

## Five Vignettes

### Calculations

#### **I. DEFINITIONS**

Annual Premium: The payment an individual makes during the course of one year to purchase his or her insurance policy. The annual premium does not include cost-sharing.

Annual Cost-Sharing: An insured person's total out-of-pocket payments for the cost of services during the course of a year. Deductibles, co-payments, and co-insurance are examples of cost-sharing. Annual cost-sharing does not include premiums.

\*\* We assume a benefit design that spreads cost-sharing evenly over medical expenses (i.e., there is no deductible). We note that a variety of benefit designs could be developed with the same aggregate total cost-sharing requirements. A plan design with deductibles would shift more out of pocket costs to individuals with lower medical costs and less to individuals with higher medical costs.

Annual Limit on Cost-Sharing: Maximum cost-sharing allowed under the ACA. The ACA imposes a cap on cost-sharing amounts according to a sliding scale by individual income.

Uncovered Benefits: Health care benefits covered by Medicaid but not included in Essential Health Benefits (assumed value of 8% of EHB).

The models included here are as follows:

	HUSKY (Medicaid)	BH Option 1	BH Option 2	BH Option 3	BH Option 4	Exchange with subsidies (silver plan)
Reimbursement	Medicaid	Medicaid	Medicaid	Medicaid	Medicaid	Commercial
Benefit Level	Medicaid	EHB	Medicaid	EHB	EHB	EHB
Cost-sharing (% of maximum)	0	25%	50%	50%	100%	100%

#### **II. TRACEY**

**Tracey** is a single adult who makes \$17,812/year (146% FPL). Tracey has low medical expenses, around \$300/year.

##### **a. Tracey's Income as a Measure of FPL**

Mercer estimates that 100% of FPL will be \$12,200/year for a single person in 2014.<sup>1</sup> We estimate Tracey's income to be 146% FPL.<sup>2</sup>

## **b. Tracey and the Exchange**

### **1. Tracey's Premium on the Exchange**

Exchange premiums are on a sliding scale according to income.

For every percentage point rise in FPL up to 150% FPL, the premium percentage rises .0588.<sup>3</sup> Therefore, at 146% FPL, the premium percentage is 3.76, meaning that Tracey's premium is 3.76% of her income.<sup>4</sup> Therefore, at 146% of FPL, we estimate Tracey's premium to be **\$669.73/year**.<sup>5</sup>

### **2. Tracey's Cost-Sharing on the Exchange**

For individuals over 100% FPL up to 150% FPL, cost-sharing is limited to 6% of medical expenses.<sup>6</sup> Tracey's cost-sharing is approximately **\$18/year**.<sup>7</sup>

### **3. Tracey's Annual Cost-Sharing Limit on the Exchange**

Because Tracey's income is between 100-200% FPL, their annual limitation on cost-sharing is reduced by 2/3 to approximately **\$1,981** for an individual.<sup>8</sup> Tracey will not reach the annual limit.

## **c. Tracey and Basic Health Option 1 ("BH Option 1")**

BH Option 1, as modeled by Milliman, has the following features: Medicaid reimbursement = .78(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 25% of maximum.

### **1. Tracey's Premium under BH Option 1**

We assume that all premiums are the same for BH Option 1, regardless of income level. Based on this assumption and Milliman's model, we estimate Tracey's premium to be **\$13/month** or **\$156/year** for BH Option 1.

### **2. Tracey's Cost-Sharing under BH Option 1**

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<sup>1</sup> Mercer. Health Insurance Exchange Planning Report: The State of Connecticut at 182 (January 19, 2012)

<sup>2</sup>  $\$17,812/\$12,200 = 1.46$

<sup>3</sup> At 133% FPL, the premium percentage is 3, and at 150% FPL, the premium percentage is 4. The premium percentage rises linearly between these two data points. ACA § 1401 (26 U.S.C. § 36B(b)(3)(A)(i)). Slope = (change in premium percentage)/(change in FPL). Slope =  $(4-3)/(150-133) = 1/17 = .0588$ .

<sup>4</sup> Tracey's Premium Percentage = (change in FPL)\*(slope change in premium percentage)+original premium percentage =  $(146-133)*.0588+3 = 3.76$ .

<sup>5</sup>  $(\$17,812 \text{ yearly income})*(.0376 \text{ premium percentage})$

<sup>6</sup> ACA § 1402(c)

<sup>7</sup>  $(\$300 \text{ annual medical expenses})*(.06) = \$18$

<sup>8</sup> ACA §§ 1302(c); 1402(c); Kaiser Family Foundation. Explaining Health Care Reform: Questions about Health Insurance Subsidies (April 2010)

We assume that a member's cost-sharing under BH Option 1 will be 25% of her cost-sharing in the Exchange. Therefore, we estimate Tracey's BH Option 1 cost-sharing to be **\$4.50/year**.<sup>9</sup>

### **3. Tracey's Annual Cost-Sharing Limit under BH Option 1**

We assume that a member's annual cost-sharing limit under BH Option 1 will be 25% of her annual cost-sharing limit under BH Option 1. Therefore, we estimate Tracey's BH Option 1 annual cost-sharing limit to be **\$495.25**.<sup>10</sup> Tracey does not meet the annual cost-sharing limit.

