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How Will a MassHealth Premium of 3% of Income Affect Children?

MassHealth is proposing to increase its premiums charges in 2018-2019

MassHealth is planning to update copayment charges and premium schedules in 2018-2019. Children are exempt from copayments and will not be affected by the copayment changes. However, the change in premiums will affect children, as well as adults, with family income higher than 150% of the federal poverty level (fpl). MassHealth members with income over 150% fpl are primarily children and individuals with disabilities.

There are about 100,000 children now enrolled in MassHealth Family Assistance (for children in families with income between 150-300% fpl) or CommonHealth (for children with disabilities). MassHealth is proposing to change its current premium schedule to a premium schedule based on 3% of family income.[i] For many families this will mean premiums three to four times higher than what they pay now. For most families under 300% fpl premium this high will not be affordable.

Premiums would greatly increase for 100,000 children with family income over 150% to 300% FPL

Children in families with income over 150% of the Federal Poverty Level (FPL) are now charged one of three amounts per child up to a 3 child family maximum. Table 1 compares the per child per month (PCPM) cost for households with 1-4 children to the proposed premium charges set at 3% of family income. For many families, monthly premium will triple or quadruple under the proposed schedule.

Table 1: Current and Proposed MassHealth Monthly Premiums for Children (2017 FPL)

	>150% FPL			200% FPL			250% FPL			300% FPL		
Family Size	Monthly Income	Current $12 PCPM	Proposed 3%	Monthly Income	Current $20 PCPM	Proposed 3%	Monthly Income	Current $28 PCPM	Proposed 3%	Monthly Income	Current $28 PCPM	Proposed 3%
1 (1C)	$1,508	$12	$45	$2,010	$20	$60	$2,513	$28	$75	$3,015	$28	$90
2 (1A 1C)	$2,030	$12	$61	$2,707	$20	$81	$3,384	$28	$102	$4,060	$28	$122
3 (1A 2C)	$2,553	$24	$77	$3,403	$40	$102	$4,255	$56	$128	$5,105	$56	$153
4 (2A 2C)	$3,075	$24	$92	$4,100	$40	$123	$5,125	$56	$154	$6,150	$56	$185
5 (2A 3C	$3,598	$36	$108	$4,797	$60	$144	$5,996	$84	$180	$7,195	$84	$216
6 (2A 4C)	$4,120	$36	$124	$5,493	$60	$165	$6,867	$84	$206	$8,240	$84	$247

