

NGA's Short-Run Proposal for Cost Sharing in Medicaid: Key Implications for Children

On August 29, 2005, the National Governors Association released a proposal for short-run Medicaid reform. Among other things, the proposal calls for significantly increasing the amount that states can charge low-income people to enroll in Medicaid and use health care services. The key implications for children of such a proposal include:

- **More than six million children in low-income families could be required to pay more to enroll in and use health care services**

The Proposal: Currently, families cannot be required to pay to enroll their children in Medicaid or to use health services. Under the proposal, states would be allowed to charge premiums and cost sharing for children ages six and older with income above 100% of the federal poverty line ("FPL"). Children under age six would be subject to charges if they are above 133% FPL. (Preventive services would be exempt from charges). Together, premiums and copays could consume up to 5% of family income (7.5% for children above 150% FPL).

Implications for Children: Some six million low-income children covered by Medicaid would lose all current federal cost sharing protections if the NGA proposal is adopted. Although not officially classified as poor, these children typically are part of low-income working families with very limited resources. If faced with premiums and cost sharing at the levels allowed under the NGA proposal, research shows many will lose Medicaid and join the ranks of the uninsured or forego necessary services.

- **More than 28 million children on Medicaid could face higher co-payments for medications, including those in impoverished families**

The Proposal: Currently, states cannot impose co-payments on children in need of medications. The NGA proposal would allow states to impose co-payments on medications for all Medicaid beneficiaries, including children in poor families. For a "non-preferred drug," states could charge any amount (no upper limit is specified). States would decide which medications should be classified as "non-preferred."

Implications for Children: This change would potentially expose all 28 million children enrolled in Medicaid to new co-payments for prescriptions -- even children with family income well below poverty could be affected. If faced with unaffordable costs, some children will go without medications, putting them at risk of developing more complicated and expensive conditions that could adversely affect their development. The consequences could be particularly significant for children with special health care needs (e.g., epilepsy, HIV) whose prescription costs can mount rapidly.