### How National Health Reform Proposals May Affect Children

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Medicaid
Subsidies in the Exchange
CHIP

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### But first – what about enrolling eligible children into coverage?



### For a future Alliance briefing!

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# And second—there's no Senate bill yet!



Before the Q&A, I'll only have time to compare the House bill to the Senate Finance Committee (SFC) bill



### Part I



### Medicaid proposals

Eligibility for children and adults in all states

- House: 150% of the federal poverty level (FPL), net income
- >SFC: 133% FPL, gross income
- Enhanced federal match for newly eligible adults (both bills)

#### In House bill:

Medicaid reimbursement for primary care and certain other services rises to Medicare levels



### Advantages of broader Medicaid eligibility, compared to subsidies in the Exchange

The federal government spends less, according to CBO

Families get more help

Lower premium payments likely mean

- More uninsured children enroll
- More uninsured parents enroll, which improves their children's coverage and access to care
- More generous benefits and lower out-of-pocket costs for families
  - o Improves access to care

### Disadvantages of more generous Medicaid eligibility

Lower provider payment rates than in the Exchange, hence smaller provider networks

- Impedes access to care
- Mitigated somewhat by House bill's reimbursement increase

#### More reliance on states

- State coverage costs may increase
- Administrative burden of much larger Medicaid enrollment
- Will states discourage enrollment and retention? Can they handle the load?



#### Part II

# Subsidies in the Exchange

### **Premium subsidies**

	Family premium cost, as a percentage of income at varying percentages of FPL					
	150% FPL	200% FPL	250% FPL	300% FPL	350% FPL	
House	3% of income	5.5% of income	8% of income	10% of income	11% of income	
SFC	4.5% of income	7% of income	9.5% of income	12% of income	12% of income	



### Subsidies for out-of-pocket costs

	At varying percentages of FPL, the proportion of total health costs paid by families					
	100-150% FPL	150- 200% FPL	200- 250% FPL	250- 300% FPL	300- 350% FPL	
House	3% of costs	7% of costs	15% of costs	22% of costs	28% of costs	
SFC	10% of costs	20% of costs	30% of costs	30% of costs	30% of costs	



### Example: Mom with 2 kids, 2009

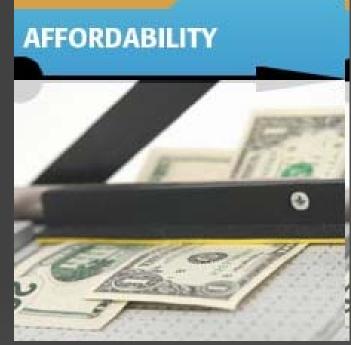
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	175% FPL: Monthly income of \$2,670		225% FPL: Monthly income of \$3,433					
	House	SFC	House	SFC				
Monthly premiums	\$113	\$154	\$180	\$220				
Family out- of-pocket costs, as a percentage of all care	7%	20%	15%	30%				





# Implications of subsidy generosity in the Exchange

If other things are equal More generous premium subsidies = fewer uninsured Lower out-of-pocket costs = better access to health care More generous subsidies = higher federal costs





### Part III

CHIP

House bill

CHIP ends after FY 2013 What replaces CHIP? > At or below 150 percent of FPL, Medicaid > Above 150 percent of FPL, either Employer-Sponsored Insurance (ESI); o The Exchange, if ESI is not available or is unaffordable; or o Children lose coverage





SFC bill

CHIP continues through FY 2019

- Federal match: 88 to 100%, depending on state
- States must maintain current CHIP eligibility—
  - But if a state's CHIP allotment runs out, CHIP-eligible children go into the Exchange
- Annual federal CHIP allotments drop from \$14 billion to \$6 billion starting in FY 2014
  - Unless future CHIP reauthorization provides more funds, most CHIP children will go into the Exchange





### Possible advantages of ending CHIP

- Medicaid & Exchange guarantee subsidies, while
  - Congress could fail to reauthorize CHIP with enough money
  - State CHIP programs could cut services, raise family costs, or put children on waiting lists
- Parents and children can enroll in the same health plan
  - Not clear how significant an impact
- Fewer subsidy programs, hence less complexity
- Higher provider payments in the Exchange than in CHIP, hence broader provider networks
- Fewer burdens on states





### Possible advantages of keeping CHIP

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CBO: keeping CHIP lowered federal costs in SFC

Would CBO reach this conclusion in other contexts? Unclear.

#### States can continue improving CHIP

- If CHIP continues past 2013, states may invest in learning how to use CHIPRA's new tools for reaching eligible, uninsured children
- Fewer children become uninsured
  - Families unable to afford Exchange premiums can continue enrolling their children in CHIP. Among the 24 states charging premiums in 2009, the median monthly premium for 2 kids is:
    - o \$20 at 151% FPL
    - \$46 at 201% FPL\*
- Out-of-pocket costs for children's care remain low
  - Watson Wyatt Worldwide found that, in the average surveyed CHIP state, family out-of-pocket costs = 2% of all care

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Key: filling the 2014-2019 CHIP gap

\*Source: KCMU/CBPP 1/2009.

### Conclusion



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- By choosing wisely from House and Senate provisions, and making further targeted changes, Congress can improve children's coverage and care
- Other factors also matter, including federal costs
- Given nitty-gritty implementation issues, will gains on paper translate into coverage and care "on the ground"?