#### **d. Tracey and Basic Health Option 2 ("BH Option 2")**

BH Option 2, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Medicaid Benefits; Cost sharing is 50% of maximum.

##### **1. Tracey's Premium under BH Option 2**

We assume that all premiums are the same for BH Option 2, regardless of income level. Based on this assumption and Milliman's model, we estimate Tracey's premium to be **\$27/month** or **\$324/year** for BH Option 2.

##### **2. Tracey's Cost-Sharing under BH Option 2**

We assume that a member's cost-sharing under BH Option 2 will be 50% of her cost-sharing in the Exchange. Therefore, we estimate Tracey's BH Option 2 cost-sharing to be **\$9/year**.<sup>11</sup>

##### **3. Tracey's Annual Cost-Sharing Limit under BH Option 2**

We assume that a member's annual cost-sharing limit under BH Option 2 will be 50% of her annual cost-sharing limit under BH Option 2. Therefore, Tracey's BH Option 2 annual cost-sharing limit will be **\$990.5**.<sup>12</sup> Tracey does not meet the annual cost-sharing limit.

#### **e. Tracey and Basic Health Option 3 ("BH Option 3")**

BH Option 3, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 50% of maximum.

##### **1. Tracey's Premium under BH Option 3**

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<sup>9</sup>  $(\$18 \text{ cost-sharing in the Exchange}) \times (.25) = \$4.50$

<sup>10</sup>  $(\$1,981) \times (.25) = \$495.25$

<sup>11</sup>  $(\$18 \text{ cost-sharing in the Exchange}) \times (.5) = \$9$

<sup>12</sup>  $(\$1,981) \times (.5) = \$990.5$

We assume that all premiums are the same for BH Option 3, regardless of income level. Based on this assumption and Milliman's model, we estimate Tracey's premium to be **\$27/month** or **\$324/year** for BH Option 3.

### **2. Tracey's Cost-Sharing under BH Option 3**

We assume that a member's cost-sharing under BH Option 3 will be 50% of her cost-sharing in the Exchange. Therefore, we estimate Tracey's BH Option 3 cost-sharing to be **\$9/year**.<sup>13</sup>

### **3. Tracey's Annual Cost-Sharing Limit under BH Option 3**

We assume that a member's annual cost-sharing limit under BH Option 3 will be 50% of her annual cost-sharing limit under the Exchange. Therefore, we estimate Tracey's BH Option 3 annual cost-sharing limit to be **\$990.50**.<sup>14</sup> Tracey does not meet the annual cost-sharing limit.

### **f. Tracey and the Basic Health Option 4 ("BH Option 4")**

BH Option 4, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); benefits are set at Essential Health Benefits; Cost-Sharing is 100% of the maximum.

#### **1. Tracey's Premium under BH Option 4**

We assume that all premiums are the same for BH Option 4, regardless of income level. Based on this assumption and Milliman's model, we estimate Tracey's premium to be **\$54/month** or **\$628/year**.

#### **2. Tracey's Cost-Sharing under BH Option 4**

We assume that a member's cost-sharing under BH Option 4 will be 100% of her cost-sharing if she were in the Exchange. Therefore, we estimate Tracey's BH Option 4 cost-sharing to be **\$18/year**.<sup>15</sup>

#### **3. Tracey's Annual Cost-Sharing Limit under BH Option 4**

We assume that the annual cost-sharing limit in BH Option 4 is 100% of the Exchange's annual cost-sharing limit, or **\$1,981**. Tracey does not meet the annual cost-sharing limit.

### **g. Tracey and Medicaid**

We have been told that, in order to spend down into Medicaid in Connecticut, individuals have to spend down to the medically needy limit of 54% FPL, or \$6,588 for a single individual in 2014.<sup>16</sup> We estimate that Tracey would need to spend down \$5,612 every 6 months in order to qualify.<sup>17</sup>

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<sup>13</sup>  $(\$18 \text{ cost-sharing in the Exchange}) * (.5) = \$9$

<sup>14</sup>  $(\$1,981) * (.5) = \$990.5$

<sup>15</sup>  $(.50) * (\$60 \text{ Exchange annual cost-sharing})$

<sup>16</sup>  $12,200 * .54$

III. **MARIA** is a working single mother who makes around \$24,000/year (146% FPL) in 2014. Both she and her daughter Wendy are currently enrolled in the HUSKY program. Maria's medical expenditures (including the portion covered by HUSKY) total about \$1,000/year. In 2014, Wendy remains eligible for HUSKY.

