

Five Vignettes Exchange, Medicaid, and four models of the Basic Health Program

Introduction

With the Affordable Care Act's changes to the insurance marketplace in 2014, Connecticut policy makers face choices regarding which health insurance options to offer low-income individuals. This paper illustrates the effects of these decisions on the certain individuals in five hypothetical scenarios.

HUSKY

One choice for policy makers is whether to continue coverage for a subset of HUSKY enrollees. Maria's scenario, below, specifically addresses this option.

Basic Health Program

Another choice for policy makers is whether to add a Basic Health Program, a subsidized insurance program that covers individuals with incomes from 133% - 200% of the Federal Poverty Level (FPL). We used four combinations of cost sharing, provider reimbursement and benefit levels from Milliman's model.

Exchange Subsidies

If the Basic Health Program is not implemented in Connecticut, individuals who would have been eligible for Basic Health will generally be eligible for health insurance through the Health Insurance Exchange. The Exchange will offer subsidies to individuals with incomes from 100% to 400% of the federal poverty level (FPL). Because the Affordable Care Act expressly prohibits a state's Basic Health Plan, if it has one, from imposing costs on enrollees that exceed those of a benchmark Exchange plan, Exchange subsidies may not be as generous as those offered through a Basic Health Program. Each hypothetical scenario below compares the experience an individual would face with coverage in a Basic Health Program versus a subsidized plan offered in the Exchange.

Assumptions

In order to calculate eligibility and costs, certain assumptions are made, which are noted in the footnotes. To illustrate a Basic Health Program's premiums and cost-sharing, we selected four models from Milliman's analysis whose "best estimate" appear fiscally feasible for the state.¹ Because each of these models assumes a Medicaid-level of provider reimbursement, the premium for the BHP is less in every case than that for the Exchange, which assumes commercial reimbursement rates, and thus higher overall costs. The potentially negative health care access implications of Medicaid reimbursement in the BHP are beyond the scope of these vignettes.

¹ Palmer, Jeremy D. and David V. Williams, Milliman Client Report, "State of Connecticut Basic Health Program Actuarial Analysis," Milliman, December 13, 2012.

For simplicity, we model “Cost Sharing % of Max” in Milliman’s models by taking the designated percentage of the Exchange’s cost-sharing and annual limit on cost-sharing. For example, a 50% cost sharing was calculated as 50% of the cost-sharing under the Exchange, as well as 50% of the annual limit on cost-sharing in the Exchange.

We assume that cost-sharing is spread out 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.

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%

EHB: Essential Health Benefits, the minimum level of benefits that must be provided in health plans offered through the Exchange.

Definition of Terms

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.

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 (estimated by Milliman as 8% of EHB). For example, Medicaid covers non-emergency transportation, but Commercial health plans generally do not.

