the challenge of designing a policy that provides incentives for prudent and appropriate use of services while ensuring that coverage is affordable to families with limited means. Our analyses account for affordability of coverage premiums as well as expenses at the point of service (cost sharing).

The new analyses described in this chapter provide additional insights into affordability by assessing out-of-pocket spending for children across the CHIP income range and across 36 states that cover children under separate CHIP.[1] This work points to four important findings. First, no exchange coverage offers out-of-pocket protections comparable to CHIP, a finding recently confirmed in a study from the U.S. Department of Health and Human Services (CMS 2015).[2] Second, the children for whom such cost sharing protection is available differ markedly across states due to wide variation in income eligibility requirements for separate CHIP coverage. Third, although CHIP prohibits out-of-pocket spending above 5 percent of family income, that level is exceeded for some children (1 percent to 17 percent, depending on the state and income level) in exchange coverage. And fourth, although children with treatment for chronic conditions comprise a majority of those with high out-of-pocket spending in exchange coverage, there is also a sizeable group of otherwise healthy children who experience an unexpected acute episode that causes high health care spending. The chapter ends with some key policy issues raised by these findings, issues that will figure prominently in the Commission's consideration of potential options going forward. Data sources and assumptions used in the model are described in Appendix 5B.

Research literature and surveys of households indicate that affordability of coverage is important to families (MACPAC 2015b, Rudowitz 2015). However, affordability is only one of several policy objectives the Commission will be considering as we develop recommendations regarding the design of children's coverage. Improving affordability may conflict with achieving other policy goals. For example, reducing cost sharing and premiums for children's coverage could increase spending by the federal government and states, which may not be desirable. Therefore, as the Commission contemplates the effects of various policy alternatives, we will also explore associated trade-offs.

Background

CHIP was enacted in 1997 to extend eligibility to children in families whose income was too high to qualify for Medicaid but for whom employer-sponsored insurance was either unavailable or unaffordable. In the intervening years, increased enrollment of children in both CHIP and Medicaid reduced the number of uninsured children from 9.9 million in 1997 to 3.3 million in 2015 (Martinez and Cohen 2012, 2015).

Under CHIP, states can choose to operate their programs as an expansion of Medicaid, as entirely separate from Medicaid, or as a combination of both approaches. Under Medicaid-expansion CHIP, federal Medicaid rules apply, with limited or no premiums and cost sharing. Under separate CHIP, which is the focus of this chapter, states have more flexibility to charge premiums and cost sharing, subject to the 5 percent of income ceiling that also applies in Medicaid for populations where cost sharing is permissible.[3] Forty states operate combination programs, generally covering higher-income children in separate CHIP (Table 5-1).[4] While states' current CHIP eligibility levels extend as high as 400 percent of the federal poverty level (FPL), the vast majority (88.8 percent) of CHIP-enrolled children in FY 2013 were at or below 200 percent FPL (Table 5-1, MACPAC 2014).

Under subsidized exchange coverage, there are out-of-pocket maximum amounts for premiums and for cost sharing, but the limits and subsidies are determined separately. Premium subsidies are available for income levels up to 400 percent FPL, or $97,000 for a family of four in the 48 contiguous states and the District of Columbia. Families eligible for premium subsidies are required to pay only up to a percentage of their income for the second lowest cost silver exchange plan available to them. A silver plan is one with an actuarial value of 70 percent, meaning that the plan will pay an average of 70 percent of the spending on covered benefits for a standard population, with enrollees paying the remainder in cost sharing—30 percent, on average. However, cost sharing will vary among individual enrollees depending on their health care use and the structure of the plan's cost sharing.

In subsidized exchange coverage, cost sharing reductions are also available for people with income at or below 250 percent FPL, or $60,625 for a family of four in the 48 contiguous states and the District of Columbia. Insurers with exchange plans are to provide actuarial values of 94 percent for eligible individuals at or below 150 percent FPL, 87 percent for those at 151 percent through 200 percent FPL, and 73 percent for those at 201 percent through 250 percent FPL. For those above 250 percent FPL, no cost sharing subsidies are available, and people enrolled in a silver plan face the typical actuarial value of 70 percent, with average cost sharing for enrollees of 30 percent. As a result, cost sharing differs substantially in exchange coverage across these four income groups.

Purpose and Results

The analyses in this chapter were designed to answer three key questions. First, by how much do premiums and cost sharing differ between separate CHIP and exchange coverage? The first set of results answers this by comparing average out-of-pocket spending if the same nationally representative group of low- and moderate-income children enrolled in each state's separate CHIP versus subsidized exchange coverage.[5] The state-level estimates for this analysis appear in Appendix 5A, Tables 5A-1 through 5A-4. The findings reemphasize the well-established point that CHIP requires less out-of-pocket spending, on average, than exchange coverage.

The second question concerns the share of children that will face a substantially greater financial burden if they move to exchange coverage. This second part of the analysis shows the percentage of children in the CHIP income range whose out-of-pocket spending exceeds various spending thresholds in separate CHIP versus the percentage of these same children whose out-of-pocket spending would exceed the same spending thresholds in exchange coverage. The state-level estimates from this analysis appear in Appendix 5A, Tables 5A-5 through 5A-8. This line of inquiry shows that 5 percent to 7 percent of children at 151 percent through 200 percent FPL in most states would experience out-of-pocket spending in exchange coverage that exceeds 5 percent of their family's income, that is, out-of-pocket spending at levels currently prohibited by CHIP (Table 5A-6).

Third, what are the characteristics of children in the CHIP income range who would face the largest out-of-pocket spending in exchange coverage? We conducted the analysis to determine if certain characteristics were predictive of high out-of-pocket spending and therefore could be used in designing a policy to protect those with high needs. We found that the majority of children facing the highest out-of-pocket spending in exchange coverage were treated for chronic conditions,

TABLE 5-1. Medicaid and CHIP Eligibility Criteria for Children Based on Family Income as a Percentage of FPL, by State, September 2015

State	Medicaid income criteria						CHIP program type[2] (as of May 1, 2015)	Separate CHIP income criteria	
	Infants under age 1		Age 1–5		Age 6–18				
	Medicaid funded[1]	CHIP funded[1]	Medicaid funded[1]	CHIP funded[1]	Medicaid funded[1]	CHIP funded[1]		Birth through age 18[3]	Unborn children[3]
Alabama	141%	–	141%	–	141%	107–141%	Combination	312%	–
Alaska	177	159–203%	177	159–203%	177	124–203	Medicaid expansion	–	–
Arizona[4]	147	–	141	–	133	104–133	Combination	200	–
Arkansas	142	–	142	–	142	107–142	Combination	211	209%
California	208	208–261	142	142–261	133	108–261	Combination	317[5]	317
Colorado	142	–	142	–	142	108–142	Combination	260	–
Connecticut	196	–	196	–	196	–	Separate	318	–
Delaware	212	194–212	142	–	133	110–133	Combination	212	–
DC	319	206–319	319	146–319	319	112–319	Medicaid expansion	–	–
Florida	206	192–206	140	–	133	112–133	Combination	210[6]	–
Georgia	205	–	149	–	133	113–133	Combination	247	–
Hawaii	191	191–308	139	139–308	133	105–308	Medicaid expansion	–	–
Idaho	142	–	142	–	133	107–133	Combination	185	–
Illinois	142	–	142	–	142	108–142	Combination	313	208
Indiana	208	157–208	158	141–158	158	106–158	Combination	250	–
Iowa	375	240–375	167	–	167	122–167	Combination	302	–
Kansas	166	–	149	–	133	113–133	Combination	239	–
Kentucky	195	–	142	142–159	133	109–159	Combination	213	–
Louisiana	142	142–212	142	142–212	142	108–212	Combination	250	209
Maine	191	–	157	140–157	157	132–157	Combination	208	–
Maryland	194	194–317	138	138–317	133	109–317	Medicaid expansion	–	–
Massachusetts	200	185–200	150	133–150	150	114–150	Combination	300	200
Michigan	195	–	160	143–160	160	109–160	Combination	212	195
Minnesota[7]	275	275–283	275	–	275	–	Combination	–	278
Mississippi	194	–	143	–	133	107–133	Combination	209	–

TABLE 5-1. (continued)

