Premium Assistance and Arkansas Medicaid

ACHI
Arkansas Center for Health Improvement

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Premium assistance programs have been available to state Medicaid agencies for decades as an alternative to traditional Medicaid or managed care. Arkansas and other states have used premium assistance through Medicaid to subsidize eligible individuals' costs for employer-sponsored insurance (ESI), albeit with limited participation due to operational complexity and heterogeneity of employer-sponsored coverage. Premium assistance for employer-sponsored insurance (ESI) was adopted by Arkansas Medicaid in 2010 as the Arkansas Health Insurance Premium Payment (HIPP) program.[1] In contrast, Arkansas's Health Care Independence Program (HCIP) provides health care coverage to over 200,000 low-income Arkansans by offering premium assistance for individual coverage through the health insurance marketplace (HIM).[2] Arkansas's novel approach to individual premium assistance finances coverage for the newly eligible Medicaid population under a federally approved Section 1115 demonstration waiver.[3] This fact sheet will discuss ESI premium assistance in Arkansas, premium assistance through the HCIP, and ways that other states are using ESI premium assistance as a feature of expanded coverage under the Patient Protection and Affordable Care Act of 2010 (PPACA).

ARKANSAS HEALTH INSURANCE PREMIUM PAYMENT PROGRAM

For a quarter century states have had the option to use Medicaid funding to offer premium assistance programs. Section 1906 of the Social Security Act allows state Medicaid agencies to subsidize the employee cost of employer-sponsored insurance (ESI) if a Medicaid-eligible individual has access to ESI and the coverage is cost effective.[4,5] A report generated from the Government Accountability Office identified 39 states operating employer-sponsored insurance (ESI) premium assistance programs in 2009, with additional states, including Arkansas, having implemented similar programs since the report.[6] Arkansas Medicaid implemented the Health Insurance Premium Payment (HIPP) program, a voluntary ESI premium subsidizes all of the premiums and part of the cost sharing for Medicaid-eligible individuals enrolled in group health coverage.[1] The HIPP program in Arkansas and premium assistance programs generally seek to minimize Medicaid costs by leveraging private financial resources for health insurance coverage, decrease direct Medicaid enrollment, and support the private insurance market.[6] However, the HIPP program can be administratively burdensome because of varied benefits and costs across employers, requiring an assessment of cost-effectiveness that accounts for disparities in ESI benefits and appropriate cost-sharing protections when compared to coverage offered directly through Medicaid.[6]

ARHealthNetworks[7]

In 2006, Arkansas implemented a waiver program to help qualified small businesses provide an affordable limited health benefit plan to employees. Using tobacco settlement funds, Arkansas Medicaid provided financial support for employers and their participating employees. The program required a small monthly contribution from employers, and employees shared in the cost of copays and deductibles. This waiver program ended in January 2014, when coverage through the HCIP began.

INDIVIDUAL MARKET PREMIUM ASSISTANCE

Prior to the Health Care Independence Program (HCIP) in Arkansas, no state had used premium assistance to purchase individual coverage for Medicaid beneficiaries—and mandate enrollment—in the individual insurance market, mostly due to high costs, limited coverage options, and extreme variation in benefits.[5] However, PPACA narrowed the variation in benefit and coverage options through qualified health plans (QHPs), thus offering more predictability for assessment of cost-effectiveness. PPACA additionally enhanced carrier competition through a combination of the mandate, subsidies, and eliminating medical underwriting. In early 2013, Arkansas officials approached the Secretary of the U.S. Department of Health and Human Services (HHS) with the concept of premium assistance in the individual market, and by the end of September 2013, the Centers for Medicaid and Medicare Services (CMS) had approved Arkansas's Section 1115 demonstration waiver application to implement the HCIP with a mandatory enrollment requirement. During that timeframe, as other states began to show interest in the Arkansas concept, CMS issued guidance for states to implement QHP premium assistance as an alternative to expanding traditional Medicaid (see Table 1), notably indicating that HHS would consider "states' ideas on cost effectiveness that include new factors introduced by the creation of Health Insurance Marketplaces (HIMs) and the expansion of Medicaid" such as reduced churning and increased marketplace competition.[8]

Table 1: CMS Requirements for QHP Premium Assistance[8]
Requires the state to wrap-around mandated benefits not provided by QHPs
State must pay any beneficiary cost sharing above Medicaid limit
Premium assistance limited to individuals whose benefits are closely aligned with the benefits available on the HIM (e.g., people who are "medically frail")
Must allow consumers at least two QHP choices

PROGRAM CHARACTERISTICS

The Health Insurance Premium Payment (HIPP) program and Health Care Independence Program (HCIP) coexist in Arkansas with the common goal to provide high-quality health care to low-income individuals, but there are distinct differences between the two premium assitance models (see Table 2).

