Georgetown University Health Policy Institute
Center for Children and Families

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Cost-Sharing Provisions in the Energy and Commerce Medicaid Package: Key Issues for Children and Families

By Jocelyn Guyer and Cindy Mann

The proposal to reduce federal Medicaid spending adopted on October 27th, 2005 by the Energy and Commerce Committee would fundamentally alter the federal government's role in assuring that the coverage offered to millions of Americans through Medicaid remains affordable. The package revokes many of the federal standards that have long served to assure that children, in particular, do not face financial barriers to care in Medicaid; it allows states to levy higher charges for most services for adults living below the poverty line; and it eliminates nearly all of the federal standards governing the affordability of coverage for other adults, including those with disabilities and chronic medical conditions.

- **All Low-Income Children in Medicaid Would Potentially be Subject to New Costs Under the Energy and Commerce Package**

  Currently, federal law provides children eligible for Medicaid with far stronger affordability standards than other groups of Medicaid beneficiaries, exempting them fully from cost-sharing and premiums. Under the Energy and Commerce package, some of these key affordability guarantees disappear, leaving all children subject to new and, in some cases, quite hefty costs.

  - **The package eliminates nearly all current federal cost-sharing and premium protections for some six million children on Medicaid.** The package effectively eliminates nearly all federal standards for what constitutes affordable coverage for children under age six with income above 133 percent of the poverty line and for children ages 6 to 18 with income above the poverty line. Taken together, these two groups represent roughly six million children served by Medicaid.[1] (The poverty line for a family of 3 in 2005 is $1,341 a month; see box, next page.) Under the package, states could charge these children premiums for the first time; impose cost-sharing of $10, $20, or more for a broad array of services (preventive services remain exempt from cost-sharing); and deny them enrollment or access to care if their families are unable to pay. The package caps these costs at five percent of family income, but, for the reasons described below, this does little to assure they will be able to secure care.

[1] CCF estimate based on Urban Institute data prepared for the Kaiser Commission on Medicaid and the Uninsured on the share of children who qualified for Medicaid as "optional" in 2001 and a March 2005 Congressional Budget Office estimate of the total number of children in Medicaid in federal fiscal year 2005.

- **The five percent cap offers little meaningful assistance for children with low incomes.** The package creates a five percent annual aggregate limit on the amount that children (and other Medicaid beneficiaries) can be charged. The cap applies to costs paid by all family members enrolled in Medicaid. Most families, however, would likely find Medicaid unaffordable long before they reached the cap. An Urban Institute analysis of various state health insurance programs, for example, found that participation drops to fewer than one in five eligible people (18 percent) when premiums reach five percent of income.[2]

- **These standards are considerably weaker than those that apply to the State Children's Health Insurance Program (SCHIP).** The Energy and Commerce package would provide most children above poverty with considerably less protection against excessive charges than SCHIP, which is a more limited program that generally serves higher income children. Under SCHIP, children with income up to 150 percent of poverty face premiums of no more than $16 a month and cost-sharing of no more than $5 per service**.** The premiums and cost sharing for children at similar income levels could be far higher under the Medicaid package.

Putting "Poverty Levels" Into Perspective

A family of three is "above" the federal poverty line if a parent working full time earns just $7.75 an hour. Earnings at $9.28 an hour, for full time work, will put a family of three at 120% of the federal poverty line in 2005.

Families at these income levels have difficulty paying their rent and utility bills, buying their food, and paying for gas or bus fare to get to and from work. Research consistently shows that when people with such low incomes are charged premiums to enroll in health insurance or copays to access health care services they often lack the funds to pay these costs—even when the premiums or copays appear to be relatively modest. As a result, a significant number end up not enrolling in coverage, or not accessing the care they need.

Source: References are to the 2005 federal poverty levels. For a summary of the research on the impact of cost sharing, see, *Health Insurance Premiums and Cost Sharing: Findings from the Research on Low-Income Populations*, Kaiser Commission on Medicaid and the Uninsured, April, 2004.

- **Even children below poverty would be subject to new cost-sharing.** Under the package, children below poverty also would be subject to cost-sharing charges for the first time. By 2008, they could face costs of up to $5 for medications not considered "preferred" by a state and for non-urgent use of an emergency room.[3] Even poor disabled children and children with chronic conditions could be subject to such cost-sharing, capped at 5 percent of income. In addition, the maximum allowable charges for these services would be increased annually by the growth in the medical Consumer Price Index (M-CPI). Since the M-

[2] An additional problem with the cap is that it is based on five percent of *annual* income. For a family of three at 120% of the federal poverty line, the cap would be over $3,860. Families with high medical needs would have to pay well over five percent of their income on a monthly or quarterly basis before they reached this annual cap.
[3] In deciding which drugs are to be considered "preferred," states would be required to include any medication classified as such by the TRICARE pharmacy program on the date of enactment.

CPI can be expected to grow far more rapidly than the average family income of Medicaid beneficiaries, these maximums would become more difficult for families to afford over time.

- **Among Adults, The Package Can Be Expected To Create Particularly Severe Problems For People With Disabilities And Chronic Conditions.** Although most adults already can be charged some cost-sharing in Medicaid, the package significantly increases their exposure to higher costs. States could increase the amount they charge adults with incomes below the poverty line for using most services; impose premiums and cost sharing on adults with incomes above the poverty line subject only to the five percent annual limit discussed above; pick and choose which groups of adults (or which diseases or treatments) would be subject to premiums or cost sharing, possibly leading to discriminatory treatment; and, for the first time, states could deny care to people who are simply unable to meet a co-payment obligation.[4] Since adults with chronic conditions and disabilities are typically heavy users of health care services, these costs could quickly add up leaving them at significant risk of losing access to health and long-term care services.

Conclusion

The package adopted by the House Energy and Commerce Committee illustrates how many different and vital issues come into play if new costs are to be imposed on children and adults with very limited incomes while still protecting access to care. The balance struck by the Energy and Commerce package is heavily tilted toward giving states very broad flexibility at the expense of assuring that Medicaid remains affordable.

The Importance of Federal Standards for Affordable Coverage in Medicaid: A Frontline Perspective

The experiences of Kevin Hall, a 12-year old from Columbus, Ohio, illustrate the ways that cost-sharing charges of $5, $10, or more could add up quickly for children in Medicaid struggling with chronic conditions.

Kevin has suffered from severe allergic asthma for most of his life. For a long time, his asthma was out of control and he needed a great deal of medical care and different kinds of services. At one point, Kevin was taking 13 drugs a day, and, despite careful monitoring, he was in the doctor's office and in the emergency room several times a month. Even with health insurance through her job, Kevin's mother was left with extraordinary – and unaffordable-- copayments and coinsurance charges. Finally, Kevin's mother, Renee Hall, was able to enroll Kevin in Medicaid. Medicaid pays for the care that her private insurance fails to cover and helps with the copayments and co-insurance that she cannot afford.

As Renee Hall explains, Medicaid "helped me keep my son alive and allowed me to hold on to my job." If the cost-sharing rules for children in Medicaid are modified as proposed by the Energy and Commerce Committee, families like the Halls could find that even with Medicaid the care their children need is unaffordable.

Source: *Why Medicaid Matters, The Frontline Perspectives of People with Chronic Conditions*, by the Center for Children and Families, Georgetown University, and the National Health Council, September 28, 2005; http://ccf.georgetown.edu/pdfs/ccfnhcfullreport.pdf.

[4] Under current rules, providers can bill and seek to collect unpaid charges, but they cannot deny needed health services to someone who is unable to afford the charge.