State	Medicaid income criteria						CHIP program type[2] (as of May 1, 2015)	Separate CHIP income criteria	
	Infants under age 1		Age 1–5		Age 6–18				
	Medicaid funded[1]	CHIP funded[1]	Medicaid funded[1]	CHIP funded[1]	Medicaid funded[1]	CHIP funded[1]		Birth through age 18[3]	Unborn children[3]
Missouri	196%	–	148%	148–150%	148%	110–150%	Combination	300%	–
Montana	143	–	143	–	133	109–143	Combination	261	–
Nebraska	162	162–213%	145	145–213	133	109–213	Combination	–	197%
Nevada	160	–	160	–	133	122–133	Combination	200	–
New Hampshire	196	196–318	196	196–318	196	196–318	Medicaid expansion	–	–
New Jersey	194	–	142	–	142	107–142	Combination	350	–
New Mexico	240	200–300	240	200–300	190	138–240	Medicaid expansion	–	–
New York	218	196–218	149	–	149	110–149	Combination	400	–
North Carolina	210	194–210	210	141–210	133	107–133	Combination	211[8]	–
North Dakota	147	–	147	–	133	111–133	Combination	170	–
Ohio	156	141–206	156	141–206	156	107–206	Medicaid expansion	–	–
Oklahoma	205	169–205	205	151–205	205	115–205	Combination	–	205
Oregon	185	133–185	133	–	133	100–133	Combination	300	185
Pennsylvania	215	–	157	–	133	119–133	Combination	314	–
Rhode Island	190	190–261	142	142–261	133	109–261	Combination	–	253
South Carolina	194	194–208	143	143–208	133	107–208	Medicaid expansion	–	–
South Dakota	182	177–182	182	177–182	182	124–182	Combination	204	–
Tennessee[9]	195	–	142	–	133	109–133	Combination	250	250
Texas	198	–	144	–	133	109–133	Combination	201	202
Utah	139	–	139	–	133	105–133	Combination	200	–
Vermont	312	237–312	312	237–312	312	237–312	Medicaid expansion	–	–
Virginia	143	–	143	–	143	109–143	Combination	200	–
Washington	210	–	210	–	210	–	Separate	312	193
West Virginia	158	–	141	–	133	108–133	Combination	300	–
Wisconsin	301	–	186	–	133	101–151	Combination	301	301
Wyoming	154	–	154	–	133	119–133	Combination	200	–

TABLE 5-1. (continued)

Notes: FPL is federal poverty level. In 2015, 100 percent FPL in the 48 contiguous states and the District of Columbia was $11,770 for an individual plus $4,160 for each additional family member. Under federal regulations, the effective income limits may be higher by 5 percent of the FPL than those shown on this table to account for a general income disregard that applies to an individual's determination of eligibility for Medicaid and CHIP overall, rather than for particular eligibility groups within Medicaid or CHIP. Medicaid coverage of children under age 19 with incomes below state eligibility levels in effect as of March 31, 1997, generally continues to be financed by Medicaid funding. Any expansion of eligibility to uninsured children above those levels—through expansions of Medicaid or through separate CHIP—is generally financed by CHIP funding. CHIP funding is not permitted for children with other coverage. Thus, where Medicaid coverage in this table shows overlapping eligibility levels for Medicaid funding and CHIP funding, children with no other coverage are funded by CHIP, and children with other coverage are funded by Medicaid. The unborn children of pregnant women may receive CHIP-funded coverage under a CHIP state plan option.

[1] Under Medicaid funded, there is no lower bound for income eligibility. The eligibility levels listed under Medicaid funded are the highest income levels under which each age group of children is covered under the Medicaid state plan, where either all children or insured children only are claimed with Medicaid funding. The eligibility levels listed under CHIP-funded Medicaid coverage represent Medicaid-expansion CHIP—generally, the income levels to which states have expanded Medicaid since CHIP's creation in 1997. For states that have different CHIP-funded eligibility levels for children age 6–13 and age 14–18, this table shows only the levels for children age 6–13.

[2] Under CHIP, states have the option to use Medicaid expansion, separate CHIP, or a combination of both approaches. Nine states (including the District of Columbia) are Medicaid expansions and two states are separate CHIP only (Connecticut and Washington). Forty states are combination programs, and among those, 11 consider themselves to have separate programs but are technically combination states due to the transition of children below 133 percent FPL from separate CHIP to Medicaid (Alabama, Arizona, Georgia, Kansas, Mississippi, Oregon, Pennsylvania, Texas, Utah, West Virginia, and Wyoming).

[3] Separate CHIP eligibility for children birth through age 18 generally begins where Medicaid coverage ends (as shown in columns to the left). For unborn children, there is no lower bound for income eligibility if the mother is not eligible for Medicaid.

[4] Although Arizona's separate CHIP up to 200 percent FPL (KidsCare) has been closed to new enrollment since January 2010, thousands of children were added to the state's CHIP-funded coverage through the state's KidsCare II waiver, which was in effect from May 2012 until January 2014.

[5] California has separate CHIP in three counties only, covering children up to 317 percent FPL.

[6] Florida's separate CHIP covers children age 1–18.

[7] In Minnesota, only infants (defined by the state as being under age 2) are eligible for Medicaid-expansion CHIP.

[8] North Carolina's separate CHIP covers children age 6–18.

[9] Although Tennessee has CHIP-funded Medicaid, enrollment is currently capped except for children who roll over from Medicaid.

– Dash indicates that state does not offer coverage.

Source: MACPAC 2015c, Exhibit 34.

but also that there was a sizeable proportion of otherwise healthy children who unexpectedly needed hospitalization or other costly care.

The Commission is interested in the affordability of exchange coverage because exchange coverage would be one of the two main alternatives (along with employer-sponsored insurance) replacing separate CHIP coverage in the absence of federal CHIP funding. The Commission has also published estimates on the cost of employer-sponsored insurance for children (MACPAC 2016a, MACPAC 2016b). Other MACPAC analyses indicate that in the absence of separate CHIP, more than one-third (36 percent) of children who would be eligible for exchange coverage would not enroll, largely because of the cost of coverage described in this chapter. The affordability of these two sources of coverage will be important factors in the Commission's deliberation of policy alternatives for the coverage of low- and moderate-income children.

Out-of-pocket spending in separate CHIP versus exchange coverage

Children face less out-of-pocket spending in separate CHIP than in subsidized exchange coverage (Table 5-2). In 2015, the combined premiums and cost sharing of separate CHIP in 36 states average $158 per year per child. Most of that spending is for premiums ($127), with the remainder being spent on cost sharing ($31). On average, separate CHIP enrollees face cost sharing of 2 percent of covered medical benefits, with the plans covering 98 percent—that is, separate CHIP coverage has an effective actuarial value of 98 percent.[6]

These same children, if enrolled in the second lowest cost silver exchange plan, face $1,073 in average annual out-of-pocket spending—$806 for premiums and $266 in cost sharing (Table 5-2). The effective actuarial value in these plans averages 82 percent, with families paying for the remaining 18 percent through cost sharing.

TABLE 5-2. Average Annual Cost Sharing and Premiums for Children in Separate CHIP versus Second Lowest Cost Silver Exchange Plans, 2015

Coverage type	Effective actuarial value	Average cost sharing	Average premiums	Total (of average cost sharing and premiums)
Separate CHIP	98%	$31	$127	**$158**
Second lowest cost silver exchange plan	82	266	806	**1,073**

Notes: Effective actuarial value is the percentage of covered benefits paid on average by the plans for the children in the analysis. The second lowest cost silver exchange plan is based on the plan in each state's county with the most children and includes applicable cost sharing reductions. 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 Actuarial Research Corporation (ARC) results are provided by state and for four income categories based on percentage of the federal poverty level. The national numbers are based on state-level enrollment in separate CHIP in fiscal year 2014 as reported by states in the CHIP Statistical Enrollment Data System and assuming that individuals are evenly distributed across four income categories, with the exception of Alabama, New York, Pennsylvania, and Tennessee. For these four states, the income distribution was altered to reflect data reported by state governors in their letters to congressional committees in late 2014.

Sources: MACPAC 2015 analysis of results from ARC, which model 36 states' separate CHIP cost sharing and premium parameters and the second lowest cost silver exchange plan in those states, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels, and Energy and Commerce Committee 2014.

Differences in cost sharing by income. Exchange cost sharing increases substantially across the four income groups. Average exchange cost sharing ranges from $113 in the lowest income group to $477 in the highest income group (Table 5-3). Because premium subsidies are also tied to income, decreasing as income rises, total out-of-pocket spending ranges from $511 in the lowest income group to $2,043 in the highest (Table 5-3).

For children in separate CHIP, cost sharing is similar across all income groups except 151 percent through 200 percent FPL (Table 5-3). At this income level, cost sharing in separate CHIP averages $44 per year, while children at 201 percent through 250 percent FPL face lower cost sharing on average ($14 per year). This anomaly is because Texas and Utah, states with the highest CHIP cost sharing at 151 percent through 200 percent FPL, do not offer CHIP above 200 percent FPL.[7] These two states increase the CHIP national average cost sharing at 151 percent through 200 percent FPL but then are excluded from averages at levels above 200 percent FPL (Appendix 5A, Tables 5A-2 and 5A-3).

