

## CHIP Transformation Under the Affordable Care Act

---

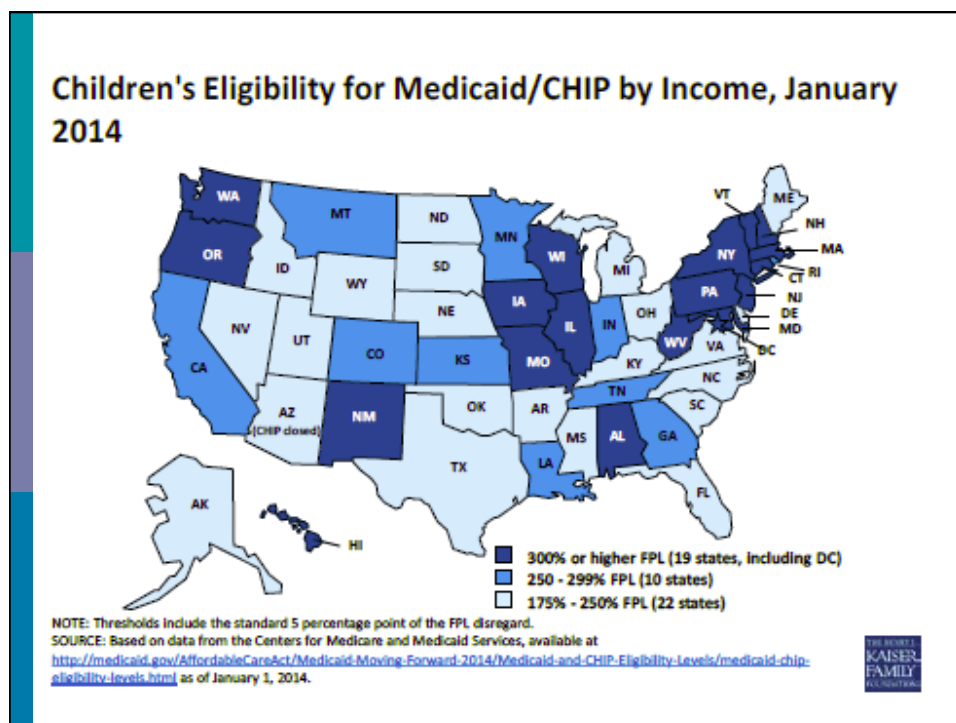
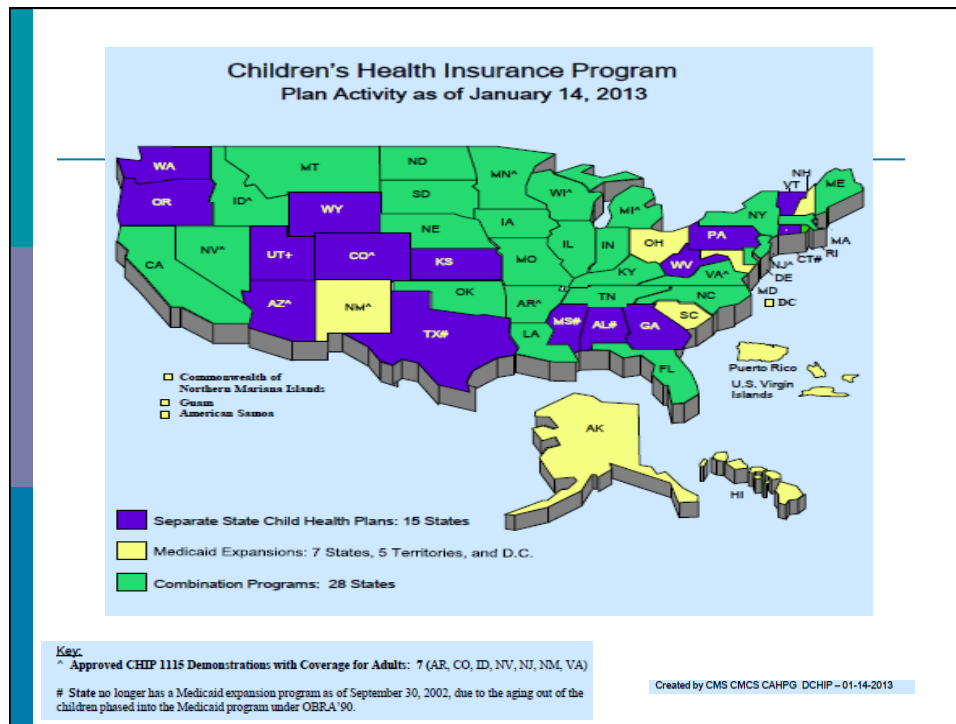
The 21<sup>st</sup> Princeton Conference  
The Changing Health Care Landscape  
May 13-15, 2014

