

Implications of Medicaid Expansion Decisions on Private Coverage

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Current (pre-ACA) Medicaid eligibility

- Income eligibility for Medicaid varies by state and by eligibility category (e.g., children, adults).
- Eligibility for adults is more restrictive than that for children.
Median income eligibility levels:
 - Children: 250% of federal poverty level (FPL)
 - Pregnant women: 185% FPL
 - Working parents: 63% FPL
 - Jobless parents: 37% FPL
 - Childless adults: 0% FPL

Source: Kaiser Family Foundation, "5 Key Questions and Answers About Medicaid," May 2012



ACA coverage expansion provisions

- Medicaid eligibility expanded to 133% FPL in 2014.
 - Because Medicaid eligibility determinations would disregard 5% of income, this effectively expands Medicaid eligibility to 138% FPL.
- Assistance for individuals eligible for neither Medicaid nor qualified employer-sponsored coverage
 - Premium subsidies available for coverage purchased in a state health insurance exchange for individuals with incomes 100-400% FPL.
 - States can develop Basic Health Program for individuals 133-200% FPL.



Supreme Court makes Medicaid expansion optional to the States

- Supreme Court ruled that the ACA Medicaid expansion exceeded Congress' authority.
- Whether to expand Medicaid to 133% FPL is now up to each state.
 - The federal government cannot withdraw existing Medicaid funding from states that choose not to participate in the expansion.
- U.S. Department of Health and Human Services officials have indicated that states will have the flexibility of whether and when to implement the expansion.



Implications of Medicaid expansion decisions on private coverage

- Individual market premiums could increase in states that opt out of the Medicaid expansion, due to health status differences of new enrollees.
- Exchange premiums also may increase due to spreading fixed reinsurance subsidies over a larger enrollee population.
- Basic Health Program decisions by states, pending clarifications from HHS, can affect the risk profile of enrollees in an exchange.
- Employers may be at greater risk of penalties in states that don't expand Medicaid eligibility.



Individual market premiums could increase in states that opt out of Medicaid expansion

- Individuals 100-138% FPL who would have been otherwise eligible for Medicaid will be eligible for subsidies in the exchange.
- This population is expected to have higher health care costs than higher-income exchange enrollees.
- The Congressional Budget Office (CBO) estimates that due to these higher costs, average individual market premiums will be 2 percent higher than they would be assuming all states implement Medicaid expansions.
 - The CBO estimate reflects increase in average premiums over all states, including those that do and don't expand Medicaid.
 - Premium increases would be even higher among states that do not expand Medicaid.



Exchange premiums could increase due to lower per-enrollee reinsurance subsidies

- The ACA temporary reinsurance program (2014-2016) provides payments to individual market plans for high-cost enrollees.
- The funding for the reinsurance program is fixed.
- An influx of individual market enrollees would mean that a lower reinsurance payment would be available on a per-enrollee basis.
- Clarification is needed from HHS regarding whether and how the reinsurance subsidy amount will be allocated across states based on their Medicaid expansion decisions.



State decisions on Basic Health Program can affect the risk profile of the exchange

- States can use federal premium and cost-sharing subsidies toward a state Basic Health Program (BHP) for individuals 133-200% FPL.
 - BHP enrollees can't be eligible for Medicaid or qualified employer coverage.
- Depending on whether BHP could expand to 100-133% FPL, with or without federal subsidies, there could be a discontinuity in coverage eligibility:
 - 100-133% FPL: covered in exchange
 - 133-200% FPL: covered by BHP
 - 200%+ FPL: covered in exchange



Employers at greater risk of penalties in states that don't expand Medicaid

- Employers with 50 or more workers are subject to financial penalties if any full-time employees receive a premium subsidy for coverage in the exchange.
 - Employees are eligible for premium subsidies only if they don't have access to Medicaid and their employer doesn't offer coverage meeting minimum value and affordability requirements.
 - Otherwise Medicaid-eligible individuals could enroll in subsidized coverage in the exchange, putting employers at greater risk of penalties.



More federal guidance needed

- The degree of state flexibility regarding the extent and timing of state Medicaid expansion decisions.
- Whether and how reinsurance subsidy amounts will be allocated across states based on their Medicaid expansion decisions.
- Whether states could extend BHP eligibility from to 100%-200% FPL (rather than from 133%-200% FPL).



Academy publications

- Implications of Medicaid Expansion Decisions on Private Coverage (Sept 2012 Decision Brief)

http://www.actuary.org/files/Medicaid_Considerations_09_05_2012.pdf

- Health Reform Implementation publications

<http://www.actuary.org/category/site-section/public-policy/health/navigating-health-reform-implementation>

- Issue guides on Medicare, Medicare Premium Support, and Risk Pooling

<http://www.actuary.org/category/site-section/public-policy/campaign-2012-toolkits>



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