TABLE 5-3. Average Annual Cost Sharing and Premiums for Children in Separate CHIP versus Second Lowest Cost Silver Exchange Plans, by Income as a Percentage of FPL, 2015

Income as a percentage of FPL	Effective actuarial value	Average cost sharing	Average premiums	Total (of average cost sharing and premiums)
Separate CHIP				
133%–150% FPL	99%	$12	$19	**$31**
151%–200% FPL	97	44	68	**113**
201%–250% FPL	99	14	224	**238**
251%–400% FPL	99	18	455	**472**
Second lowest cost silver exchange plan				
133%–150% FPL	92	113	398	**511**
151%–200% FPL	84	240	675	**915**
201%–250% FPL	75	373	1,176	**1,550**
251%–400% FPL	68	477	1,565	**2,043**

Notes: FPL is federal poverty level. In 2015, 100 percent FPL in the 48 contiguous states and the District of Columbia was $11,770 for an individual plus $4,160 for each additional family member. Effective actuarial value is the percentage of covered benefits paid on average by the plans for the children in the analysis. The second lowest cost silver exchange plan is based on the plan in each state's county with the most children and includes applicable cost sharing reductions. 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 Actuarial Research Corporation (ARC) results are provided by state and for four income categories based on percentage of FPL. The national averages are based on state-level enrollment in separate CHIP in fiscal year 2014 as reported by states in the CHIP Statistical Enrollment Data System and assuming that individuals are evenly distributed across four income categories, with the exception of Alabama, New York, Pennsylvania, and Tennessee. For these four states, the income distribution was altered to reflect data reported by state governors in their letters to congressional committees in late 2014.

Sources: MACPAC 2015 analysis of results from ARC, which model 36 states' separate CHIP cost sharing and premium parameters and the second lowest cost silver exchange plan in those states, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels, and Energy and Commerce Committee 2014.

In comparing children's experiences in separate CHIP to their experiences in exchange coverage, it is important to note that the vast majority (88.8 percent) of CHIP-enrolled children in FY 2013 were at or below 200 percent FPL (MACPAC 2014). This is important for two reasons. First, although the differences between CHIP and exchange coverage are greatest above 200 percent FPL, there are relatively few CHIP enrollees at these income levels. Second, in states that cap eligibility at lower income thresholds, families must already seek coverage from other sources, with presumably higher premiums and cost sharing than available to those covered by CHIP in other states.

Differences in cost sharing by state. For each of the four income categories, the differences across states in cost sharing tend to be larger among exchange plans than in separate CHIP (Appendix 5A, Tables 5A-1 through 5A-4). For example, for children from 133 percent through 150 percent FPL, average annual cost sharing across states ranges from $0–$51 in separate CHIP compared to $63–$184 in these states' exchange plans (Appendix 5A, Table 5A-1).[8]

Children from 151 percent through 200 percent FPL in separate CHIP face different combinations of premiums and cost sharing depending on which state they live in:

- Eight states charge no cost sharing but require premiums, ranging annually from $66 in Michigan to $339 in Arizona (Appendix 5A, Table 5A-2).
- Eleven states charge no premiums but require copayments for various services that lead to average annual cost sharing ranging from $5 in Montana to $70 in Tennessee.
- Three states charge neither premiums nor cost sharing for separate CHIP at this income range (Oregon, Pennsylvania, South Dakota).
- Twelve states require both premiums and cost sharing.
- Two states out of the 36 in our analysis do not offer separate CHIP at this income range (Louisiana, Washington).

Share of children with out-of-pocket spending exceeding various thresholds

Another question of interest for the Commission is how many children have out-of-pocket spending that exceeds different thresholds. We selected a range of spending thresholds for this analysis: 2 percent of family income, 5 percent of family income (the current limit under CHIP), and 10 percent of family income (Table 5-4). Because

TABLE 5-4. Example Thresholds for a Family of Four by Income as a Percentage of FPL, 2015

Income level as a percentage of FPL	Annual income at percentage of FPL	Amount equal to 2% of income	Amount equal to 5% of income	Amount equal to 10% of income
145 percent	$35,163	$703	$1,758	**$3,516**
175 percent	42,438	849	2,122	**4,244**
225 percent	54,563	1,091	2,728	**5,456**
275 percent	66,688	1,334	3,334	**6,669**

Notes: FPL is federal poverty level. In 2015, 100 percent FPL in the 48 contiguous states and the District of Columbia was $11,770 for an individual plus $4,160 for each additional family member. Results differ for families of different sizes. Income levels shown are for a family of four within each of the four income categories used in this analysis.

Source: MACPAC 2015 analysis.

CHIP policy limits out-of-pocket spending to no more than 5 percent of income, no child exceeds the latter two thresholds in CHIP (Table 5-5 and Appendix 5A, Tables 5A-5 through 5A-8). Even below these thresholds, there is relatively little out-of-pocket burden in CHIP. In most states with separate CHIP coverage, 0 percent to 2 percent of children in CHIP face out-of-pocket spending above

TABLE 5-5. Share of Children with Out-Of-Pocket Spending Exceeding Various Income Thresholds in 36 States with Separate CHIP, by Income as a Percentage of FPL, 2015

Income categories (as a percentage of FPL)	Share of children with out-of-pocket spending in excess of income thresholds		
	2% of income	5% of income	10% of income
Separate CHIP			
Share of children exceeding thresholds	**1%**	**0%**	**0%**
133%–150% FPL	0[1]	0	0
151%–200% FPL	0–2[1]	0	0
201%–250% FPL	0–2[2]	0	0
251%–400% FPL	0–3[3]	0	0
Second lowest cost silver exchange plan			
Share of children exceeding thresholds	**48%**	**6%**	**1%**
133%–150% FPL	14–34	1–3	0
151%–200% FPL	34–54	2–9	0–1
201%–250% FPL	61–75[4]	8–16	1–3
251%–400% FPL	59–94	8–17	1–3

Notes: FPL is federal poverty level. Out-of-pocket spending refers to both premiums and cost sharing. In 2015, 100 percent FPL in the 48 contiguous states and the District of Columbia was $11,770 for an individual plus $4,160 for each additional family member. The second lowest cost silver exchange plan is based on the plan in each state's county with the most children and includes applicable cost sharing reductions. The Actuarial Research Corporation (ARC) results are provided by state and for four income categories based on percentage of FPL. The national averages are based on state-level enrollment in separate CHIP in fiscal year 2014 as reported by states in the CHIP Statistical Enrollment Data System and assuming that individuals are evenly distributed across four income categories, with the exception of Alabama, New York, Pennsylvania, and Tennessee. For these four states, the income distribution was altered to reflect data reported by state governors in their letters to congressional committees in late 2014. 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. If the results reflected all children in a family being enrolled in these plans, and the spending for all of the children counted toward the threshold, the share of children above the thresholds in separate CHIP would be 5 percent, 0 percent, and 0 percent, respectively, and in the second lowest cost silver exchange plan 90 percent, 37 percent, and 6 percent, respectively (Appendix 5A, Table 5A-9). Excludes Massachusetts from exchange plan ranges because it has additional cost sharing and premium limitations beyond those in federal law.

[1] Excluding Utah, which in the lowest income group had 1 percent of children above the 2 percent of income threshold and in the second lowest group had 13 percent of children above the 2 percent of income threshold.

[2] Excluding Missouri, which had 13 percent above this threshold.

[3] Excluding Missouri and New Jersey, which had 66 percent and 25 percent above this threshold, respectively.

[4] Excluding South Dakota, which had 54 percent above this threshold.

Source: MACPAC 2015 analysis of results from ARC, which model 36 states' separate CHIP cost sharing and premium parameters and the second lowest cost silver exchange plans in those states, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels, and Energy and Commerce Committee 2014.

2 percent of family income (Table 5-5 and Appendix 5A, Tables 5A-5 through 5A-8).

In the 13 states with separate CHIP above 250 percent FPL, the share of children in CHIP with out-of-pocket spending above 2 percent of income ranges from 0 percent to 66 percent, which generally reflects CHIP premiums rather than cost sharing (Appendix 5A, Table 5A-8). In 11 of these 13 states, the share of children with out-of-pocket spending above the 2 percent of income threshold is 0 percent to 3 percent (Table 5-5). The other two states are New Jersey (25 percent) and Missouri (66 percent). For example, at 251 percent through 300 percent FPL, families with a child in Missouri's separate CHIP face average annual premiums of $1,586 but no cost sharing (Appendix 5A, Table 5A-4). For FY 2013, Missouri reported that 4.2 percent of its separate CHIP enrollees were above 250 percent FPL (MACPAC 2014).

Across every state and income level analyzed, more children face out-of-pocket spending in excess of various thresholds in exchange coverage than in separate CHIP (Table 5-5 and Appendix 5A, Tables 5A-5 through 5A-8). In every state with separate CHIP, some children (1 percent to 17 percent, depending on the state and income level) face out-of-pocket spending for exchange coverage exceeding 5 percent of income.

These results are on an annual per-child basis, without regard to combined premiums and cost sharing in families with multiple enrolled children. Our analysis was done this way so that our assessment of the characteristics of children with high out-of-pocket spending, discussed below, would reflect each child's own health care needs. If the results reflected the combined spending of all children in a family, the share of children with spending above the thresholds would be higher than those shown in Table 5-5 (compare Table 5-5 to Appendix 5A, Table 5A-9).