Hypothetical Scenarios

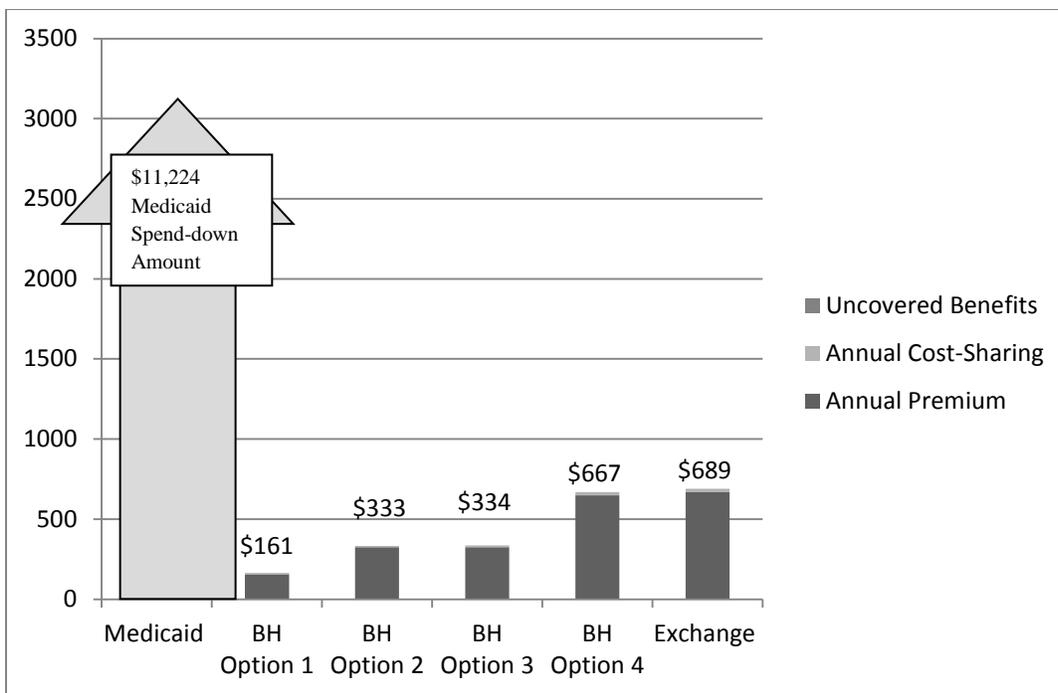
1. Tracey. Tracey is a single adult who makes \$17,812/year (146% FPL). Tracey has **low medical expenses**, around \$300/year. [Note: If Tracey used only preventive care services her Annual Cost-Sharing obligation might be \$0 rather than \$5-18. Approximately half of BHP enrollees are expected to have medical expenses at a level similar to Tracey's or lower.]

Table 1. Tracey's premium obligations, cost-sharing obligations, and uncovered benefits under Basic Health and the Exchange, with percentage of her household income in parentheses

	HUSKY (Medicaid)	BH Option 1	BH Option 2	BH Option 3	BH Option 4	Exchange with subsidies (silver plan)
Annual Premium	n/a (to qualify for Medicaid, Tracey would need to "spend down" \$5,612 every 6 months)	\$156 (0.8%)	\$324 (1.8%)	\$324 (1.8%)	\$648 (3.6%)	\$670 (3.8%)
Annual Cost-Sharing	n/a	\$5 (< .01%)	\$9 (< .01%)	\$9 (< .01%)	\$18 (< .01%)	\$18 (< .01%)
Annual Limit on Cost-Sharing (not including premium)	n/a	\$495 (2.8%)	\$991 (5.6%)	\$991 (5.6%)	\$1,981 (11%)	\$1,981(11%) ²
Uncovered Benefits	0	\$9	\$0	\$1	\$1	\$1

² Kaiser Family Foundation, Explaining Health Care Reform: Questions about Health Insurance Subsidies, April 2010.

Figure 1. Tracey’s annual premium obligations, cost-sharing obligations, and uncovered benefits under Medicaid, Basic Health, and the Exchange