**a. Maria's income as a measure of the Federal Poverty Limit (FPL)**

Mercer estimates that 100% of FPL will be \$12,200/year for a single person in 2014.<sup>18</sup> In both the years 2011 and 2012, FPL for a two-person family was approximately 35% greater than FPL for a one-person family. We assume that 100% of FPL for a two-person family in 2014 will be approximately 135% of FPL for a one-person family in 2014, or about \$16,470/year.  $(\$12,200)(1.35) = \$16,470$ . Based on this assumption, \$24,000 for a two-person family will be approximately **146% of FPL** in 2014.<sup>19</sup>

**b. Maria and the Exchange**

**1. Maria's Premiums in the Exchange**

Exchange premiums are on a sliding scale according to income. In 2014, at 133% FPL, the "premium percentage" is set at 3%, meaning that the premium will be 3% of income for an individual at 133% FPL.<sup>20</sup>

For every percentage point rise in FPL up to 150% FPL, the premium percentage rises .0588.<sup>21</sup> Therefore, at 146% FPL, the premium percentage is 3.76, meaning that Maria's premium is 3.76% of her income.<sup>22</sup> (This includes family coverage, so if Maria's daughter Wendy received insurance through the exchange, both their premiums together would be 3.76% of Maria's income).<sup>23</sup>

Therefore, we estimate Maria's Exchange premium to be **\$903.5/year**.<sup>24</sup>

**2. Maria's Cost-Sharing in the Exchange**

For individuals with incomes over 100% FPL up to 150% FPL, cost-sharing is limited to 6% of medical expenses.<sup>25</sup> Therefore, we estimate Maria's cost-sharing to be **\$60/year**.<sup>26</sup>

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<sup>17</sup>  $(\$17,812 \text{ annual income}) - \$6,588 = \$11,224$ ;  $\$11,224 \text{ annual spend-down}/2 = \$5,612 \text{ spend down every 6 months}$ .

<sup>18</sup> Mercer. Health Insurance Exchange Planning Report: The State of Connecticut at 182 (January 19, 2012)

<sup>19</sup>  $\$24,000/16,470 = 1.46$

<sup>20</sup> ACA § 1401 (26 U.S.C. § 36B(b)(3)(A)(i))

<sup>21</sup> At 133% FPL, the premium percentage is 3, and at 150% FPL, the premium percentage is 4. The premium percentage rises linearly between these two data points. ACA § 1401 (26 U.S.C. § 36B(b)(3)(A)(i)). Slope = (change in premium percentage)/(change in FPL). Slope =  $(4-3)/(150-133) = 1/17 = .0588$ .

<sup>22</sup> Maria's Premium Percentage = (change in FPL)\*(slope change in premium percentage)+original premium percentage =  $(146-133)*.0588+3 = 3.76$ .

<sup>23</sup> ACA § 1402 (26 U.S.C. § 36B(b)(2))

<sup>24</sup>  $(\$24,000 \text{ yearly income})*(.0376 \text{ premium percentage}) = \$903.5/\text{year Exchange premium}$ .

### 3. Maria's Annual Cost-Sharing Limit in the Exchange

Because Maria's income is between 100-200% FPL, her annual limitation on cost-sharing is reduced by 2/3 to approximately **\$3,963**.<sup>27</sup> Maria does not reach her annual cost-sharing limit.

#### c. Maria and Basic Health Option 1 ("BH Option 1")

BH Option 1, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 25% of the maximum.

##### 1. Maria's Premium under BH Option 1

We assume that all premiums are the same for BH Option 1, regardless of income level. Based on this assumption and Milliman's model, we estimate Maria's premium to be **\$13/month** or **\$156/year** for BH Option 1.

##### 2. Maria's Cost-sharing under BH Option 1

We assume that a member's cost-sharing under BH Option 1 will be 25% of her cost-sharing if she were in the Exchange. Therefore, we estimate Maria's BH Option 1 cost-sharing to be **\$15/year**.<sup>28</sup>

##### 3. Maria's Annual Cost-Sharing Limit under BH Option 1

We assume that the annual cost-sharing limit in BH Option 1 is 25% of the Exchange's annual cost-sharing limit, or **\$990.75**. Maria does not meet the annual cost-sharing limit.

#### d. Maria and Basic Health Option 2 ("BH Option 2")

BH Option 2, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Medicaid benefits; Cost sharing is 50% of maximum.

##### 1. Maria's Premium under BH Option 2

We assume that all premiums are the same for BH Option 2, regardless of income level. Based on this assumption and Milliman's model, we estimate Maria's premium to be **\$27/month** or **\$324/year**.

##### 2. Maria's Cost-sharing under BH Option 2

We assume that a member's cost-sharing under BH Option 2 will be 50% of her cost-sharing if she were in the Exchange. Therefore, we estimate Maria's BH Option 2 cost-sharing to be **\$30/year**.<sup>29</sup>

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<sup>25</sup> ACA § 1402(c)(2)

<sup>26</sup> (\$1,000 medical expenses per year)\*.06 = \$60/month cost-sharing

<sup>27</sup> ACA §§ 1302(c); 1402(c); Kaiser Family Foundation. Explaining Health Care Reform: Questions about Health Insurance Subsidies (April 2010).