Figure 1

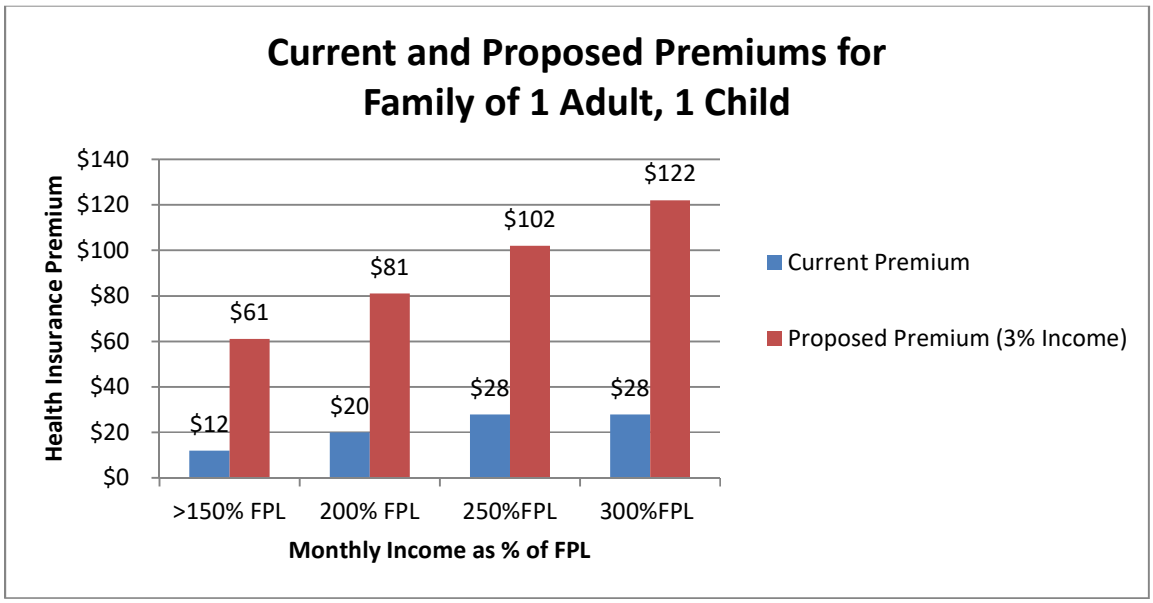
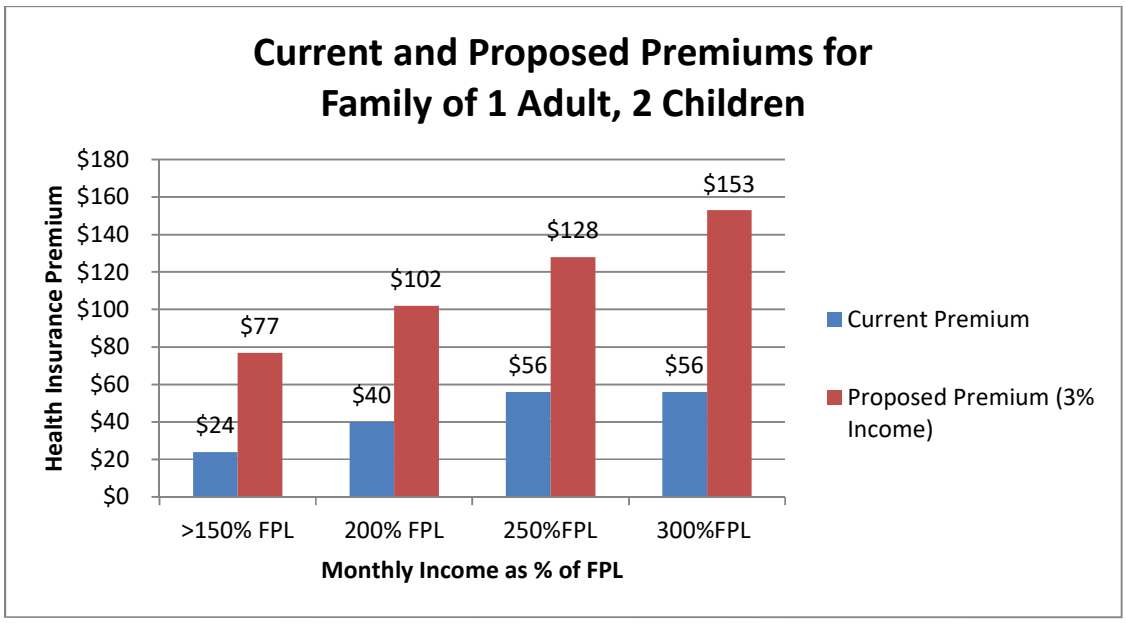


Figure 2



The proposed premium increase would result in Massachusetts families paying among the highest premiums of any state in the US

Thanks to the Children's Health Insurance Program (CHIP), 49 states and D.C. cover children at least to 200% FPL, and 19 states, like Massachusetts go to 300% FPL.[ii] Based on a January 2017, 50-state survey, 26 states and D.C. charge *no* premium or enrollment fee for children up to 200% of the poverty level. Seventeen states charge a monthly premium for children in families at 200% of poverty that averages $25 per month.[iii] The median premium charge for these 17 states is $20 per month. The proposed MassHealth premium at 3% of income for a family at 200% FPL will be at least $60 per month which would give Massachusetts the second highest premium charge of any state in the country, after Missouri. Of the 19 states that have eligibility levels of 300% FPL or more, 13 states charge monthly premiums at 300% FPL with an average monthly premium of $60 and a median premium of $40. The proposed MassHealth premium at 3% of income for a family at 300% FPL would be at least $90 per month. The proposed premium charges will make Massachusetts an outlier charging among the highest rates for children's coverage of any state in the country.