Table 2: Comparing Premium Assistance Programs

	Health Insurance Premium Payment Program[1,9]	Health Care Independence Program[10,11]
Authority	Section 1906 of the Social Security Act	Section 1115 waiver of the Social Security Act
Objectives	Partner with employers to increase number of Medicaid beneficiaries that become insured through ESI; increase state budget cost savings; reduce direct Medicaid enrollment; support employers and ESI coverage	Partner with the HIM to increase the number of Medicaid beneficiaries that become insured through the individual market; increase access and quality; promote continuity of care; enhance competition in the HIM
Eligibility	Eligible for Medicaid in a category that existed prior to 2014 and have access to ESI (whole family may be covered if determined cost effective)	Newly eligible for Medicaid under PPACA—parents/caretakers ages 19-64 earning between 17% and 138% Federal Poverty Level (FPL) and adults ages 19-64 without dependents earning 0%-138% FPL
Cost Sharing	Medicaid pays the premium and may pay the deductible, coinsurance, and copays under the health plan; ESI is primary payer on all claims; Medicaid is secondary payer; total premiums and cost sharing for eligible individuals in the family cannot exceed 5% of family income	Cost sharing for eligible individuals earning between 100% and 138% FPL cannot exceed 5% of family income; some beneficiaries can make monthly contributions, based on income, to health independence accounts to cover copayments; no cost sharing for beneficiaries <100% FPL
Premium Cost	Medicaid reimburses the full monthly premium to the beneficiary via check or direct deposit; beneficiaries are not responsible for premium costs	Medicaid pays monthly premiums directly to insurance carriers; beneficiaries are not responsible for premium costs
Coverage Benefits	Enrollees have access to full range of Medicaid benefits through ESI or wrap-around coverage	Enrollees may select from among five carriers offering QHPs through the HIM; Medicaid pays directly for wrap-around benefits such as non-emergency transportation
Measuring Cost Effectiveness	On a case-by-case basis, cost effectiveness of the beneficiary's ESI plan is compared to a 12-month estimated average inflation-adjusted Medicaid cost for individuals comparable to the beneficiary demographics and eligibility category	At a programmatic level and over the life of the waiver, Arkansas will evaluate and compare the total HCIP costs to those under a traditional Medicaid expansion, including provider rates, healthcare utilization and associated costs, and administrative expenses, and assessing differences in access, quality, and continuity
Funding	Standard federal medical assistance percentage (70% federal and 30% state)	100% federally funded until 2017, decreasing thereafter to 90% by 2021, with remaining 10% state responsibility
Enrollment	~150 individuals (not including dependents)	~200,000 individuals

FUTURE PLANS FOR PREMIUM ASSISTANCE

Employer-sponsored insurance (ESI) premium assistance programs have been in existence in Arkansas since 2010 for working, low-income individuals and their families. The Health Care Independence Program (HCIP) provided Arkansas with the opportunity to offer an individual premium assistance program for low-income individuals, regardless of their working situation, and therefore provided options for coverage to a much larger population.

Arkansas's innovative use of individual plan premium assistance inspired a wave of other states to apply waivers that borrowed features of the HCIP but also utilized more traditional ESI premium assistance through a Section 1115 demonstration waiver. Examples from Indiana and Tennessee are outlined below.

Indiana: Approved January 2015[12]	Tennessee: Proposed January 2015[13]
• Optional for newly eligible adults (over 21 years and earning ≤138% FPL) with access to ESI to receive premium assistance • State contributes $4,000/year for an individual or $8,000/year for 2 adults in the same household to a health savings account (HSA) • Portion of HSA funds used to pay state's share of ESI premium • Beneficiaries contribute no more than 2% of monthly income to ESI premium (only $1/month if earning ≤5% FPL) • Employer must contribute at least 50% of employee's premium • ESI benefit package must comply with requirements for approve Medicaid alternative benefits plan	• Newly eligible adults (earning ≤138% FPL) with access to ESI would have option to receive premium assistance • State would allocate a defined contribution (not yet determined) toward ESI premiums, copayments, and deductibles • Proposed that beneficiaries would be responsible to pay remaining premium and cost-sharing amount: If out-of-pocket cost exceeds 5% of income, state has to seek separate authority to waive this federal Medicaid provision • Proposed to waive premium assistance requirement of providing wrap-around coverage if ESI does not offer it (including nonemergency medical transportation)

Health care coverage in the form of premium assistance should not be considered a "one-size-fits-all" model for states, but rather should be constructed relative to a state's health care landscape and the characteristics of state residents. Arkansas's HCIP is in a transition period, and the program is set to expire at the end of 2016. As the state searches for alternative solutions to continue coverage for vulnerable populations, ESI premium assistance could be a tool to support the private market through employer-based coverage and mitigate disruption of coverage and care for individuals with available but currently unaffordable coverage through an employer.

RESOURCES

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3. *45 C.F.R. § 155.705*.
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