

## Federal Requirements and State Options: Premium Assistance

Under premium assistance programs, states have the option to use Medicaid funds to purchase group health coverage (e.g., employer-sponsored insurance) or non-group coverage (e.g., exchange plans) (Table 1).<sup>1</sup> States may not offer premium assistance for high-deductible health plans, or flexible savings arrangements (Section 1906A of the Social Security Act (the Act)). States may require some individuals to enroll in premium assistance for group health coverage, but not in individual coverage on the non-group market. If the coverage is cost effective, states may implement Medicaid premium assistance programs through the following three state plan authorities:

- Section 1905(a) of the Act permits states to use Medicaid funds to pay premiums for non-group coverage for Medicaid beneficiaries. While states have had this authority since Medicaid was first enacted, very few states have chosen to purchase individual health insurance policies under this provision (GAO 2010).<sup>2</sup>
- The state plan option under Section 1906 of the Act, referred to as the Health Insurance Premium Payment option, permits states to pay premiums for group health coverage for Medicaid beneficiaries, including adults and children. Enrollment in premium assistance under Section 1906 may be mandatory.<sup>3</sup>
- Section 1906A of the Act provides states with the option to provide premium assistance for employer-sponsored coverage for children under age 19 and their parents. Enrollment in premium assistance under 1906A must be voluntary.

Under Sections 1906 and 1906A, states may pay premiums for family members who are not eligible for Medicaid, if their enrollment is necessary to enroll the Medicaid-eligible individual in the group coverage.

Under any approach to premium assistance, states must continue to provide all Medicaid benefits covered in their traditional state plans to beneficiaries. If a service is not covered by the group or individual plan, the state must provide wraparound coverage.

Cost sharing for individuals enrolled in premium assistance may not exceed what is allowed under the state plan. If the health plan cost sharing exceeds the state plan requirements, states must provide wraparound coverage. Medicaid beneficiaries may be responsible for a portion of the premium for private coverage, up to the amount they could be charged if they enrolled directly in Medicaid. Under Section 1906, wraparound coverage for benefits and cost sharing is not available for family members who are not eligible for Medicaid.



States may implement Medicaid premium assistance programs if the coverage is cost effective or, in the case of a child or family enrolled in employer-sponsored insurance (under Section 1906A), the employer contribution is at least 40 percent of the cost of the premium (CMS 2010). Cost effectiveness for premium assistance means that the total cost of purchasing premium assistance coverage, including administrative expenditures, the costs of paying all excess cost sharing charges, and the costs of providing wraparound benefits, must be comparable to the cost of providing traditional coverage under the state plan. States may measure cost-effectiveness on either a person-by-person or aggregate basis.

As of 2016, 37 states offer Medicaid premium assistance (DOL 2016).<sup>4</sup> Total enrollment in premium assistance is not routinely reported, but a 2009 survey of 39 state premium assistance programs found that fewer than 200,000 people were enrolled (GAO 2010).

## Waivers

Three states have Section 1115 waiver authority to use some type of premium assistance in their expansions. In Arkansas and New Hampshire, adults are enrolled in exchange plans, although New Hampshire has announced plans to terminate its premium assistance program (CMS 2018). Michigan also received approval to allow individuals to choose between enrolling in Medicaid or an exchange plan beginning in April 2018, although as of September 2018 it had not implemented this option (MACPAC 2018).