Families earning 150-300% FPL in a high cost state like Massachusetts cannot afford steeply increased health care costs

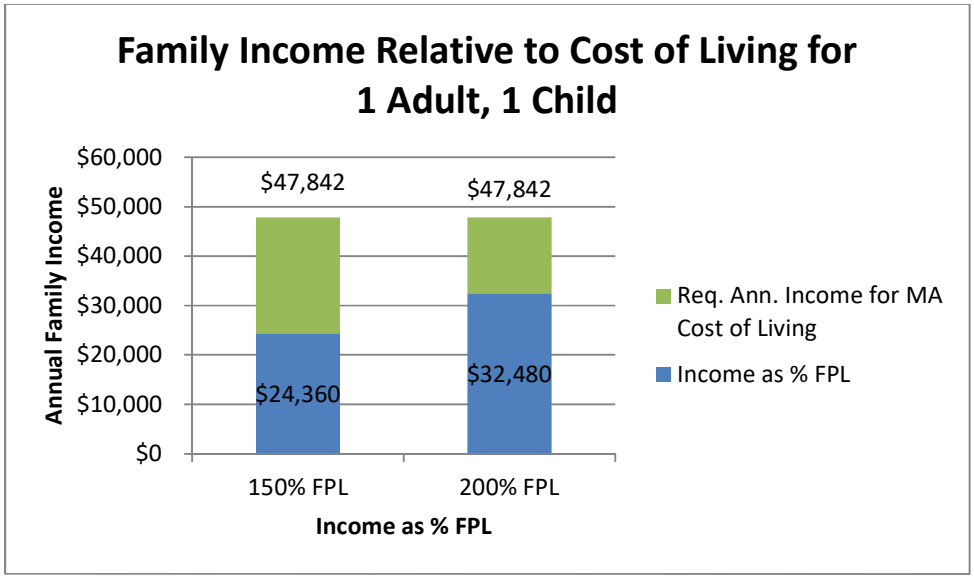
The Federal Poverty Level is a national measure. It does not capture the high cost of housing in states like Massachusetts or the added costs of raising a child. Measures of the cost of living based on Massachusetts costs, such as the Living Wage Calculator developed by MIT, show that most families with income under 200% of the federal poverty level, and all single parent families with income under this level, do not have sufficient income to pay for increased health costs and still keep up with the cost of other necessities. It is only at about 300% of poverty, that some families, especially two parent families, begin to have income that exceeds basic living costs. Faced with these stark realities, paying the rent, heat, and utility bills, and keeping food on the table are likely to take precedence over a monthly premium bill of $45 per month or more.

Table 2 Comparison of MA Cost of Living with MassHealth Income Standards

Family Size	Required Annual Income for Average Cost of Living in MA[1]	150% FPL	200% FPL	300% FPL
2				
1 Adult 1 Child	$ 47,842	$24,360	$32,480	$48,720
3				
2 Adults (1 Working) 1 Child	$ 41,648			
2 Adults 1 Child	$ 52,960			
1 Adult 2 Children	$ 56,527	$30,630	$40,840	$61,260
4				
2 Adults (1 Working) 2 Children	$ 46,535			
2 Adults 2 Children	$ 61,694			
1 Adult 3 Children	$ 69,933	$36,900	$49,200	$73,800
5				
2 Adults (1 Working) 3 Children	$ 53,280			
2 Adults 3 Children	$ 72,284	$43,170	$57,560	$86,340

[1] From the MIT Living Wage Calculator (living costs are shown here minus estimated medical costs), http://livingwage.mit.edu/states/25

Figure 3



Research shows that increased premiums result in reduced enrollment

Unlike other health care costs, premiums are the price of enrollment. If families cannot pay the price, their children will lose MassHealth coverage and in most cases become uninsured. There is substantial research documenting the connection between an increase in premium costs and the resulting decrease in enrollment. For low income individuals, even small premium charges have been linked to significant drops in enrollment. While some families losing public coverage may gain access to other coverage, for most, especially those with lower incomes, the loss of Medicaid or CHIP results in becoming uninsured with all the associated individual and community harm that are a consequence of being uninsured.