Health care use and health conditions of children with high out-of-pocket spending in exchange coverage

The Commission also sought insights into the health status and health care use among children who would face the highest out-of-pocket spending if enrolled in an exchange plan rather than separate CHIP. The results show that children receiving treatment for chronic conditions comprise a majority of those with the highest out-of-pocket spending in exchange coverage (Figure 5-1). However, because there is also a sizeable group of otherwise healthy children who experience an unexpected acute episode that causes high health care spending, a policy targeted only to specific chronic conditions would leave many children vulnerable to high out-of-pocket spending in exchange coverage.

Because the share of children exceeding the highest spending threshold within each income group is so small, the sample of children in the analysis is inadequate to support estimates by state or income group. Therefore, we present national estimates for all 36 states in our analysis across all four income groups.

Health care use among children exceeding spending thresholds. Although relatively few children are hospitalized during the year, hospitalizations are common among children with the highest out-of-pocket spending in exchange coverage. Just 5 percent of children with out-of-pocket spending above the 2 percent of income threshold have a hospitalization, while over half (56 percent) of children above the 10 percent of income threshold have a hospitalization. About one-quarter (27 percent) of children above the 5 percent of income threshold have a hospitalization.

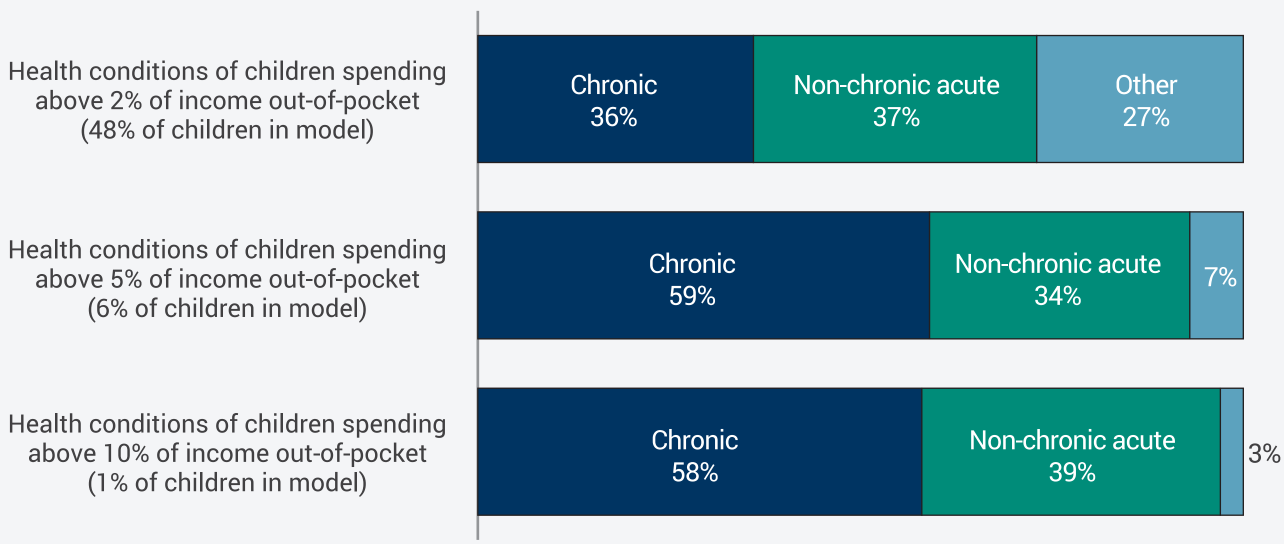
Visiting the emergency department and having three or more prescriptions filled during the year are also more common among the children exceeding the highest spending thresholds in exchange coverage. Twenty percent of children above the 2 percent of income threshold have an emergency department visit during the year, and 40 percent of children above the 5 percent of income threshold have an emergency department visit. Similarly, 33 percent of children above the 2 percent of income threshold have three or more prescriptions filled during the year, and 59 percent of children above the 5 percent of income threshold do so.

Types of conditions and health status among children exceeding spending thresholds. Among children who would have the highest out-of-pocket spending in exchange plans—that is, out-of-pocket spending above 5 percent and 10 percent of family income—nearly 60 percent reported treatment for chronic conditions (Figure 5-1). On the other hand, incidence of treatment for acute conditions without a chronic condition (the non-chronic acute category in Figure 5-1) is similar across the spending threshold categories.

About one in four (24 percent) children exceeding the 10 percent of income threshold in exchange coverage report being in poor health. Of the children in poor health exceeding the 10 percent of income threshold in exchange coverage, 61 percent were hospitalized during the year, 95 percent reported a mental health condition, and 98 percent had three or more prescriptions filled during the year.

Poor health is reported by 11 percent of those exceeding the 5 percent of income threshold and only 3 percent of those exceeding the 2 percent of income threshold. Of the children in poor health exceeding the 2 percent of income threshold in

FIGURE 5-1. Share of Children Treated for Chronic versus Other Conditions among Children with High Out-of-Pocket Spending in Second Lowest Cost Silver Exchange Plans, 2015



Notes: Out-of-pocket spending includes premiums and cost sharing. A hierarchy of three mutually exclusive categories was identified using three-digit ICD-9 codes from the Medical Expenditure Panel Survey–Household Component (MEPS-HC) event files: (1) treatment of chronic conditions, (2) treatment of acute conditions with no chronic conditions reported, and (3) other. Other covers spending without reported conditions, including care for which procedures rather than diagnoses were reported, payments for other medical expenses that could not be linked to specific conditions, and premiums paid. Averages in this table among 36 states with separate CHIP were weighted by CHIP enrollment in the four income groups in each state as well as the share of children in that state and income group that exceeded each threshold.

Source: MACPAC 2015 analysis of results from Actuarial Research Corporation of the second lowest cost silver exchange plans in the county with the most children among 36 states with separate CHIP, using 2012 data from MEPS-HC adjusted to 2015 levels.

exchange coverage, 20 percent were hospitalized during the year, 78 percent reported a mental health condition, and 79 percent had three or more prescriptions filled during the year.

Specific conditions among children exceeding spending thresholds. Children who would have the highest out-of-pocket spending in exchange coverage are more likely to receive treatment for mental health conditions, asthma, or trauma, the top three conditions among children in terms of direct medical spending (Soni 2015). Twenty-nine percent of children with out-of-pocket spending exceeding 5 percent of family income reported treatment for a mental health condition, compared to 12 percent of those with out-of-pocket spending exceeding 2 percent of family income. Children in families with out-of-pocket spending exceeding 5 percent of income are nearly twice as likely to be treated for asthma or trauma as children in families with spending exceeding 2 percent of income. These results also raise questions about the adequacy of benefits for common childhood conditions, another topic the Commission will continue to explore.

Next Steps

The results presented in this chapter provide more evidence that exchange coverage is more costly to families than CHIP. In addition, they go deeper in detail, showing that in 36 states where separate CHIP exists, some children would face out-of-pocket spending levels in exchange coverage that are prohibited by CHIP. Differences across states in income eligibility criteria for CHIP enrollment mean that the group of children receiving CHIP cost sharing protection varies by state. These results also show that the children facing high out-of-pocket spending do not all have predictable, chronic health care needs, but that some of these children are healthy children who unexpectedly need a hospitalization or other costly care.

The results of this analysis on affordability of coverage raise several policy questions for discussion, including:

- Are current levels of premiums and cost sharing in subsidized exchange coverage appropriate for low- and moderate-income children?
- How much variation in premiums and cost sharing should exist across states—either in CHIP or exchange coverage—for low- and moderate-income children?
- How can information on the characteristics of children with high health care spending be used in designing a policy to ensure that coverage is affordable?

The Commission is now considering these questions as it evaluates and weighs various policy solutions to ensure that low- and moderate-income children have access to adequate and affordable coverage. Over the coming months, the Commission will develop recommendations on the range of issues affecting children's coverage, including affordability, coverage, benefits, and access.

Endnotes

[1] Prior research has shown that low- and moderate-income children would face substantially higher out-of-pocket costs with exchange coverage than with CHIP coverage (MACPAC 2015a, GAO 2015, Bly et al. 2014). These prior analyses were limited to either a handful of states or to children at particular income levels.

[2] On November 25, 2015, the U.S. Department of Health and Human Services (HHS) released a congressionally mandated study of whether exchange benefits and cost sharing are comparable to separate CHIP (CMS 2015). Consistent with our findings, HHS found that no exchange plans are comparable to CHIP with respect to premiums and cost sharing. The HHS study also looked at covered benefits and found that benefit packages in CHIP are generally more comprehensive for dental, vision, and habilitation services and are more comprehensive for children with special health care needs than exchange plans. For benefits typically covered by commercial plans, such as physician, laboratory, and radiological services, HHS found that coverage is similar between CHIP and exchange plans. This is also consistent with MACPAC's prior analyses (MACPAC 2015a, MACPAC 2014).