**TABLE 1.** Federal Requirements and State Options: Summary of State Flexibilities Related to Premium Assistance

Premium assistance features	Federal statutory and regulatory requirements	State plan options
<b>Offer premium assistance</b>	<ul style="list-style-type: none"> <li>States are not required to offer premium assistance.</li> </ul>	<ul style="list-style-type: none"> <li>States have the option to establish a premium assistance program and determine how to structure it within a number of different authorities (§§ 1905, 1906, 1906A).</li> </ul>
<b>Health plans eligible for premium assistance</b>	<p>Special rules under Section 1906A:</p> <ul style="list-style-type: none"> <li>States must require a minimum employer contribution of 40 percent toward the premium (§ 1906A(b)(1)(B)).</li> <li>States may not offer premium assistance for high-deductible health plans or flexible savings arrangements (§ 1906A(b)(2)).</li> </ul>	<ul style="list-style-type: none"> <li>States may subsidize group coverage through premium assistance (§§ 1906, 1906A).</li> <li>States may subsidize non-group coverage through premium assistance (§1905, CMS 2013).</li> <li>States may enroll ineligible family members when their enrollment is necessary to cover Medicaid eligible family members (§§ 1906(c)(1)(B), 1906A(a)).</li> <li>States may establish other criteria to determine which plans are eligible for premium assistance.</li> </ul>
<b>Cost effectiveness</b>	<ul style="list-style-type: none"> <li>The expected costs of the premium assistance (including premiums, deductibles, wraparound benefits, wraparound cost sharing, and the administrative costs) must be cost-effective relative to direct the cost of providing Medicaid coverage (§§ 1906(a)(1), 1906(A)(a), 42 CFR 435.1015(a)(4)).</li> <li>Must include cost of providing wraparound cost-sharing even for private plan providers that do not participate in Medicaid.</li> </ul>	<ul style="list-style-type: none"> <li>States may determine cost effectiveness on an individual or aggregate basis § 1906A(a).</li> </ul>
<b>Mandatory enrollment</b>	<ul style="list-style-type: none"> <li>Individual market premium assistance may not be mandatory (must be voluntary) (42 CFR 435.1015(b)).</li> <li>States may not require individuals under age 19 to</li> </ul>	<ul style="list-style-type: none"> <li>Under Section 1906, states have the option to require enrollment into group coverage (§ 1906(a)(2)).<sup>1</sup></li> </ul>



TABLE 1. (continued)

Premium assistance features	Federal statutory and regulatory requirements	State plan options
	<p>enroll in group premium assistance (1906A(d)(2)).</p> <ul style="list-style-type: none"> <li>States must implement a process permitting any individual or the parents of an individual to disenroll from the employer-sponsored plan (1906A(d)(3)).</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Enrollees must receive all services covered under the state plan (§§ 1906(c)(2), 1906A(e), 42 CFR 435.1015(a)(2)).</li> <li>States must provide wraparound coverage if the health plan does not cover required services (§§ 1906(c)(2), 1906A(e), 42 CFR 435.1015(a)(2)).</li> </ul>	<ul style="list-style-type: none"> <li>States do not have additional flexibility regarding benefit design specifically for premium assistance enrollees.</li> </ul>
<b>Cost sharing</b>	<ul style="list-style-type: none"> <li>Plans must meet the same cost-sharing limitations as direct coverage (§§ 1906(a)(3), 1906A(e), 42 CFR 435.1015(a)(3)).</li> <li>States must provide wraparound cost sharing coverage if health plan cost sharing exceeds state plan requirements (§§ 1906(a)(3), 1906A(e), 42 CFR 435.1015(a)(3)).</li> </ul>	<ul style="list-style-type: none"> <li>States do not have additional flexibility to establish cost sharing specifically for premium assistance enrollees.</li> </ul>
<b>Family members of the Medicaid beneficiary</b>		<ul style="list-style-type: none"> <li>States may enroll ineligible family members when their enrollment is necessary to cover Medicaid eligible family members (§§ 1906(c)(1)(B), 1906A(a)).</li> </ul>

**Notes:**

<sup>1</sup> If states adopt premium assistance under § 1906A, enrollment in group coverage must be voluntary (§ 1906A(d)).

**Sources:** MACPAC analysis of the Social Security Act, the *Code of Federal Regulations*, and CMS 2013.



## Endnotes

<sup>1</sup> Under Section 1902(a)(10)(F), states may also use Medicaid to pay COBRA premiums for low-income unemployed individuals. These enrollees are entitled to the COBRA premium only and not the full Medicaid benefit package.

<sup>2</sup> Regulations establishing federal parameters for premium assistance programs under section 1905(a) of the Act were promulgated in July 2015, and generally mirror those established earlier for premium assistance under Sections 1906 and 1906A of the Act.

<sup>3</sup> While Section 1906 permits mandatory enrollment, a child's eligibility may not be conditioned on parents' cooperation in enrolling the child. Thus enrollment of the child is effectively voluntary.

<sup>4</sup> These states are: Alabama, Alaska, Arkansas, Colorado, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming (DOL 2016).

## References

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