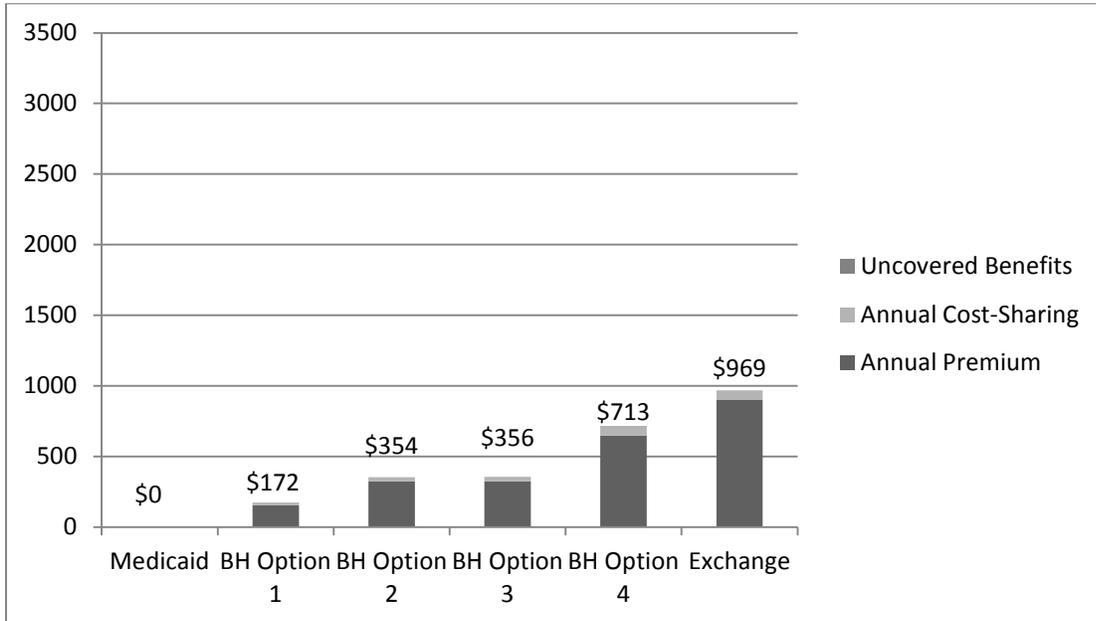
2. **Maria** is a working single mother who makes around \$24,000/year (146% FPL) in 2014. Both she and her daughter Wendy are currently enrolled in the **HUSKY program**. Maria's medical expenditures (including the portion covered by HUSKY) total about \$1,000/year. In 2014, Wendy remains eligible for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

Table 2. Maria's 2014 premium, cost-sharing obligations, and uncovered benefits under HUSKY, Basic Health, and the Exchange, with percentage of Maria's income in parentheses.

	HUSKY (Medicaid)	BH Option 1	BH Option 2	BH Option 3	BH Option 4	Exchange with subsidies (silver plan)
Annual Premium	\$0 (0%)	\$156 (0.7%)	\$324 (1.4%)	\$324 (1.4%)	\$648 (2.7%)	\$904 (3.8%)
Annual Cost-Sharing	\$0 (0%)	\$15 (<0.1%)	\$30 (0.2%)	\$30 (0.2%)	\$60 (0.3%)	\$60 (0.3%)
Annual Limit on Cost-Sharing (not including premium)	n/a	\$991 (4.1%)	\$1,982 (8.3%)	\$1,982 (8.3%)	\$3,963 (16.5%)	\$3,963 (16.5%) ³
Uncovered Benefits	0	\$1	\$0	\$2	\$5	\$5

³ Kaiser Family Foundation, Explaining Health Care Reform: Questions about Health Insurance Subsidies, April 2010.

Figure 2. Maria's annual premium obligations, cost-sharing obligations, and uncovered benefits under Medicaid, Basic Health Options, and the Exchange