[3] Premiums are defined as fees that an enrollee must pay to remain insured, generally payable on a monthly basis. Cost sharing is the portion of covered medical expenses that the insured person must pay, including deductibles, coinsurance, and copayments.

[4] Four states are considered combination states for a different reason. In Minnesota, Nebraska, Oklahoma, and Rhode Island, all CHIP-funded children age 0–18 are in Medicaid-expansion CHIP coverage. However, these states also use CHIP funding to cover unborn children, which is only permissible under separate CHIP. (In total, 15 states cover unborn children in CHIP.)

[5] This chapter focuses on separate CHIP, but the differences between Medicaid-expansion CHIP and exchange coverage would likely be even larger. This is because Medicaid-expansion CHIP offers states much less flexibility to charge cost sharing and premiums than separate CHIP does.

[6] The term effective actuarial value as used in this chapter refers to the percentage of covered benefits paid for, on average, by the plan for the particular group of children in our analysis. Although cost sharing reductions for exchange plans are required by law to meet certain actuarial values, these values are assigned using a different standard population and other varying assumptions. Thus, where the effective actuarial values in this chapter do not match the statutory levels, this does not necessarily indicate that an exchange plan is out of compliance, but more likely that the cost sharing reductions were set based on a different population than modeled in this chapter.

[7] Utah has the highest cost sharing and the lowest actuarial value of any separate CHIP. At an income level of 151 percent through 200 percent FPL, cost sharing averages $214 per year, with an effective actuarial value of 86 percent for the children included in the analysis (Appendix 5A, Table 5A-2). Although Utah's separate CHIP has the lowest actuarial value of all the states, the actuarial value still exceeds that of the second lowest cost silver exchange plan analyzed for Utah, which has an effective actuarial value for the same children of 83 percent, with average cost sharing of $256 per year. Utah is the only separate CHIP in the country with a deductible—$40 for children at or below 150 percent FPL and $500 for those at 151 percent through 200 percent FPL. For children at 151 percent through 200 percent FPL, non-preventive office visits require a copayment of $25 to $40, with an inpatient coinsurance of 20 percent after meeting the deductible (Cardwell et al. 2014). In Texas, for children at 151 percent through 200 percent FPL, cost sharing in separate CHIP averages $94 per year, with an effective actuarial value of 94 percent for the children included in the analysis (Appendix 5A, Table 5A-2).

[8] This range excludes Massachusetts, which funds additional premium and cost sharing reductions beyond the standard amounts for exchange coverage.

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APPENDIX 5A: State-Level Tables from MACPAC Analysis of Affordability of Children's Coverage

TABLE 5A-1. Average Out-of-Pocket Spending for Separate CHIP and Exchange Plans by State, for Children at 133%–150% FPL, 2015

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
29-state average	**99%**	**$12**	**$19**	**$31**	**92%**	**$113**	**$398**	**$511**
Alabama	99	22	51	73	89	158	398	556
Arizona	100	–	85	85	93	99	398	497
Colorado	100	5	–	5	95	71	398	469
Connecticut	N/A	N/A	N/A	N/A	95	69	398	468
Delaware	100	2	66	68	89	160	398	558
Florida	99	15	96	111	93	103	398	502
Georgia	100	3	59	62	90	148	398	546
Idaho	100	5	120	125	92	112	398	510
Illinois	100	6	–	6	88	184	398	582
Indiana	100	–	–	–	91	132	398	530
Iowa	100	–	–	–	92	122	398	520
Kansas	100	–	–	–	91	129	398	527
Kentucky	N/A	N/A	N/A	N/A	86	204	398	602
Louisiana	N/A	N/A	N/A	N/A	89	170	398	568
Maine	100	–	–	–	92	115	398	514
Massachusetts[1]	100	–	139	139	99	8	398	406
Michigan	100	–	–	–	93	111	398	509
Mississippi	N/A	N/A	N/A	N/A	91	136	398	534
Missouri	100	–	–	–	91	129	398	527
Montana	100	5	–	5	92	114	398	512
Nevada	100	–	55	55	92	123	398	521

TABLE 5A-1. (continued)

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
New Jersey	100%	–	–	–	89%	$160	$398	$559
New York	100	–	–	–	96	63	433	496
North Carolina	100	$4	–	$4	92	125	392	518
North Dakota	100	7	–	7	91	128	398	526
Oregon	N/A	N/A	N/A	N/A	91	134	398	533
Pennsylvania	100	–	–	–	92	116	398	514
South Dakota	N/A	N/A	N/A	N/A	87	189	398	588
Tennessee	99	14	–	14	90	156	398	554
Texas	99	19	–	19	94	92	398	490
Utah	97	51	$66	118	93	104	398	502
Virginia	99	9	–	9	91	130	398	528
Washington	N/A	N/A	N/A	N/A	88	180	398	578
West Virginia	99	18	–	18	92	117	398	515
Wisconsin	99	9	–	9	90	143	398	541
Wyoming	99	19	–	19	90	143	398	541

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. For this table, children are modeled at 145 percent FPL, except for New York, which does not offer separate CHIP at that income level and was therefore modeled at the nearest level in its separate CHIP eligibility range (149 percent FPL). In 2015, 145 percent FPL for a family of four was $35,163 in the 48 contiguous states and the District of Columbia. Effective actuarial value is the percentage of covered benefits paid for, on average, by the plan for the particular group of children in this analysis.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

– Dash indicates the state does not require this type of out-of-pocket spending.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-2. Average Out-of-Pocket Spending for Separate CHIP and Exchange Plans by State, for Children at 151%–200% FPL, 2015

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
34-state average	**97%**	**$44**	**$68**	**$113**	**84%**	**$240**	**$675**	**$915**
Alabama	95	77	100	177	83	254	674	928
Arizona	100	–	339	339	86	210	675	885
Colorado	98	33	17	50	90	155	673	828
Connecticut	98	35	–	35	86	203	774	978
Delaware	100	2	165	167	83	242	675	917
Florida	99	15	128	143	85	231	675	906
Georgia	100	3	145	148	82	267	674	941
Idaho	100	5	180	185	86	213	673	886
Illinois	99	21	167	188	78	327	673	1,000
Indiana	99	21	186	208	83	252	675	927
Iowa	100	4	103	106	81	279	674	952
Kansas	100	–	133	133	79	313	673	986
Kentucky	98	28	–	28	80	296	673	969
Louisiana	N/A	N/A	N/A	N/A	82	272	675	947
Maine	100	–	165	165	87	191	675	866
Massachusetts[1]	100	–	139	139	96	64	675	739
Michigan	100	–	66	66	85	228	674	901
Mississippi	100	6	–	6	80	294	675	968
Missouri	100	–	276	276	80	297	675	972
Montana	100	5	–	5	86	216	674	889
Nevada	100	–	111	111	86	213	674	887

TABLE 5A-2. (continued)

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
New Jersey	99%	$19	–	$19	81%	$283	$675	$958
New York	100	–	$104	104	91	140	675	815
North Carolina	99	12	42	54	86	213	665	878
North Dakota	100	7	–	7	82	262	532	794
Oregon	100	–	–	–	83	247	771	1,018
Pennsylvania	100	–	–	–	88	176	675	850
South Dakota	100	–	–	–	80	304	743	1,046
Tennessee	95	70	–	70	82	268	673	940
Texas	94	94	35	130	83	256	675	931
Utah	86	214	162	376	83	256	673	930
Virginia	99	22	–	22	79	316	675	991
Washington	N/A	N/A	N/A	N/A	78	321	675	996
West Virginia	97	46	–	46	85	231	675	906
Wisconsin	99	9	–	9	83	249	675	924
Wyoming	97	39	–	39	82	275	675	950

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. For this table, children are modeled at 175 percent FPL, except for Connecticut, North Dakota, Oregon, and South Dakota, which do not offer separate CHIP at that income level and were therefore modeled at the nearest level in their separate CHIP eligibility range. In 2015, 175 percent FPL for a family of four was $42,438 in the 48 contiguous states and the District of Columbia. Effective actuarial value is the percentage of covered benefits paid for, on average, by the plan for the particular group of children in this analysis.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

– Dash indicates the state does not require this type of out-of-pocket spending.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-3. Average Out-of-Pocket Spending for Separate CHIP and Exchange Plans by State, for Children at 201%–250% FPL, 2015

