



How National Health Reform Proposals May Affect Children

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Overview

- Medicaid
- Subsidies in the Exchange
- CHIP

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But first – what about enrolling eligible children into coverage?



For a future Alliance briefing!

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

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
 - 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

	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);
 - The Exchange, if ESI is not available or is unaffordable; or
 - 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

- 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:
 - \$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
- Key: filling the 2014-2019 CHIP gap

*Source: KCMU/CBPP 1/2009.

Conclusion



- 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"?