3. 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.⁴

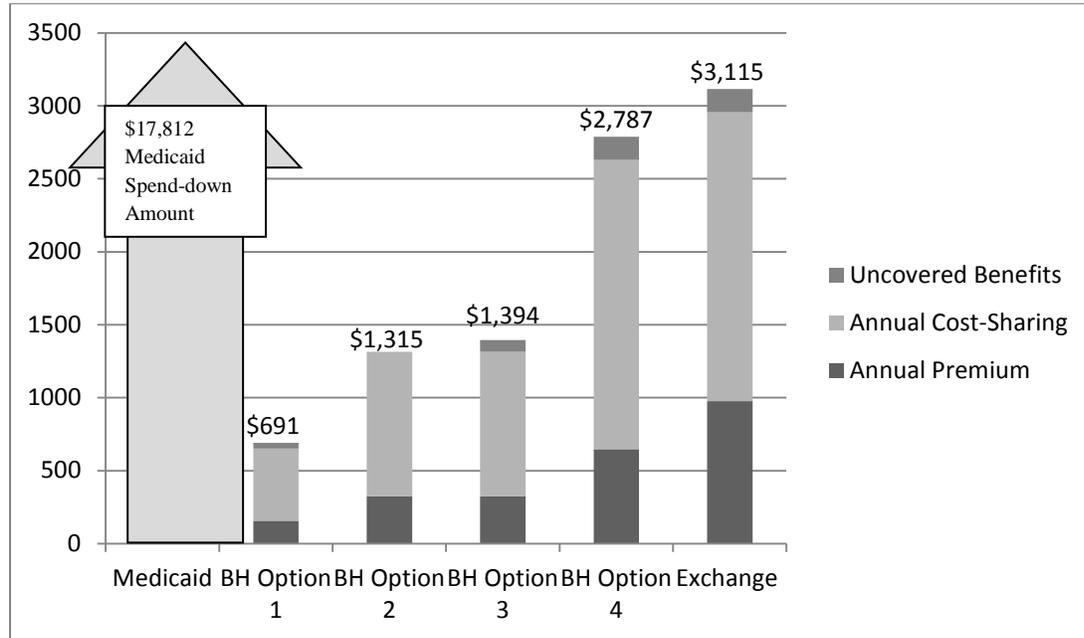
Table 3: John's premium obligations, cost-sharing obligations, and uncovered benefits under Medicaid, Basic Health options, and the Exchange, with percentage of John's income in parentheses

	HUSKY (Medicaid)	BH Option 1	BH Option 2	BH Option 3	BH Option 4	Exchange with subsidies (silver plan)
Annual Premium	n/a (to qualify for Medicaid, John would need to "spend down" \$8,906 every 6 months).	\$156 (0.6%)	\$324 (1.3%)	\$324 (1.3%)	\$648 (2.7%)	\$976 (4.0%)
Annual Cost-Sharing	n/a	\$495 (2.0%)	\$991 (4.0%)	\$991 (4.0%)	\$1,981 (8.1%)	\$1,981 (8.1%)
Annual Limit on Cost-Sharing (not including premium)	n/a	\$495 (2.0%)	\$991 (4.0%)	\$991 (4.0%)	\$1,981 (8.1%)	\$1,981 ⁵ (8.1%)
Uncovered Benefits	0	\$40	\$0	\$79	\$158	\$158

⁴ However, it is unknown how spend-down will interact with the 2014 Medicaid expansion, Basic Health, and the Exchange.

⁵ Kaiser Family Foundation, Explaining Health Care Reform: Questions about Health Insurance Subsidies, April 2010.

Figure 3: John’s annual premium options, cost-sharing obligations, and uncovered benefits under Medicaid, Basic Health, and the Exchange



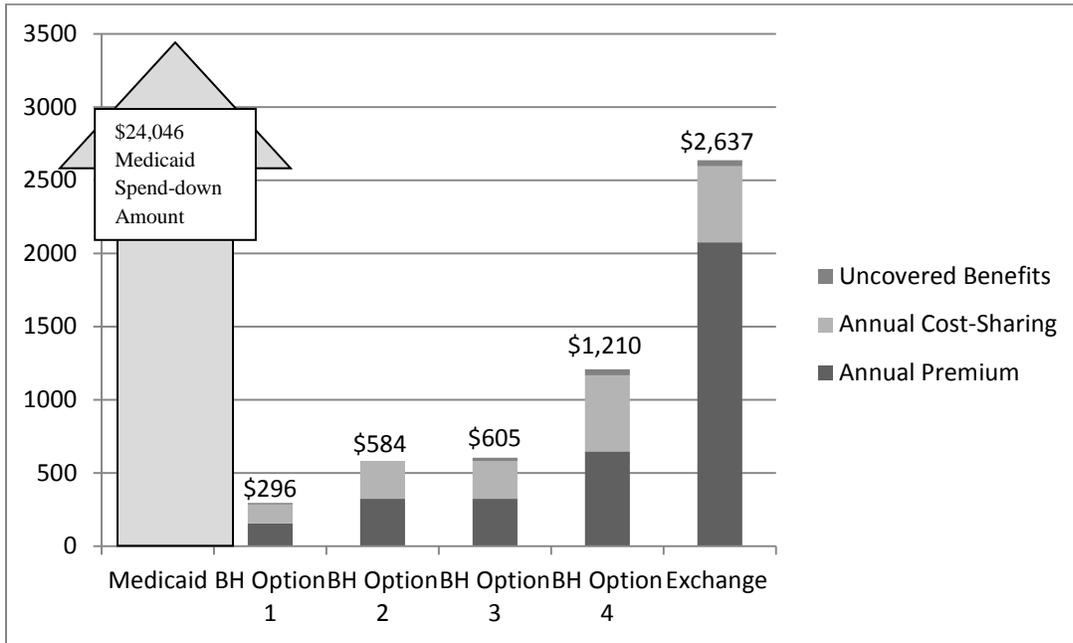
4. Susan lives with her husband. Together, they make an income (\$32,940/year; 200% FPL) that places them at the upper end of eligibility for the Basic Health Program. Susan has \$4,000/year in medical care costs. Her husband is insured through his employer.