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
21-state average	**99%**	**$14**	**$224**	**$238**	**75%**	**$373**	**$1,176**	**$1,550**
Alabama	95	78	100	178	75	376	1,185	1,561
Arizona	N/A	N/A	N/A	N/A	79	318	1,193	1,511
Colorado	97	52	51	103	62	564	1,129	1,693
Connecticut	98	35	–	35	79	318	1,199	1,516
Delaware	N/A	N/A	N/A	N/A	73	385	1,192	1,577
Florida	N/A	N/A	N/A	N/A	77	345	1,190	1,534
Georgia	100	3	210	213	76	355	1,183	1,538
Idaho	N/A	N/A	N/A	N/A	74	394	1,126	1,521
Illinois	98	36	412	447	68	476	1,138	1,614
Indiana	99	21	319	341	72	418	1,196	1,614
Iowa	100	4	205	209	69	440	1,176	1,616
Kansas	100	–	332	332	79	317	1,143	1,460
Kentucky	N/A	N/A	N/A	N/A	66	507	1,131	1,638
Louisiana	100	–	332	332	69	457	1,193	1,650
Maine	N/A	N/A	N/A	N/A	77	350	1,191	1,541
Massachusetts[1]	100	–	231	231	93	100	1,190	1,290
Michigan	N/A	N/A	N/A	N/A	84	237	1,166	1,403
Mississippi	N/A	N/A	N/A	N/A	76	355	1,189	1,544
Missouri	100	–	897	897	76	352	1,190	1,542
Montana	100	5	–	5	73	398	1,170	1,569
Nevada	N/A	N/A	N/A	N/A	76	363	1,170	1,532

TABLE 5A-3. (continued)

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
New Jersey	98%	$22	$287	$310	76%	$361	$1,195	$1,555
New York	100	–	173	173	79	315	1,201	1,516
North Carolina	N/A	N/A	N/A	N/A	79	312	1,176	1,488
North Dakota	N/A	N/A	N/A	N/A	76	365	1,194	1,558
Oregon	100	–	–	–	71	435	1,134	1,569
Pennsylvania	100	–	522	522	79	314	1,188	1,502
South Dakota	100	–	–	–	75	373	966	1,339
Tennessee	95	71	–	71	75	367	1,108	1,475
Texas	N/A	N/A	N/A	N/A	77	345	1,191	1,535
Utah	N/A	N/A	N/A	N/A	66	506	1,164	1,670
Virginia	N/A	N/A	N/A	N/A	63	554	1,191	1,744
Washington	100	–	206	206	64	539	1,193	1,732
West Virginia	96	61	361	422	73	400	1,192	1,592
Wisconsin	97	42	90	132	75	361	1,195	1,556
Wyoming	N/A	N/A	N/A	N/A	75	366	1,200	1,567

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. For this table, children are modeled at 225 percent FPL, except for South Dakota, which does not offer separate CHIP at that income level and was therefore modeled at the nearest level in its separate CHIP eligibility range (204 percent FPL). In 2015, 225 percent FPL for a family of four was $54,563 in the 48 contiguous states and the District of Columbia. Additional variation between states' average out-of-pocket premium for childrens' subsidized exchange coverage results because the total premium as a share of family income is too low to qualify for premium subsidies. Effective actuarial value is the percentage of covered benefits paid for, on average, by the plan for the particular group of children in this analysis.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

– Dash indicates the state does not require this type of out-of-pocket spending.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-4. Average Out-of-Pocket Spending for Separate CHIP and Exchange Plans by State, for Children at 251%–400% FPL, 2015

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
13-state average	**99%**	**$18**	**$455**	**$472**	**68%**	**$477**	**$1,565**	**$2,043**
Alabama	95	79	100	179	59	611	1,500	2,111
Arizona	N/A	N/A	N/A	N/A	73	403	1,644	2,047
Colorado	N/A	N/A	N/A	N/A	59	605	1,247	1,852
Connecticut	97	40	272	313	79	320	1,770	2,090
Delaware	N/A	N/A	N/A	N/A	65	497	1,647	2,144
Florida	N/A	N/A	N/A	N/A	69	455	1,560	2,015
Georgia	N/A	N/A	N/A	N/A	66	500	1,479	1,979
Idaho	N/A	N/A	N/A	N/A	70	441	1,242	1,683
Illinois	98	36	412	447	70	445	1,272	1,717
Indiana	N/A	N/A	N/A	N/A	66	500	1,713	2,213
Iowa	100	4	205	209	68	455	1,434	1,889
Kansas	N/A	N/A	N/A	N/A	65	523	1,285	1,808
Kentucky	N/A	N/A	N/A	N/A	61	575	1,253	1,827
Louisiana	N/A	N/A	N/A	N/A	59	611	1,633	2,244
Maine	N/A	N/A	N/A	N/A	68	483	1,588	2,072
Massachusetts[1]	100	–	323	323	72	412	1,577	1,989
Michigan	N/A	N/A	N/A	N/A	70	444	1,373	1,817
Mississippi	N/A	N/A	N/A	N/A	66	504	1,554	2,058
Missouri	100	–	1,586	1,586	68	477	1,567	2,045
Montana	N/A	N/A	N/A	N/A	70	441	1,393	1,833
Nevada	N/A	N/A	N/A	N/A	66	510	1,390	1,900

TABLE 5A-4. (continued)

State	Separate CHIP				Second lowest cost silver exchange plan			
	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)	Effective actuarial value	Cost sharing	Premiums	Total (cost sharing and premiums)
New Jersey	98%	$22	$756	$779	63%	$555	$1,680	$2,236
New York	100	–	520	520	75	377	1,783	2,160
North Carolina	N/A	N/A	N/A	N/A	70	448	1,682	2,130
North Dakota	N/A	N/A	N/A	N/A	60	590	1,663	2,253
Oregon	100	–	–	–	59	611	1,261	1,872
Pennsylvania	98	32	783	815	76	353	1,534	1,887
South Dakota	N/A	N/A	N/A	N/A	59	604	1,485	2,088
Tennessee	N/A	N/A	N/A	N/A	66	503	1,202	1,706
Texas	N/A	N/A	N/A	N/A	69	455	1,583	2,038
Utah	N/A	N/A	N/A	N/A	69	455	1,361	1,816
Virginia	N/A	N/A	N/A	N/A	65	523	1,589	2,111
Washington	100	–	309	309	60	596	1,638	2,233
West Virginia	96	61	361	423	68	470	1,625	2,095
Wisconsin	97	42	374	415	59	592	1,717	2,310
Wyoming	N/A	N/A	N/A	N/A	61	580	1,782	2,362

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. For this table, children are modeled at 275 percent FPL. In 2015, 275 percent FPL for a family of four was $66,688 in the 48 contiguous states and the District of Columbia. Additional variation between states' average out-of-pocket premium for childrens' subsidized exchange coverage results because the total premium as a share of family income is too low to qualify for premium subsidies. Effective actuarial value is the percentage of covered benefits paid for, on average, by the plan for the particular group of children in this analysis.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

– Dash indicates the state does not require this type of out-of-pocket spending.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-5. Share of Individual Children above Spending Thresholds, by State, for Children at 133%–150% FPL, 2015

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
Alabama	0%	0%	0%	29%	1%	0%
Arizona	0	0	0	17	1	0
Colorado	0	0	0	14	1	0
Connecticut	N/A	N/A	N/A	14	1	0
Delaware	0	0	0	26	2	0
Florida	0	0	0	16	2	0
Georgia	0	0	0	28	1	0
Idaho	0	0	0	19	1	0
Illinois	0	0	0	34	1	0
Indiana	0	0	0	25	1	0
Iowa	0	0	0	19	3	0
Kansas	0	0	0	19	3	0
Kentucky	N/A	N/A	N/A	31	2	0
Louisiana	N/A	N/A	N/A	32	1	0
Maine	0	0	0	22	1	0
Massachusetts[1]	0	0	0	7	1	0
Michigan	0	0	0	21	1	0
Mississippi	N/A	N/A	N/A	19	3	0
Missouri	0	0	0	19	3	0
Montana	0	0	0	20	1	0
Nevada	0	0	0	23	1	0
New Jersey	0	0	0	27	1	0
New York	0	0	0	15	1	0

TABLE 5A-5. (continued)

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
North Carolina	0%	0%	0%	19%	2%	0%
North Dakota	0	0	0	20	2	0
Oregon	N/A	N/A	N/A	26	1	0
Pennsylvania	0	0	0	20	1	0
South Dakota	N/A	N/A	N/A	34	1	0
Tennessee	0	0	0	29	1	0
Texas	0	0	0	15	2	0
Utah	1	0	0	16	2	0
Virginia	0	0	0	19	3	0
Washington	N/A	N/A	N/A	31	1	0
West Virginia	0	0	0	22	1	0
Wisconsin	0	0	0	22	1	0
Wyoming	0	0	0	22	2	0

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. In 2015, 145 percent FPL for a family of four was $35,163 in the 48 contiguous states and the District of Columbia.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-6. Share of Individual Children above Spending Thresholds, by State, for Children at 151%–200% FPL, 2015