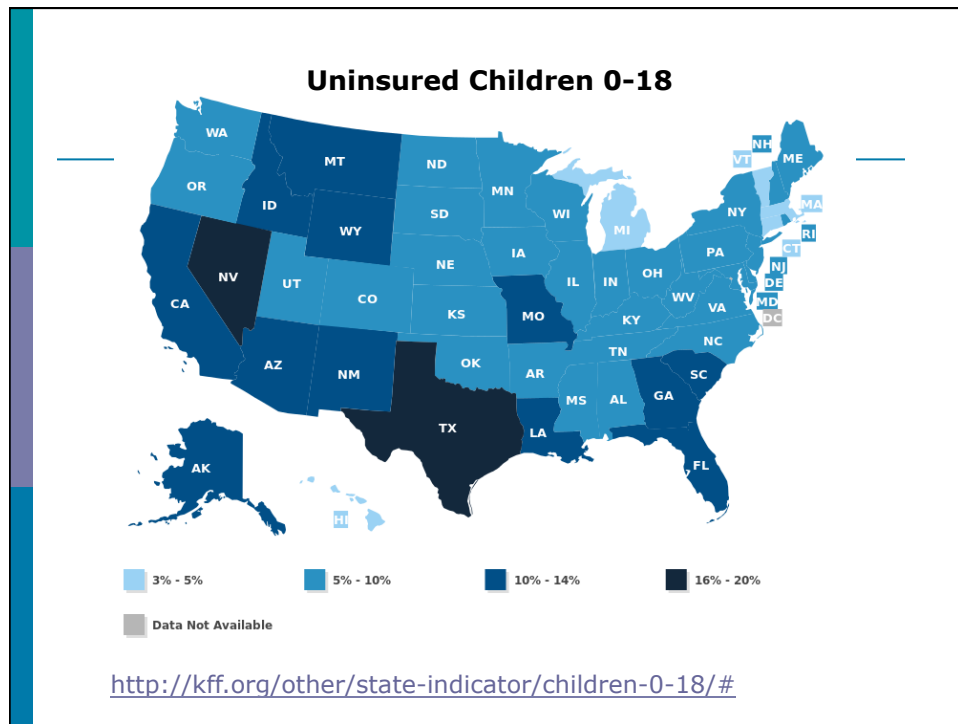
**Michael Doonan, Ph.D.**  
*The Heller School for Social Policy and Management  
Brandeis University*

