CHIP Transformation Under the Affordable Care Act

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CHIP

- Wedged between Medicaid and employer-sponsored insurance
- Higher match than Medicaid, block grant
- Flexibility between federally prescribed corridors
- Medicaid Expansion, Separate Program, Combination
- Bipartisan support
- 8 million children enrolled
CHIP and ACA

- Now CHIP is between Medicaid, QHPs, and ESI
- Up for reauthorization in 2015
- Shifts children under 138 percent FPL to Medicaid in 2014
- Maintenance of eligibility (MOE) required through 2019

Alternate Scenarios for Projected Rates of Uninsured Children

No Need for CHIP

- Medicaid expansion for kids to 138 percent FPL
- Subsidies in the marketplace to 400 percent FPL
- Avoid some churning
- Comparable benefits available in marketplace
- Keep family in same plan
- Rationalize the system
- California and NH transition to Medicaid

CHIP is Essential

- Family Glitch makes dependent health coverage unaffordable
- Marketplace benefits not designed with kids in mind
- Higher cost sharing in marketplace
- Limited network plans
- Transition costs
- Requires change of providers/care setting
- States will lose enhanced match
Could Eliminate CHIP If…

- Marketplace plans are comparable to CHIP
  - Benefits are appropriate and meet needs of children
  - Premiums and copayments are affordable
- Churning is reduced
- States are made whole $$
Family Glitch

- Considered affordable if the employee’s responsibility for the *individual* premium is less than 9.5 percent of household income.

- Mike Tipton, 46, Merced California*
  - Individual premium responsibility $159 per month
  - Wife Laura and 7 year old Ty increase premium to $1,048 per month
  - Over 25 percent of household income

*http://www.sacbee.com/2014/03/02/6195691/obamacares-kid-glitch.html#storylink=cpy

Qualified Health Plan Benefits

- Benchmarks are different than CHIP
- Variation between states
- Generally comparable includes
  - Pediatric benefits
  - Hearing, vision, dental
  - Mental Health and substance abuse
- Still QHP not designed with children in mind
- Some limits could make kids worse off
- Families choosing less expensive plans with limited networks find out later the kids’ providers may not be there
CHIP Cost Sharing

- CHIP Medicaid expansion: de minimis
- Separate program: 5 percent cap on total out of pocket costs including premiums
  - 20 states are below the 5 percent cap.
- CHIP does well on affordability
- For more details see: Cardwell et al. (May 2014) “Benefits and Cost sharing in separate Chip Programs.” National Academy for State Health Policy and Georgetown University Center for Children and Families

http://www.nashp.org/publication/benefits-and-cost-sharing-separate-chip-programs

Marketplace Premium Subsidies

<table>
<thead>
<tr>
<th>Income</th>
<th>Expected contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 133% of FPL</td>
<td>2% of your income</td>
</tr>
<tr>
<td>133-150% of FPL</td>
<td>3-4% of your income</td>
</tr>
<tr>
<td>150-200% of FPL</td>
<td>4-6.3% of your income</td>
</tr>
<tr>
<td>200-250% of FPL</td>
<td>6.3-8.05% of your income</td>
</tr>
<tr>
<td>250-300% of FPL</td>
<td>8.05-9.5% of your income</td>
</tr>
<tr>
<td>300-400% of FPL</td>
<td>9.5% of your income</td>
</tr>
</tbody>
</table>

http://www.healthinsurance.org/blog/2013/07/23/will-you-receive-an-obamacare-subsidy/
### Cost Sharing Out-of-Pocket Caps

<table>
<thead>
<tr>
<th>Out-of-Pocket Caps</th>
<th>Single Out-of-Pocket Cap</th>
<th>Family Out-of-Pocket Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 -200% of FPL</td>
<td>$2,250</td>
<td>$4,500</td>
</tr>
<tr>
<td>200-250% of FPL</td>
<td>$5,200</td>
<td>$10,400</td>
</tr>
<tr>
<td>100-250% of FPL (Unsubsidized)</td>
<td>$6,350</td>
<td>$12,700</td>
</tr>
</tbody>
</table>


### Cost Sharing Actuarial Value Adjustments

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Actuarially Value Adjustment for enrollee</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% FPL</td>
<td>94%</td>
</tr>
<tr>
<td>250% FPL</td>
<td>73%</td>
</tr>
<tr>
<td>Silver Plan</td>
<td>70 percent (no adjustment)</td>
</tr>
</tbody>
</table>

Example

<table>
<thead>
<tr>
<th>Income</th>
<th>Deductible</th>
<th>Copayment Office Visit</th>
<th>Out-of-pocket Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsubsidized</td>
<td>$2,000</td>
<td>$45</td>
<td>$6,400</td>
</tr>
<tr>
<td>150-200% FPL</td>
<td>$500</td>
<td>$15</td>
<td>$2,250</td>
</tr>
<tr>
<td>Difference</td>
<td>$1,500</td>
<td>$30</td>
<td>$4,150</td>
</tr>
</tbody>
</table>


Conclusions

- CHIP is a model for marketplaces
- Reauthorized for at least two years beyond 2015
- Bridge Plans and the Basic Health Plan
- More information on CHIP QHP affordability comparisons
- Hide complexity and subsidies and keep desired plan and providers
- Private trends towards high deductibles greater impact CHIP kids and families