<sup>28</sup> (.25)\*(\$60 Exchange cost-sharing)

### 3. Maria's Annual Cost-Sharing Limit under BH Option 2

We assume that the annual cost-sharing limit in BH Option 2 is 50% of the Exchange's annual cost-sharing limit, or **\$1,981.50**. Maria does not meet the annual cost-sharing limit.

#### e. Maria and Basic Health Option 3 ("BH Option 3")

BH Option 3, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); benefits are set at Essential Health Benefits; Cost-Sharing is 50% of the maximum.

#### 1. Maria's Premium under BH Option 3

We assume that all premiums are the same for BH Option 3, regardless of income level. Based on this assumption and Milliman's model, we estimate Maria's premium to be **\$27/month** or **\$324/year**.

#### 2. Maria's Cost-Sharing under BH Option 3

We assume that a member's cost-sharing under BH Option 3 will be 50% of her cost-sharing if she were in the Exchange. Therefore, we estimate Maria's BH Option 3 cost-sharing to be **\$30/year**.<sup>30</sup>

#### 3. Maria's Annual Cost-Sharing Limit under BH Option 3

We assume that the annual cost-sharing limit in BH Option 3 is 50% of the Exchange's annual cost-sharing limit, or **\$1,981.50**. Maria does not meet the annual cost-sharing limit.

#### f. Maria and the Basic Health Option 4 ("BH Option 4")

BH Option 4, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); benefits are set at Essential Health Benefits; Cost-Sharing is 100% of the maximum.

#### 1. Maria's Premium under BH Option 4

We assume that all premiums are the same for BH Option 4, regardless of income level. Based on this assumption and Milliman's model, we estimate Maria's premium to be **\$54/month** or **\$648/year**.

#### 2. Maria's Cost-Sharing under BH Option 4

We assume that a member's cost-sharing under BH Option 4 will be 100% of her cost-sharing if she were in the Exchange. Therefore, we estimate Maria's BH Option 4 cost-sharing to be **\$60/year**.<sup>31</sup>

#### 3. Maria's Annual Cost-Sharing Limit under BH Option 4

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<sup>29</sup> (.50)\*(\$60 Exchange annual cost-sharing)

<sup>30</sup> (.50)\*(\$60 Exchange annual cost-sharing)

<sup>31</sup> (.50)\*(\$60 Exchange annual cost-sharing)

We assume that the annual cost-sharing limit in BH Option 4 is 100% of the Exchange's annual cost-sharing limit, or **\$3,963**. Maria does not meet the annual cost-sharing limit.

#### **g. Maria and Medicaid**

If HUSKY eligibility rules remain the same, Maria will remain eligible for HUSKY (Medicaid).

### **IV. JOHN**

**John** is a single young adult with **high medical needs**. He earns \$24,400/year (200% FPL). His medical costs are about \$17,000/year. John's level of medical spending is likely just under the amount necessary to trigger Medicaid spend-down.<sup>32</sup>

#### **a. John's income as a measure of FPL**

Mercer estimates that 100% of FPL will be \$12,200/year for a single person in 2014.<sup>33</sup> Therefore, \$24,400 for a one-person family will be approximately **200% of FPL** in 2014.<sup>34</sup>

#### **b. John and the Exchange**

##### **1. John's Premiums in the Exchange**

Exchange premiums are on a sliding scale according to income. In 2014, at 200% FPL, the premium percentage is 4%, meaning that the premium is 4% of income.<sup>35</sup> Therefore, we estimate John's premium to be **\$976/year**.<sup>36</sup>

##### **2. John's Cost-Sharing in the Exchange**

For individuals over 150% and up to 200% FPL, cost-sharing is limited to 13% of medical expenses.<sup>37</sup> Therefore, we estimate John's cost-sharing to be **\$1,981 (\$2,210/year**, decreased to the cost-sharing limit of **\$1,981**).<sup>38</sup>

##### **3. John's Annual Cost-Sharing Limit in the Exchange**

Because John's income is between 100-200% FPL, his annual limitation on cost-sharing is reduced by 2/3 to approximately **\$1,981** for an individual.<sup>39</sup>

#### **c. John and BH Option 1**

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<sup>32</sup> However, it is unknown how spend-down will interact with the 2014 Medicaid expansion, Basic Health, and the Exchange.

<sup>33</sup> Mercer. Health Insurance Exchange Planning Report: The State of Connecticut at 182 (January 19, 2012)

<sup>34</sup>  $\$24,400 / \$12,200 = 2.0$

<sup>35</sup> ACA § 1401 ((26 U.S.C. § 36B(b)(3)(A)(i))

<sup>36</sup>  $(\$24,400 \text{ annual income}) * (.04 \text{ premium percentage}) = \$976/\text{year}$

<sup>37</sup> ACA § 1402(c)(2)

<sup>38</sup>  $(\$17,000 \text{ yearly medical expenses}) * .13 = \$2,210/\text{year cost-sharing}$

<sup>39</sup> ACA §§ 1302(c); 1402(c); Kaiser Family Foundation. Explaining Health Care Reform: Questions about Health Insurance Subsidies.

