

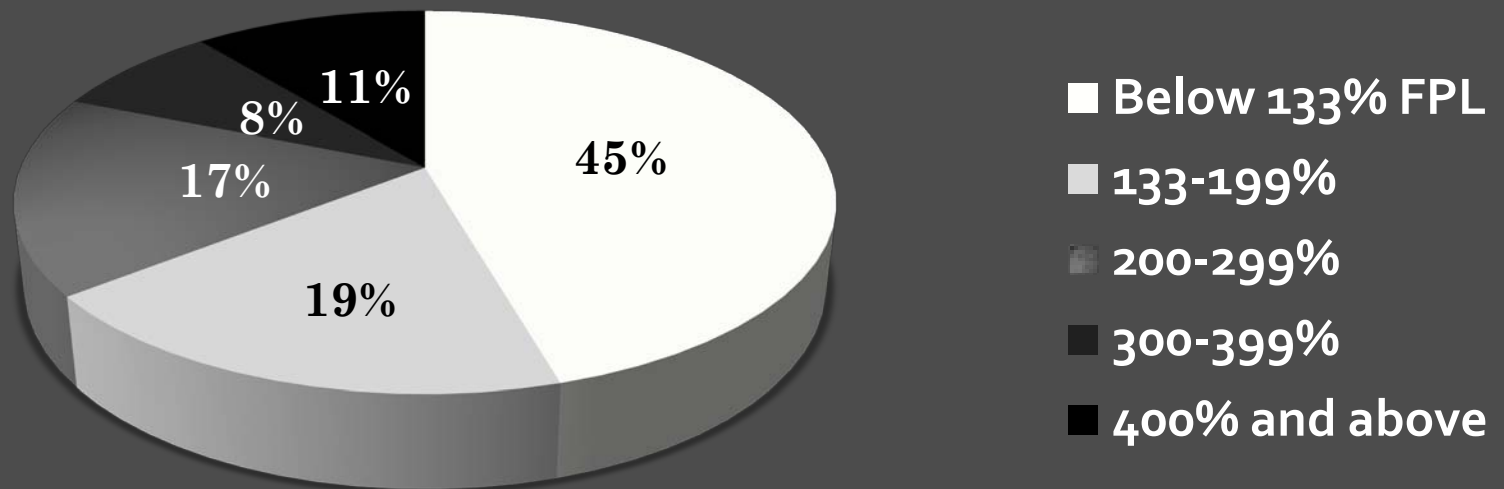
# Affordability & Lessons Learned from State CHIP Programs

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# WHO ARE THE UNINSURED?

Income Distribution by FPL of 45.7 Million  
Currently Uninsured Adults and Children  
under 65



# CONSEQUENCES OF UNAFFORDABLE COVERAGE

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- When formerly free coverage costs 1% of income
  - Estimated 16% enrollment decrease
- When formerly free coverage costs 5% of income
  - Estimated 74% enrollment decrease

Source: L. Ku, Charting the Poor More for Health Care: Cost-Sharing in Medicaid (Washington, DC: The Center on Budget and Policy Priorities, May 7, 2003).

# WHAT IS AFFORDABILITY?

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- Focus on three approaches:
  1. Current spending
  2. Household budget
  3. Percentage of income
- Current spending: the amount insured people voluntarily spend
  - At what point do enough people enroll to assume something is affordable?
  - If offered, people tend to enroll in ESI, even if costly
  - There will always be some who don't enroll

# WHAT IS AFFORDABILITY?

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- Household budget: what people need to earn to afford necessities
  - What are “necessities”? May or may not include health care
  - Takes into account regional cost variations
- Percentage of income: percentage of income that can be spent on health care, based on FPL
  - What is used in CHIP and ACA

# CHIP AFFORDABILITY

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- Current income eligibility ranges from 160-400% FPL
- Most states 200-250% FPL
- Up to 5% of income for premiums, copayments, deductibles, co-insurance
  - Lower in many states
- No cost sharing for well-child care
- Study of 17 states found average 98-100% actuarial value for families to 225% FPL
  - Actuarial value: Percentage of total anticipated health care costs that insurer pays on average in a given product

# ACA COVERAGE SUBSIDIES

## o Premium subsidies

Income as a Percent of FPL	Premium as a Percent of Income	Income as a Percent of FPL	Premium as a Percent of Income
Up to 133%	2%	200-250%	6.3-8.05%
133-150%	3-4%	250-300%	8.05-9.5%
150-200%	4-6.3%	300-400%	9.5%

## o Cost sharing subsidies

Income as a Percent of FPL	Actuarial Value of Coverage	Income as a Percent of FPL	Actuarial Value of Coverage
100-150%	94%	200-250%	73%
150-200%	87%	250-400%	70%

