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Senate Finance Committee Health Reform Policy Options on Coverage: Preliminary Review of Key Provisions Affecting Children, Families and Low-income People

In anticipation of a "walk through" with Senate Finance Committee members scheduled for May 14, 2009, Committee staff has just released a set of health reform coverage options. The options address a large number of key health reform issues ranging from the structure of the new health insurance exchange to preventive care and health disparities. This memo focuses on the coverage and benefit options particularly affecting children and families, and low-income people more generally.

Major Coverage Advances

While the policy options leave open many key questions and include some troubling approaches, overall they represent a major advance forward for children as well as adults. Notably, the options begin by stating the goal of "guarantee(ing) all Americans affordable, quality coverage, regardless of age, health status, or medical history."

Basic Structure

People would be covered through their employer, through a new national health insurance exchange, or through Medicaid or CHIP. The much-debated issue of whether a public plan would be available on the exchange is left open, as is the question of whether employers must provide insurance or pay into a fund to help finance coverage for their employees. Reforms for the nongroup and small group markets are included.

Affordability is addressed by maintaining the strong cost sharing protections in Medicaid and CHIP and by offering a tax credit to people covered through the exchange. There is, however, no overall limit on out-of-pocket costs for people covered through the exchange. It appears that employees (and their families) would not have access to the tax credit to help them purchase employer sponsored insurance.

Public Programs

A. *Eligibility and financing*

- **Medicaid would be expanded and simplified for families with children.** A new income level would apply to children, parents, and pregnant women at a suggested level of 150% of the federal poverty line (FPL), using a new modified gross income standard ($27,465 for a family of 3 in 2009). This is comparable to the 133% of FPL *net* income standard that is the current minimum eligibility in Medicaid for children under age 6.

- **Medicaid coverage for other groups of people**. While the options are confusing on this point, it appears that other adults would be covered up to 115% of the FPL, although one option would not cover these adults in Medicaid, but rather through a new voucher program. It is not clear whether federal funding for existing or new coverage above the new Medicaid minimum standards would be available.

- **The federal government would pay for these eligibility expansions for the first five years**, with a phase in of a state share of costs over the following five years. In addition, an automatic trigger to increase federal payments during recessions would be added to the Medicaid program.

- **Eventually CHIP would cover children in all states up to 275% of the FPL** (modified gross income standard). CHIP would be coordinated with family coverage on the exchange.

- **Coverage of immigrants, including those lawfully residing in the USA, is not guaranteed.** The new policy options fall short of an earlier proposal included in Senator Baucus' White Paper ("Call to Action") to extend coverage to everyone lawfully residing in the United States. In a departure from this earlier proposal, states would have the option of imposing a five-year waiting period before covering lawfully residing children and adults in Medicaid and CHIP.

B. Benefits and Delivery System

- **All children with incomes below 275% of FPL would eventually have access to all medically necessary care through the EPSDT benefit.** This represents a major, welcome advance for children.

- **Medicaid benefits would be mostly maintained and in some areas – particularly with respect to home and community based services- improved.**

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- **The proposals include different options on how Medicaid beneficiaries would receive care**, including options that would disrupt current arrangements by requiring states to rely on insurers on the exchange to deliver Medicaid services (potentially with wrap around coverage). The variations in the benefit packages on the exchange and the potentially large number of insurers doing business on the exchange could add to the difficulties this option would present for coordinating care. Some of the options would not permit states to maintain or adopt delivery systems such as the highly successful North Carolina medical home model.

- The proposal notes an option, but does not commit, to improving Medicaid **provider payment rates** to address issues of access to care.

- **Quality measures from CHIPRA are extended to Medicaid** The document notes the importance of extending the quality advances from CHIPRA to other populations served by Medicaid, although more will need to be done to translate the CHIPRA provisions to appropriate measures for adults.

Affordability And Benefits For People Covered Through The Exchange

- **A refundable tax credit** would be available to "taxpayers" who are not eligible for Medicaid and who have incomes between 100 and 400% of the FPL insured through the exchange. Many of the details of the tax credit are not spelled out.

- **People could have significant copayments and deductibles if they are covered through the exchange, especially because there is no overall cap on out-of-pocket costs** for people enrolled in the exchange plans.

- **Benefits on the exchange would be designed by reference to an actuarially determined benchmark** with certain categories of care covered. Notably, there is no specific delineation of benefit packages designed to address the unique needs of children or people with disabilities.

Enrollment And Mandates

- **The proposal contemplates integration of the enrollment process for Medicaid/CHIP and the tax credit,** but more will be needed in this area to assure seamless coverage.

- **Medicaid enrollment and renewal would be simplified to boost participation and continuity of coverage.** For example, 12-month continuous coverage under Medicaid would be assured**.**

- **Beginning in 2013, all individuals would be required to purchase coverage**. Some exemptions would apply, for example, for those with incomes below poverty and for undocumented immigrants.