BH Option 1, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 25% of maximum.

### **1. John's Premium under BH Option 1**

We assume that all premiums are the same for BH Option 1, regardless of income level. Based on this assumption and Milliman's model, we estimate John's premium to be **\$13/month** or **\$156/year** for BH Option 1.

### **2. John's Cost-Sharing under BH Option 1**

We assume that member's cost-sharing under BH Option 1 will be 25% of his cost-sharing if he were in the Exchange. We estimate John's BH Option 1 cost-sharing to be **\$495.25 (\$552.50/year**, decreased to the cost-sharing limit of **\$495.25**).<sup>40</sup>

### **3. John's Annual Cost-Sharing Limit under BH Option 1**

We assume that the annual cost-sharing limit in BH Option 1 is 25% of the Exchange's annual cost-sharing limit, or **\$495.25**. John meets this limit.

## **d. John and BH Option 2**

BH Option 2, as modeled by Milliman, has the following features: Medicaid reimbursement = .78\*(Medicare reimbursement); Benefits are set at Medicaid benefits; Cost-sharing is 50% of maximum.

### **1. John's Premium under BH Option 2**

We assume that all premiums are the same for BH Option 2, regardless of income level. Based on this assumption and Milliman's model, we estimate John's premium to be **\$27/month** or **\$324/year** for BH Option 2.

### **2. John's Cost-Sharing under BH Option 2**

We assume a member's cost-sharing under BH Option 2 will be 50% of his cost-sharing if she were in the Exchange. We estimate John's BH Option 2 cost-sharing to be **\$990.50/year (\$1,105/year**, decreased to the annual cost-sharing limit).<sup>41</sup>

### **3. John's Annual Cost-Sharing Limit under BH Option 2**

We assume that the annual cost-sharing limit in BH Option 2 will be 50% of the Exchange's annual cost-sharing limit, or **\$990.50**. John meets the annual cost-sharing limit.

## **e. John and the BH Option 3**

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<sup>40</sup> (\$2,210 unlimited Exchange premium)\*(.25) = \$552.5

<sup>41</sup> ((\$2,210 unlimited Exchange premium)\*(.50) = \$1105

BH Option 3, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); benefits are set at Essential Health Benefits; Cost-Sharing is 50% of the maximum.

### **1. John's Premium under BH Option 3**

We assume that all premiums are the same for BH Option 3, regardless of income level. Based on this assumption and Milliman's model, we estimate Maria's premium to be **\$27/month** or **\$324/year**.

### **2. John's Cost-Sharing under BH Option 3**

We assume a member's cost-sharing under BH Option 3 will be 50% of his cost-sharing if she were in the Exchange. We estimate John's BH Option 2 cost-sharing to be **\$990.50/year** (**\$1,105/year**, decreased to the annual cost-sharing limit).<sup>42</sup>

### **3. John's Annual Cost-Sharing Limit under BH Option 3**

We assume that the annual cost-sharing limit in BH Option 3 will be 50% of the Exchange's annual cost-sharing limit, or **\$990.50**. John meets the annual cost-sharing limit.

## **f. John and the Basic Health Option 4 ("BH Option 4")**

BH Option 4, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); benefits are set at Essential Health Benefits; Cost-Sharing is 100% of the maximum.

### **1. John's Premium under BH Option 4**

We assume that all premiums are the same for BH Option 4, regardless of income level. Based on this assumption and Milliman's model, we estimate John's premium to be **\$54/month** or **\$648/year**.

### **2. John's Cost-Sharing under BH Option 4**

We assume that a member's cost-sharing under BH Option 4 will be 100% of his cost-sharing if he were in the Exchange. Therefore, we estimate John's BH Option 4 cost-sharing to be **\$1,981/year**.

### **3. John's Annual Cost-Sharing Limit under BH Option 4**

We assume that the annual cost-sharing limit in BH Option 4 is 100% of the Exchange's annual cost-sharing limit, or **\$1,981**. John does not meet the annual cost-sharing limit.

## **g. John and Medicaid**

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<sup>42</sup>  $((\$2,210 \text{ unlimited Exchange premium}) * (.50)) = \$1105$

We have been told that individuals have to spend-down to the medically needy limit of 54% FPL, or \$6,588 in 2014, in order to qualify for Medicaid.<sup>43</sup> John would need to incur **\$17,812** in expenses (\$8,906/6 months) to qualify for Medicaid spend-down. John does not incur that level of expenses, even with no medical coverage.

## **V. SUSAN**

**Susan** lives with her husband. Together, they make an income (\$32,940/year; 200% FPL) that places them at the upper end of eligibility for the Basic Health Program. Susan has \$4,000/year in medical care costs. Her husband is insured through his employer.