Table 4. Susan’s premium obligations, cost-sharing obligations, and uncovered benefits under Medicaid, Basic Health, and the Exchange, with percentage of Susan’s household income in parentheses

	HUSKY (Medicaid)	BH Option 1	BH Option 2	BH Option 3	BH Option 4	Exchange with subsidies (silver plan)
Annual Premium	n/a (To qualify for Medicaid, Susan and her husband would need to “spend down” \$12,023 every 6 months)	\$156 (0.5%)	\$324 (1.0%)	\$324 (1.0%)	\$648 (2.0%)	\$2,075 (6.3%)
Annual Cost-Sharing	n/a	\$130 (0.4%)	\$260 (0.8%)	\$260 (0.8%)	\$520 (1.6%)	\$520 (1.6%)
Annual Limit on Cost-Sharing (not including premium)	n/a	\$991 (3.0%)	\$1,982 (6.0%)	\$1,982 (6.0%)	\$3,963 (11.2%)	\$3,963 (11.2%) ⁶
Uncovered Benefits	0	\$10	\$0	\$21	\$42	\$42

⁶ Kaiser Family Foundation, Explaining Health Care Reform: Questions about Health Insurance Subsidies, April 2010.

Figure 4. Susan’s annual premium obligations, cost-sharing obligations, and uncovered benefits under Medicaid, Basic Health, and Exchange



5. 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.

Table 5. Fatima and Paul’s premium obligations, cost-sharing obligations, and uncovered benefits under Basic Health and the Exchange, with percentage of their household income in parentheses

	HUSKY (Medicaid)	BH Option 1	BH Option 2	BH Option 3	BH Option 4	Exchange with subsidies (silver plan)
Annual Premium	n/a (To qualify for Medicaid, Fatima and her husband would need to “spend down” \$12,023 every 6 months)	\$312 (0.9%)	\$648 (2.0%)	\$648 (2.0%)	\$1,296 (3.9%)	\$2,075 (6.3%)
Annual Cost-Sharing	n/a	\$260 (0.8%)	\$520 (1.6%)	\$520 (1.6%)	\$1,040 (3.2%)	\$1,040 (3.2%)
Annual Limit on Cost-Sharing (not including premium)	n/a	\$991 (3.0%)	\$1,982 (6.0%)	\$1,982 (6.0%)	\$3,963 (12%)	\$3,963 (12%) ⁷
Uncovered Benefits	0	\$21	\$0	\$42	\$83	\$83

⁷ Kaiser Family Foundation, Explaining Health Care Reform: Questions about Health Insurance Subsidies, April 2010.

Figure 5. Fatima and Paul’s annual premium obligations, cost-sharing obligations, and uncovered benefits under Medicaid, Basic Health, and the Exchange