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
Alabama	2%	0%	0%	46%	5%	0%
Arizona	1	0	0	44	4	0
Colorado	0	0	0	40	2	0
Connecticut	0	0	0	48	4	0
Delaware	0	0	0	43	5	0
Florida	0	0	0	43	5	1
Georgia	0	0	0	45	6	0
Idaho	0	0	0	42	5	0
Illinois	0	0	0	50	7	0
Indiana	1	0	0	44	6	0
Iowa	0	0	0	45	8	0
Kansas	0	0	0	47	9	1
Kentucky	0	0	0	47	7	0
Louisiana	N/A	N/A	N/A	48	6	0
Maine	0	0	0	40	5	0
Massachusetts[1]	0	0	0	32	1	0
Michigan	0	0	0	44	4	0
Mississippi	0	0	0	51	6	0
Missouri	0	0	0	45	9	0
Montana	0	0	0	43	5	0
Nevada	0	0	0	43	4	0
New Jersey	0	0	0	52	5	1
New York	0	0	0	39	2	0

TABLE 5A-6. (continued)

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
North Carolina	0%	0%	0%	40%	5%	1%
North Dakota	0	0	0	34	7	1
Oregon	0	0	0	48	6	0
Pennsylvania	0	0	0	39	3	0
South Dakota	0	0	0	54	6	0
Tennessee	1	0	0	45	6	0
Texas	2	0	0	47	5	1
Utah	13	0	0	47	5	1
Virginia	0	0	0	49	8	1
Washington	N/A	N/A	N/A	53	6	0
West Virginia	0	0	0	43	5	0
Wisconsin	0	0	0	45	5	1
Wyoming	0	0	0	50	5	0

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. In 2015, 175 percent FPL for a family of four was $42,438 in the 48 contiguous states.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-7. Share of Individual Children above Spending Thresholds, by State, for Children at 201%–250% FPL, 2015

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
Alabama	1%	0%	0%	67%	12%	2%
Arizona	N/A	N/A	N/A	67	9	1
Colorado	1	0	0	72	15	2
Connecticut	0	0	0	71	9	1
Delaware	N/A	N/A	N/A	67	11	2
Florida	N/A	N/A	N/A	66	9	2
Georgia	0	0	0	66	10	2
Idaho	N/A	N/A	N/A	68	10	2
Illinois	1	0	0	71	10	3
Indiana	1	0	0	72	11	2
Iowa	0	0	0	70	11	2
Kansas	1	0	0	65	8	1
Kentucky	N/A	N/A	N/A	67	13	3
Louisiana	1	0	0	72	14	2
Maine	N/A	N/A	N/A	66	9	2
Massachusetts[1]	0	0	0	63	2	0
Michigan	N/A	N/A	N/A	63	6	1
Mississippi	N/A	N/A	N/A	67	10	2
Missouri	13	0	0	66	9	2
Montana	0	0	0	69	11	2
Nevada	N/A	N/A	N/A	66	10	2
New Jersey	1	0	0	68	11	2
New York	0	0	0	71	9	1

TABLE 5A-7. (continued)

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
North Carolina	N/A	N/A	N/A	61%	8%	1%
North Dakota	N/A	N/A	N/A	68	10	2
Oregon	0%	0%	0%	67	10	3
Pennsylvania	0	0	0	70	9	1
South Dakota	0	0	0	54	12	2
Tennessee	1	0	0	61	9	2
Texas	N/A	N/A	N/A	67	9	2
Utah	N/A	N/A	N/A	73	12	2
Virginia	N/A	N/A	N/A	75	13	4
Washington	0	0	0	75	16	2
West Virginia	2	0	0	71	10	2
Wisconsin	0	0	0	67	11	2
Wyoming	N/A	N/A	N/A	68	12	2

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. In 2015, 225 percent FPL for a family of four was $54,563 in the 48 contiguous states and the District of Columbia.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-8. Share of Individual Children above Spending Thresholds, by State, for Children at 251%–400% FPL, 2015

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
Alabama	1%	0%	0%	81%	14%	2%
Arizona	N/A	N/A	N/A	89	10	2
Colorado	N/A	N/A	N/A	63	13	1
Connecticut	0	0	0	94	12	1
Delaware	N/A	N/A	N/A	92	12	2
Florida	N/A	N/A	N/A	87	10	2
Georgia	N/A	N/A	N/A	78	10	2
Idaho	N/A	N/A	N/A	56	8	2
Illinois	1	0	0	59	8	2
Indiana	N/A	N/A	N/A	92	13	2
Iowa	0	0	0	74	9	2
Kansas	N/A	N/A	N/A	62	10	2
Kentucky	N/A	N/A	N/A	58	11	3
Louisiana	N/A	N/A	N/A	89	16	2
Maine	N/A	N/A	N/A	86	10	3
Massachusetts[1]	0	0	0	87	10	2
Michigan	N/A	N/A	N/A	73	9	2
Mississippi	N/A	N/A	N/A	87	11	2
Missouri	66	0	0	86	10	3
Montana	N/A	N/A	N/A	74	8	2
Nevada	N/A	N/A	N/A	75	9	3
New Jersey	25	0	0	92	15	2
New York	0	0	0	94	13	2

TABLE 5A-8. (continued)

State	Separate CHIP			Second lowest cost silver exchange plan		
	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income	Share of children with out-of-pocket spending above 2% of family income	Share of children with out-of-pocket spending above 5% of family income	Share of children with out-of-pocket spending above 10% of family income
North Carolina	N/A	N/A	N/A	90%	12%	2%
North Dakota	N/A	N/A	N/A	93	15	3
Oregon	0%	0%	0%	63	11	3
Pennsylvania	3	0	0	86	8	1
South Dakota	N/A	N/A	N/A	81	14	2
Tennessee	N/A	N/A	N/A	54	9	2
Texas	N/A	N/A	N/A	87	11	2
Utah	N/A	N/A	N/A	74	9	2
Virginia	N/A	N/A	N/A	87	11	3
Washington	0	0	0	89	16	2
West Virginia	1	0	0	87	11	2
Wisconsin	1	0	0	93	17	2
Wyoming	N/A	N/A	N/A	94	20	2

Notes: FPL is federal poverty level. N/A indicates that state does not offer separate CHIP coverage in this income range. In 2015, 275 percent FPL for a family of four was $66,688 in the 48 contiguous states and the District of Columbia.

[1] Massachusetts funds additional cost sharing reductions beyond the standard amounts for exchange coverage.

Source: MACPAC analysis of results from Actuarial Research Corporation of 36 states' separate CHIP programs and the second lowest cost silver exchange plan in those states' rating area with the largest child population, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels.

TABLE 5A-9. Accounting for Combined Out-of-Pocket Spending of Multiple Children in Families: Share of Children with Out-Of-Pocket Spending Exceeding Various Income Thresholds in 36 States with Separate CHIP, by Income as a Percentage of FPL, 2015

Income categories (as a percentage of FPL)	Share of children with out-of-pocket spending in excess of income thresholds		
	2% of income	5% of income	10% of income
Separate CHIP			
Share of children exceeding thresholds (average across all four income groups)	**5%**	**0%**	**0%**
133%–150% FPL	0–3	0	0
151%–200% FPL	0–6[1]	0	0
201%–250% FPL	0–20[2]	0	0
251%–400% FPL	0–24[3]	0	0
Second lowest cost silver exchange plan			
Share of children exceeding thresholds (average across all four income groups)	**90%**	**37%**	**6%**
133%–150% FPL	62–83	8–20	0–1
151%–200% FPL	81–94	24–47	2–6
201%–250% FPL	93–97	41–64	8–19
251%–400% FPL	98–99	49–71	7–21

Notes: FPL is federal poverty level. Out-of-pocket spending refers to both premiums and cost sharing. In 2015, 100 percent FPL in the 48 contiguous states and the District of Columbia was $11,770 for an individual plus $4,160 for each additional family member. The second lowest cost silver exchange plan is based on the plan in each state's county with the most children and includes applicable cost sharing reductions. The Actuarial Research Corporation (ARC) results are provided by state and for four FPL categories. The national averages are based on state-level enrollment in separate CHIP in fiscal year 2014 as reported by states in the CHIP Statistical Enrollment Data System and assuming that individuals are evenly distributed across four income categories, with the exception of Alabama, New York, Pennsylvania, and Tennessee. For these four states, the income distribution was altered to reflect data reported by state governors in their letters to congressional committees in late 2014. Excludes Massachusetts from exchange plan ranges because it has additional cost sharing and premium limitations beyond those in federal law. This table mirrors Table 5-5 except that the results here reflect the combined out-of-pocket spending of all children in the family.

[1] Excluding Utah, which had 30 percent above this threshold, and Arizona, which had 14 percent above this threshold.

[2] Excluding Missouri, which had 87 percent above this threshold, and Pennsylvania, which had 47 percent above this threshold.

[3] Excluding Missouri, which had 100 percent above this threshold, and Pennsylvania, which had 77 percent above this threshold.

Sources: MACPAC analysis of results from ARC, which model 36 states' separate CHIP cost sharing and premium parameters and the second lowest cost silver exchange plans in those states, using 2012 data from the Household Component of the Medical Expenditure Panel Survey adjusted to 2015 levels; and Energy and Commerce Committee, U.S. House of Representatives, 2014, Responses to bipartisan, bicameral letters to governors regarding CHIP, December 2014, https://energycommerce.house.gov/letter/responses-bipartisan-bicameral-letters-governors-regarding-chip.