### **a. Susan's Income as a Measure of FPL**

Mercer estimates that 100% of FPL will be \$12,200/year for a single person in 2014.<sup>44</sup> In 2011 and 2012, FPL for a two-person family was approximately 35% greater than FPL for a one-person family. We assume that 100% of FPL for a two-person family in 2014 will be approximately 135% of FPL for a one-person family in 2014, or about \$16,470/year.<sup>45</sup> Therefore, \$32,940 for a two-person family will be approximately **200% of FPL** in 2014.<sup>46</sup>

### **b. Susan and the Exchange**

#### **1. Susan's Premiums in the Exchange**

Exchange premiums are on a sliding scale according to income. In 2014, at 200% FPL, the premium percentage is 6.3%, meaning that the premium is 6.3% of income. Therefore, at 200% FPL, we estimate Susan's premiums to be **\$2,075.22/year**.<sup>47</sup>

#### **2. Susan's Cost-Sharing in the Exchange**

For individuals over 150% FPL up to 200% FPL, cost-sharing is limited to 13% of medical expenses.<sup>48</sup> Therefore, Susan's cost-sharing will be approximately **\$520/year**.<sup>49</sup>

#### **3. Susan's Annual Cost-Sharing Limit in the Exchange**

Because Susan's income is between 100-200% FPL, her annual limitation on cost-sharing is reduced by 2/3 to approximately **\$3,963** for a family.<sup>50</sup> Susan does not meet the annual cost-sharing limit.

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<sup>43</sup>  $(\$24,400 \text{ annual income}) - \$6,588 = \$17,812$

<sup>44</sup> Mercer. Health Insurance Exchange Planning Report: The State of Connecticut at 182 (January 19, 2012)

<sup>45</sup>  $(\$12,200)(1.35) = \$16,470$

<sup>46</sup>  $\$32,940 / \$16,470 = 2$

<sup>47</sup>  $\$32,940 * .063 = \$2,075.22$

<sup>48</sup> ACA § 1402(c)(2)

<sup>49</sup>  $(\$4,000 \text{ annual medical expenses}) * (.13) = \$520$

<sup>50</sup> ACA §§ 1302(c); 1402(c); Kaiser Family Foundation. Explaining Health Care Reform: Questions about Health Insurance Subsidies.

### c. Susan and BH Option 1

BH Option 1, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 25% of maximum.

#### **1. Susan's Premium under BH Option 1**

We assume that all premiums are the same for BH Option 1, regardless of income level. Based on this assumption and Milliman's model, we estimate Susan's premium to be **\$13/month** or **\$156/year** for BH Option 1.

#### **2. Susan's Cost-Sharing under BH Option 1**

We assume that a member's cost-sharing under BH Option 1 will be 25% of her cost-sharing in the Exchange. Therefore, we estimate Susan's BH Option 1 cost-sharing to be **\$130/year**.<sup>51</sup>

#### **3. Susan's Annual Cost-Sharing Limit under BH Option 1**

We assume that a member's annual cost-sharing limit under BH Option 1 will be 25% of her annual cost-sharing limit under BH Option 1, or **\$990.75**.<sup>52</sup> Susan does not meet the annual cost-sharing limit.

### d. Susan and BH Option 2

BH Option 2, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Medicaid Benefits; Cost sharing is 50% "of maximum."

#### **1. Susan's Premium under BH Option 2**

We assume that all premiums are the same for BH Option 2, regardless of income level. Based on this assumption and Milliman's model, we estimate Susan's premium to be **\$27/month** or **\$324/year** for BH Option 2.

#### **2. Susan's Cost-Sharing under BH Option 2**

We assume that a member's cost-sharing under BH Option 2 will be 50% of her cost-sharing in the Exchange. Therefore, we estimate Susan's BH Option 2 cost-sharing to be **\$260/year**.<sup>53</sup>

#### **3. Susan's Annual Cost-Sharing Limit under BH Option 2**

We assume that a member's annual cost-sharing limit under BH Option 2 will be 50% of her annual cost-sharing limit under BH Option 2. Therefore, we estimate Susan's BH Option 2 annual cost-sharing limit to be **\$1981.50**.<sup>54</sup> Susan does not meet the annual cost-sharing limit.

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<sup>51</sup>  $(\$520 \text{ cost-sharing in the Exchange}) * (.25) = \$130$

<sup>52</sup>  $(\$3,963) * (.25) = \$990.75$

<sup>53</sup>  $(\$520 \text{ cost-sharing in the Exchange}) * (.5) = \$260$

### **e. Susan and BH Option 3**

BH Option 3, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 50% of maximum.

#### **1. Susan's Premium under BH Option 3**

We assume that all premiums are the same for BH Option 3, regardless of income level. Based on this assumption and Milliman's model, we estimate Susan's premium to be **\$27/month** or **\$324/year** for BH Option 3.