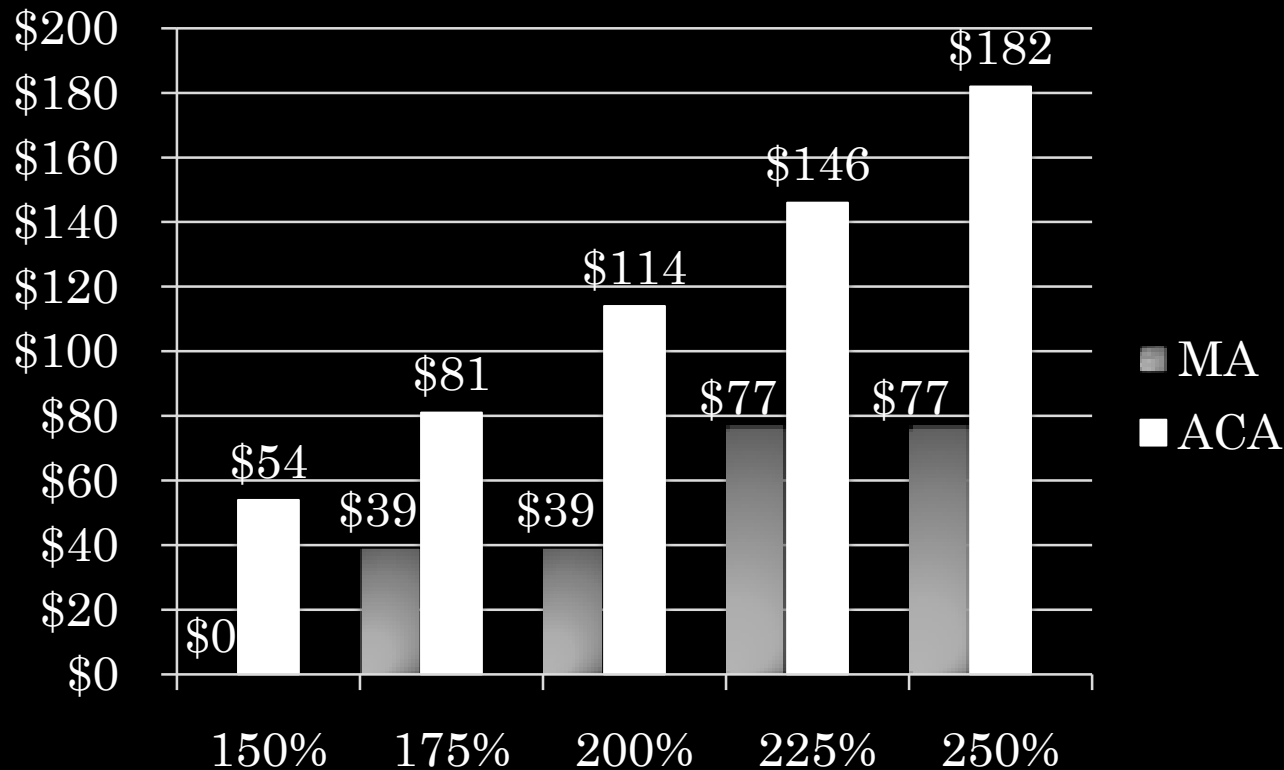
# MASSACHUSETTS STANDARD

## o Family coverage affordability schedule for 2011

Income as a Percent of FPL	Premium as a Percent of Income
0-150%	0%
150-200%	2.5-3.4%
200-250%	4-5%
250-300%	5-6%
300-398%	6.1-8.1%
398-511%	7.4-9.5%
511-625%	8.8-10.8%

# ACA VS. MASSACHUSETTS

## Minimum Monthly 2010 Single Adult Premiums



Source: S. Dorn, The Basic Health Program Option under Health Reform: Issues for Consumers and States (Washington, DC: The Urban Institute, March 2011).

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# Affordability Lessons from Children's Coverage



# BE FLEXIBLE

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- Legislation or regulation? Choose wisely
- Kentucky CHIP statute - \$20/month premium for 151-200% FPL
  - Led to disenrollment, reenrollment
  - Cost money to reenroll, send invoices, lost federal match
  - Had to “suspend” premium requirement through budget process rather than amend law

# CONSIDER COST INCREASE RAMIFICATIONS

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- o New Jersey CHIP – similar experience to Kentucky

Date	Enrollment
June 2008 (premiums)	33,203
June 2009 (no premiums)	36,525
June 2010 (no premiums)	45,765

- o Will enrollment decrease?
- o Where will people go?
- o What will it cost the state?

# BE CONSUMER-FOCUSED

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- Premium payment methods
  - Over 40% of CHIP programs accept 5 or more payment methods
- Track OOP spending
- Grace period
- Health literacy/readability

# ALIGN ACROSS PROGRAMS

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- Identify potential cliffs
- How can states smooth cliffs?
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  - Regulate premiums
- Align cost sharing

# SET RESULTS-DRIVEN POLICIES

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- Is cost sharing results-driven?
  - Low copayment for high value services
    - CHIP: No cost sharing for well child care
  - Higher copayment for low value services
    - CHIP: Higher cost sharing for non-emergency ER use
- RAND – with children, cost sharing decreased utilization
- Experiment with cost sharing to further disease management, generic/brand drug copayments, wellness incentives, etc.