### CHIP

---

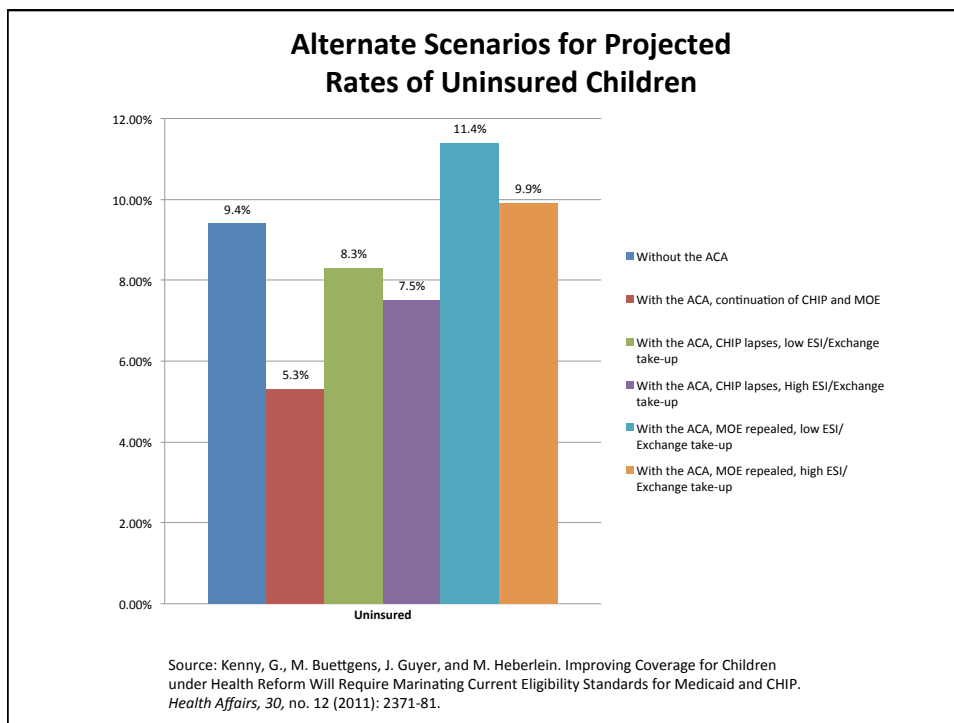
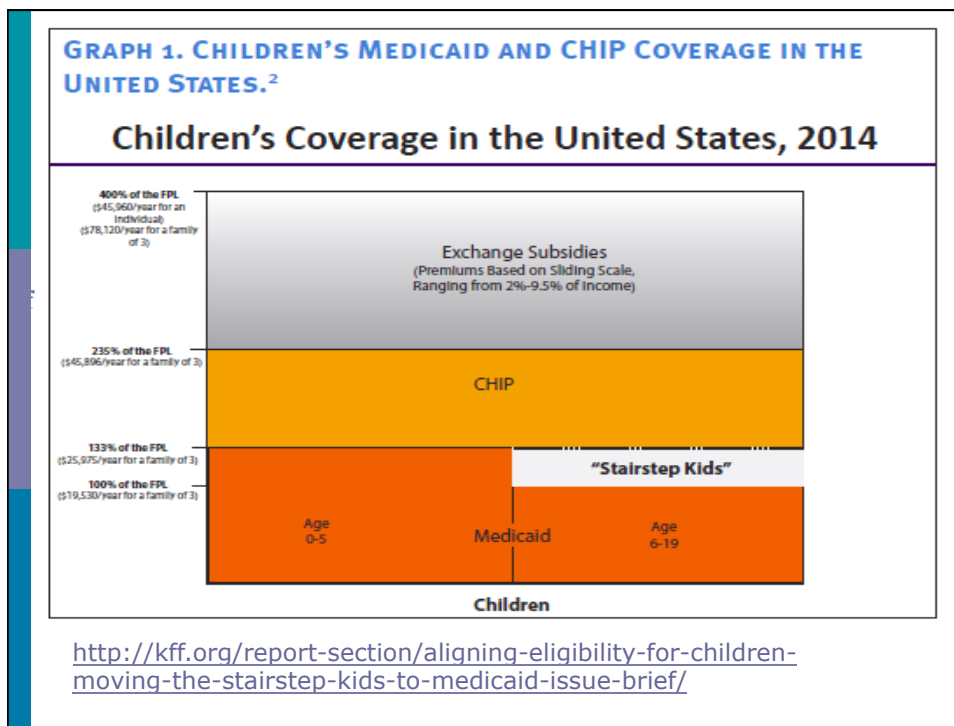
- ❑ Wedged between Medicaid and employer-sponsored insurance
- ❑ Higher match than Medicaid, block grant
- ❑ Flexibility between federally prescribed corridors
- ❑ Medicaid Expansion, Separate Program, Combination
- ❑ Bipartisan support
- ❑ 8 million children enrolled





## 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



## 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](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

Income	Expected contribution
Up to 133% of FPL	2% of your income
133-150% of FPL	3-4% of your income
150-200% of FPL	4-6.3% of your income
200-250% of FPL	6.3-8.05% of your income
250-300% of FPL	8.05-9.5% of your income
300-400% of FPL	9.5% of your income

<http://www.healthinsurance.org/blog/2013/07/23/will-you-receive-an-obamacare-subsidy/>



## Cost Sharing Out-of-Pocket Caps

Out-of-Pocket Caps	Single Out-of-Pocket Cap	Family Out-of-Pocket Cap
100 -200% of FPL	\$2,250	\$4,500
200-250% of FPL	\$5,200	\$10,400
100-250% of FPL (Unsubsidized)	\$6,350	\$12,700

<http://www.healthinsurance.org/learn/the-acas-cost-sharing-subsidies/>

## Cost Sharing Actuarial Value Adjustments

Family Income	Actuarially Value Adjustment for enrollee
100% FPL	94%
250% FPL	73%
Silver Plan	70 percent (no adjustment)

<http://www.healthinsurance.org/learn/the-acas-cost-sharing-subsidies/>

## Example

California Silver Plan			
Income	Deductible	Copayment Office Visit	Out-of-pocket Max
Unsubsidized	\$2,000	\$45	\$6,400
150-200% FPL	\$500	\$15	\$2,250
Difference	\$1,500	\$30	\$4,150

<http://www.kaiserhealthnews.org/Features/Insuring-Your-Health/2013/070913-Michelle-Andrews-on-cost-sharing-subsidies.aspx>

## 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

## Michael Doonan, Ph.D

---

Assistant Professor  
Executive Director Massachusetts Health Policy Forum  
Schneider Institute for Health Policy  
The Heller School for Social Policy and Management  
Brandeis University  
415 South Street/ MS 35  
Waltham, MA 02454-9110  
Phone (781) 736-4831  
Fax (781) 736-3306  
<http://masshealthpolicyforum.brandeis.edu/>