#### **2. Susan's Cost-Sharing under BH Option 3**

We assume that a member's cost-sharing under BH Option 3 will be 50% of her cost-sharing in the Exchange. Therefore, we estimate Susan's BH Option 3 cost-sharing to be **\$260/year**.<sup>55</sup>

#### **3. Susan's Annual Cost-Sharing Limit under BH Option 3**

We assume that a member's annual cost-sharing limit under BH Option 3 will be 50% of her annual cost-sharing limit under the Exchange. Therefore, we estimate Susan's BH Option 3 annual cost-sharing limit to be **\$1,981.50**.<sup>56</sup> Susan does not meet the annual cost-sharing limit.

### **f. Susan and the Basic Health Option 4 ("BH Option 4")**

BH Option 4, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); benefits are set at Essential Health Benefits; Cost-Sharing is 100% of the maximum.

#### **1. Susan's Premium under BH Option 4**

We assume that all premiums are the same for BH Option 4, regardless of income level. Based on this assumption and Milliman's model, we estimate Susan's premium to be **\$54/month** or **\$628/year**.

#### **2. Susan's Cost-Sharing under BH Option 4**

We assume that a member's cost-sharing under BH Option 4 will be 100% of his cost-sharing if he were in the Exchange. Therefore, we estimate Susan's BH Option 4 cost-sharing to be **\$520/year**.

#### **3. Susan's Annual Cost-Sharing Limit under BH Option 4**

We assume that the annual cost-sharing limit in BH Option 4 is 100% of the Exchange's annual cost-sharing limit, or **\$3,963**. Susan does not meet the annual cost-sharing limit.

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<sup>54</sup>  $(\$3,963) \times (.5) = \$1981.50$

<sup>55</sup>  $(\$520 \text{ cost-sharing in the Exchange}) \times (.5) = \$260$

<sup>56</sup>  $(\$3,963) \times (.5) = \$1981.50$

### **g. Susan and Medicaid**

We have been told that individuals have to spend-down to the medically needy limit of 54% FPL, or \$8,893 for a 2-person household in 2014. We estimate that Susan would need to incur **\$24,046** in annual expenses (or \$12,023/6 months) to qualify for Medicaid spend-down. Susan does not incur enough medical expenses to qualify for Medicaid.

## **VI. FATIMA AND PAUL**

**Fatima** lives with her husband **Paul**. Together, they make an income (\$32,940/year; 200% FPL) that places them at the upper end of eligibility for the Basic Health Program. Together, Fatima and her husband have \$8,000/year in medical care costs. Both Fatima and her husband do not currently have insurance.

### **a. Fatima and Paul's Income as a Measure of FPL**

Mercer estimates that 100% of FPL will be \$12,200/year for a single person in 2014.<sup>57</sup> In 2011 and 2012, FPL for a two-person family was approximately 35% greater than FPL for a one-person family. We assume that 100% of FPL for a two-person family in 2014 will be approximately 135% of FPL for a one-person family in 2014, or about \$16,470/year.<sup>58</sup> Therefore, \$32,940 for a two-person family will be approximately **200% of FPL** in 2014.<sup>59</sup>

### **b. Fatima and Paul on the Exchange**

#### **1. Fatima and Paul's premium on the Exchange**

Exchange premiums are on a sliding scale according to income. In 2014, at 200% FPL, the premium percentage is 6.3%, meaning that the premium is 6.3% of income. Therefore, at 200% FPL, we estimate Fatima and Paul's premiums to be **\$2,075.22/year**.<sup>60</sup>

#### **2. Fatima and Paul's Cost-Sharing on the Exchange**

For individuals over 150% FPL up to 200% FPL, cost-sharing is limited to 13% of medical expenses.<sup>61</sup> Therefore, Fatima and Paul's cost-sharing will be approximately **\$1,040/year**.<sup>62</sup>

#### **3. Fatima and Paul's Annual Cost-Sharing Limit on the Exchange**

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<sup>57</sup> Mercer. Health Insurance Exchange Planning Report: The State of Connecticut at 182 (January 19, 2012)

<sup>58</sup>  $(\$12,200)(1.35) = \$16,470$

<sup>59</sup>  $\$32,940/16,470 = 2$

<sup>60</sup>  $\$32,940 * .063 = \$2,075.22$

<sup>61</sup> ACA § 1402(c)(2).

<sup>62</sup>  $(8,000 \text{ annual medical expenses}) * (.13) = \$1,040.$

Because Fatima and Paul's income is between 100-200% FPL, their annual limitation on cost-sharing is reduced by 2/3 to approximately **\$3,963** for an individual.<sup>63</sup> Fatima and Paul will reach not reach the annual limit.

### **c. Fatima and Paul on BH Option 1**

BH Option 1, as modeled by Milliman, has the following features: Medicaid reimbursement = .78(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 25% of maximum.