APPENDIX 5B: Data Sources and Assumptions for Modeling Children's Out-of-Pocket Spending

This appendix describes the sources of data used by MACPAC and the Actuarial Research Corporation (ARC) to produce the results discussed in this chapter. This appendix also describes our modeling approach and some limitations because some results may vary under different modeling assumptions.

Data Sources

This analysis relies on the Household Component of the 2012 Medical Expenditure Panel Survey (MEPS). MEPS is a nationally representative survey of the U.S. non-institutionalized civilian population administered by the Agency for Healthcare Research and Quality. MEPS contains detailed person- and family-level demographic and income information, as well as information about medical spending and utilization by type of service. Income and medical spending were adjusted to 2015 levels.

The state-specific cost sharing and premium parameters for State Children's Health Insurance Program (CHIP) and exchange plans come from publicly available sources. For separate CHIP plans, ARC generally relied on premium and cost sharing specifications approved through CHIP state plans through 2013 (Cardwell et al. 2014, Heberlein et al. 2013).

For exchange plans, MACPAC provided ARC with plan parameters for each state's second lowest cost silver exchange plan in the rating area with the highest child population. The second lowest cost silver plans were used because they are the basis for calculating individuals' premium tax credits.

The exchange plan parameters were obtained from two publicly available datasets—one on the premiums and cost sharing parameters of all silver exchange plans and another on the effects of the statutorily required cost sharing reductions on those plans (Breakaway Policy Strategies 2015). MACPAC determined each state's most populous rating area based on the definitions of the rating areas posted by the federal government and from county-level child population estimates from the U.S. Census Bureau (CMS 2014, U.S. Census Bureau 2015).

Modeling Approach

To provide results that were comparable across states and plans, a standardized population of children from MEPS was run through each state's separate CHIP and exchange plan parameters. Five different populations of children in MEPS were assessed in an attempt to balance the trade-offs of being broad enough to obtain adequate sample size but narrow enough to represent children in the typical CHIP income range. Ultimately, we selected a sample of children age 1–18 with income of 138 percent through 400 percent of the federal poverty level (FPL) and infants (age 0) with income of 188 percent through 400 percent FPL. This provided a sample of 3,926 children to represent approximately 30 million children, the largest sample of the five populations tested. The other samples, including one that varied based on each state's CHIP eligibility levels, were smaller and displayed differences that were affected more by the smaller sample sizes than by plan parameters.

Income assumptions

Income as a percentage of FPL is the primary characteristic that determines the cost sharing families will face in exchange plans and in separate CHIP in many states. The typical silver exchange plan has an actuarial value of 70 percent. This means that, on average across a standard population, the plan is expected to pay for 70 percent of spending on covered benefits, with enrollees covering the other 30 percent in cost sharing. Cost sharing reductions are available for those with income at or below 250 percent FPL, with required actuarial values as follows:

- 94 percent for those at or below 150 percent FPL;
- 87 percent for those at 151 percent through 200 percent FPL;
- 73 percent for those at 201 percent through 250 percent FPL; and
- 70 percent for those above 250 percent FPL.

In the 36 states that offer separate CHIP for children age 0–18, the entire sample of 3,926 children's records was run through the second lowest cost silver exchange plan four times—once for each of the four income categories—because the cost sharing differs substantially in each. Each state's CHIP cost sharing parameters were then associated with the same four income categories that aligned most closely by FPL. Then the entire sample of children's records was run through as many of the four income categories as appropriate depending on the CHIP eligibility range in the state. For each of the four income categories, children were generally assigned to the following family income levels:[1]

- For the category of at or below 150 percent FPL, children's income was modeled at 145 percent FPL;
- For the category of 151 percent through 200 percent FPL, children's income was modeled at 175 percent FPL;
- For the category of 201 percent through 250 percent FPL, children's income was modeled at 225 percent FPL; and
- For the category of above 250 percent FPL, children's income was modeled at 275 percent FPL.

These assumptions ensured the largest sample of children that would be standardized across the income categories so that differences in the results would be driven by the plan parameters rather than the differing samples or incomes.

Premium assumptions

For this analysis, another challenge was deciding what portion of a family's total out-of-pocket exchange premiums to assign to the child. Premium tax credits for a family's exchange coverage begin once their contribution to premiums reaches certain thresholds—for example, 3.02 percent of income for a family at 133 percent FPL, and 9.56 percent of income for a family at 301 percent through 400 percent FPL in 2015. On the one hand, if one assumes parents are already enrolled in exchange coverage and receiving premium tax credits because the required premium contribution has been reached, then no additional premium contribution would be required from the family to add a child. On the other hand, if no one is enrolled in exchange coverage, then covering the entire family, or only the child, would require the full premium contribution. Obviously, the findings resulting from assigning to the child none of the required out-of-pocket premiums will differ dramatically from findings resulting from assigning to the child all of the required out-of-pocket premiums. This is why in MACPAC's prior work, we provided estimates under both assumptions (MACPAC 2015).

In this analysis, we use a different approach. We assume all family members are enrolled in exchange coverage because prior research found that few children would be enrolled in exchange coverage without a parent; generally, either all family members would be enrolled or none would be (MACPAC 2015). We also assume that the child's share of the family's premium contribution is the same as the child's share of the total family premium.

For example, a parent and a child (a family of two) could face unsubsidized exchange premiums of $4,100, the sum of the parent's premiums of $2,550 and the child's premiums of $1,550 (or 38 percent of the total). If this family's income is at 225 percent FPL, then their premium contribution is 7.22 percent of their income, or $2,588, for the premiums of the second lowest cost silver plan. For this analysis, then, we attributed 38 percent of the $2,588 required contribution, or $978, to the child. This assigned a share of the premium to the child based on the family's total premium contribution, without facing either extreme case of the child's share being all or none of the premium.

Thresholds for out-of-pocket spending

For the share of children exceeding various out-of-pocket spending levels, three thresholds were used: 2 percent of family income, 5 percent of family income, and 10 percent of family income. Two percent of family income was included to provide a comparison group representing children with modest out-of-pocket spending. Five percent of income was used because it is the ceiling for out-of-pocket spending in both CHIP and Medicaid. Ten percent of family income was used because it is a common threshold in the research literature to connote a high family burden (Banthin 2011, Cunningham and Carrier 2014).[2]

Limitations

As with all such modeling efforts, there are limitations that could affect the results. For example:

- We model children's enrollment into the second lowest cost silver plan in the state's rating area with the greatest child population. However, children may enroll in a plan other than the second lowest cost silver plan, and in a different rating area where the premium and cost sharing parameters differ from those modeled.
- The model includes spending and utilization for a standard medical benefit package, limited to hospital, physician, and other professional services, as well as prescription drugs. Thus, it does not capture differences between separate CHIP and exchange coverage in spending on dental, vision, or certain other benefits (e.g., home health).
- Children who are actually enrolled in separate CHIP may differ, particularly in each state, from the nationally representative sample used for this analysis. For example, low- and moderate-income children in some states may be healthier and use less health care than in other states.
- The CHIP premium and cost sharing levels by FPL are based primarily on CHIP state plan amendments (SPAs) approved through 2013 (Cardwell et al. 2014). Because these reflect FPLs prior to the 2014 conversion to modified adjusted gross income (MAGI), the income categories align well with those used in this analysis. However, our results might have been different if we had included CHIP SPAs approved since 2013 that reflect MAGI conversion and any changes in CHIP premiums and cost sharing. However, we believe that given the limited changes states tend to make in CHIP cost sharing, any effects would be relatively small. In addition, a state's ability to increase premiums is limited by the maintenance of effort currently in effect for children's Medicaid and CHIP coverage. Only limited inflation-related adjustments to premiums are permitted (CMS 2011).
- The model's results reflect the application of broad cost sharing parameters to categories of covered services, such as prescription drugs and visits to physicians for preventive services. The results may not reflect more detailed cost sharing policies on specific types of covered services.

Endnotes

[1] Exceptions were if the state did not include these particular points in its CHIP eligibility range. For example, if a state's CHIP eligibility only went up to 220 percent FPL, then children's income for the 201 percent through 250 percent FPL category would be modeled at 220 percent FPL rather than 225 percent FPL. These differences did not substantially affect the results.

[2] Some research also uses 20 percent of family income as a threshold for assessing affordability (Banthin 2011). We do not use such a high threshold because so few children would exceed it. One reason so few would exceed it is because, unlike much of the research, our analysis is not assessing the spending for all family members but only for individual children. This was done so that our assessment of the characteristics of children with high out-of-pocket spending would reflect each child's own health care needs. Although including all family members' coverage would provide a more comprehensive assessment of the family's affordability picture in exchange coverage, this was not the purpose of our analysis. For broad comparison's sake, however, we include an analysis of the share of children exceeding the out-of-pocket spending thresholds taking into account the combined out-of-pocket spending from all the children in the family (Appendix 5A, Table 5A-9).

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