#### **1. Fatima and Paul's Premium under BH Option 1**

We assume that all premiums are the same for BH Option 1, regardless of income level. Based on this assumption and Milliman's model, we estimate Fatima and Paul's premium to be **\$26/month** or **\$312/year** for BH Option 1.

#### **2. Fatima and Paul's Cost-Sharing under BH Option 1**

We assume that a member's cost-sharing under BH Option 1 will be 25% of her cost-sharing if she were in the Exchange. Therefore, Fatima and Paul's cost-sharing under BH Option 1 will be approximately **\$260/year**.<sup>64</sup>

#### **3. Fatima and Paul's Annual Cost-Sharing Limit under BH Option 1**

We assume that a member's annual BH Option 1 cost-sharing limit will be 25% of her annual cost-sharing limit under the exchange. Therefore, Fatima and Paul's cost-sharing under BH Option 1 will be approximately **\$990.75**. Fatima and Paul will not meet this limit.

### **d. Fatima and Paul on BH Option 2**

BH Option 2, as modeled by Milliman, has the following features: Medicaid reimbursement = .78(Medicare reimbursement); Benefits are set at Medicaid benefits; Cost sharing is 50% of maximum.

#### **1. Fatima and Paul's Premium under BH Option 2**

We assume that all premiums are the same for BH Option 2, regardless of income level. Based on this assumption and Milliman's model, we estimate Fatima and Paul's premium to be **\$54/month** or **\$648/year** for BH Option 2.

#### **2. Fatima and Paul's Cost-Sharing under BH Option 2**

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<sup>63</sup> ACA §§ 1302(c); 1402(c); Kaiser Family Foundation. Explaining Health Care Reform: Questions about Health Insurance Subsidies.

<sup>64</sup> (\$1,040 Exchange cost-sharing)\*.25

We assume that a member's cost-sharing under BH Option 2 will be 50% of her cost-sharing if she were in the Exchange. Therefore, Fatima and Paul's cost-sharing under BH Option 2 will be approximately **\$520/year**.

### **3. Fatima and Paul's Annual Cost-Sharing Limit under BH Option 2**

We assume that a member's annual BH Option 2 cost-sharing limit will be 50% of her annual cost-sharing limit under the exchange. Therefore, Fatima and Paul's cost-sharing under BH Option 2 will be approximately **\$1981.50**. Fatima and Paul will not meet this limit.

#### **e. Fatima and Paul on BH Option 3**

BH Option 3, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); Benefits are set at Essential Health Benefits; Cost sharing is 50% of maximum.

##### **1. Fatima and Paul's Premium under BH Option 3**

We assume that all premiums are the same for BH Option 3, regardless of income level. Based on this assumption and Milliman's model, we estimate Fatima and Paul's premium to be **\$54/month** or **\$648/year** for BH Option 2.

##### **2. Fatima and Paul's Cost-Sharing under BH Option 3**

We assume that a member's cost-sharing under BH Option 3 will be 50% of her cost-sharing if she were in the Exchange. Therefore, Fatima and Paul's cost-sharing under BH Option 3 will be approximately **\$520/year**.

##### **3. Fatima and Paul's Annual Cost-Sharing Limit under BH Option 3**

We assume that a member's annual BH Option 3 cost-sharing limit will be 50% of her annual cost-sharing limit under the exchange. Therefore, Fatima and Paul's cost-sharing under BH Option 3 will be approximately **\$1981.50**. Fatima and Paul will not meet this limit.

#### **f. Fatima and Paul on the Basic Health Option 4 ("BH Option 4")**

BH Option 4, as modeled by Milliman, has the following features: Medicaid reimbursement = 0.78\*(Medicare reimbursement); benefits are set at Essential Health Benefits; Cost-Sharing is 100% of the maximum.

##### **1. Fatima and Paul's Premium under BH Option 4**

We assume that all premiums are the same for BH Option 4, regardless of income level. Based on this assumption and Milliman's model, we estimate Fatima and Paul's premium to be **\$108/month** or **\$1296/year**.

##### **2. Fatima and Paul's Cost-Sharing under BH Option 4**

We assume that a member's cost-sharing under BH Option 4 will be 100% of his cost-sharing if he were in the Exchange. Therefore, Fatima and Paul's BH Option 4 cost-sharing will be approximately **\$1,040/year**.<sup>65</sup>

### **3. Fatima and Paul's Annual Cost-Sharing Limit under BH Option 4**

We assume that the annual cost-sharing limit in BH Option 4 is 100% of the Exchange's annual cost-sharing limit, or **\$3,963**. Fatima and Paul do not meet the annual cost-sharing limit.

#### **g. Fatima and Paul on Medicaid**

We have been told that individuals have to spend-down to the medically needy limit of 54% FPL, or \$8,893 for a 2-person household in 2014. We estimate Fatima and Paul would need to incur **\$24,046** in expenses (or \$12,023/6 months) to qualify for Medicaid spend-down.

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<sup>65</sup> (.50)\*(\$60 Exchange annual cost-sharing)