A 2017 review of research finding on premiums in Medicaid and CHIP[iv] reported:

- A seminal study conducted by the Urban Institute in the 1990s found that charging premiums even as small as one percent of family income was associated with a 16 percent drop in participation rates for Medicaid expansion and state coverage programs.[v]
- When three states increased premiums for children in CHIP, there was a drop in enrollment in all three states studied, and new enrollment dropped by almost 18% in NH.[vi]
- When the Rhode Island Medicaid waiver program began charging families with incomes above 150% of poverty premiums ranging between $43-$58 per month: In the first three months that the premium policy was enforced, about 18% of families subject to premiums were disenrolled due to nonpayment. A survey of these families found that the most commonly reported reason for losing coverage was inability to afford the premium (48%). Just over half (51%) of disenrollees became uninsured, over a third (35%) enrolled in employer-sponsored insurance, and 14% reenrolled in Medicaid because their income fell below 150% of poverty.[vii]

For every $1 in costs shifted to working families, the state saves only 12 cents

Children in families with income over 150% FPL are eligible for the federal Children's Health Insurance Program (CHIP) which, thanks to the Affordable Care Act (ACA), currently reimburses the state at an enhanced rate of 88% through September 30, 2019.[viii] This means that every dollar in increased premium costs for low and moderate income families results in only 12 cents in net state savings.

The proposal increases CHIP premiums by far more than any federally permissible inflation adjustment

Under current law, a premium increase this big is illegal. In addition to raising the CHIP federal matching rate, the ACA prohibited states from restricting eligibility for children's coverage through September 30, 2019.[ix] This prohibition extends to premium increases for CHIP coverage with limited exceptions such as cost of living adjustments.[x] For most families, a change in the premium schedule to a 3% of income represents a premium that is 200% more than the current premium charge, vastly more than any cost of living adjustment. (Since 2010 when the ACA was enacted, medical inflation has grown by only 21.2 %.[xi]) These limitation apply to a state's CHIP Plan or any waiver of its plan, therefore, it is highly doubtful that Massachusetts could lawfully impose the steep premium increase it proposes for children.

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[i] Nov 2016: "MassHealth is planning to update copayment charges and premium schedules in 2018. … MassHealth …will continue to charge premiums only for members with income over 150% of the federal poverty level (FPL), set at 3% of income." EOHHS, 1115 Q &A (Nov 2016), Q & A 11
http://www.mass.gov/eohhs/docs/eohhs/healthcare-reform/masshealth-innovations/ma-1115-waiver-faqs.pdf
March 2017: **"**Premiums will be based on 3% of income for eligible members ≥ 150% FPL, prorated by family or household." EOHHS, MassHealth Delivery System Restructuring Open Meeting, March 2017, Slide 14, Cost-Sharing Policy Updates

[ii] All the information in this paragraph is from the following report: Medicaid and CHIP Eligibility, Renewal, and Cost Sharing Policies in January 2017: Findings from a 50-State Survey, Henry J. Kaiser Family Foundation, January 2017

[iii] One state, Idaho, has an income ceiling lower than 200% FPL. Two states have quarterly fees of $80 and $75 per quarter, and 4 states have annual fees ranging from $25 (Colorado) to $104 (Alabama).

[iv] Samantha Artiga, et al, Kaiser Commission on Medicaid and the Uninsured, The Effects of Premiums and Cost-Sharing on Low-Income Populations: Updated Review of Research Findings, June 2017, https://www.kff.org/medicaid/issue-brief/the-effects-of-premiums-and-cost-sharing-on-low-income-populations-updated-review-of-research-findings/

[v] Ku, Leighton and T. Coughlin. "Sliding-Scale Premium Health Insurance Programs: Four States' Experiences." Inquiry Vol. 36(4), Winter 1999/2000.

[vi] Kenney, Genevieve et al. "The Effects of Premium Increases on Enrollment in SCHIP Programs: Findings from Three States." Inquiry, Vol. 43 (4): 378-92, Winter 2006-2007.

[vii] Kaiser Commission on Medicaid and the Uninsured, Samantha Artiga and Molly O'Malley, " Increasing Premiums and Cost Sharing in Medicaid and SCHIP: Recent State Experiences,"May 2005, https://kaiserfamilyfoundation.files.wordpress.com/2013/01/increasing-premiums-and-cost-sharing-in-medicaid-and-schip-recent-state-experiences-issue-paper.pdf

[viii] 42 USC § 1397ee(b) as amended by § 2101(a) of the Affordable Care Act.

[ixix] 42 USC § 1397ee(d) as amended by § 2101(b) of the Affordable Care Act.

[x] Letter from CMS Administrator to State Medicaid Directors, SMDL# 11-001 ACA # 14 February 25, 2011, Q & A 13, https://www.medicaid.gov/federal-policy-guidance/downloads/smd11001.pdf

[xi] Bureau of Labor Statistics, CPI-U for Medical Care, 2010-2017, https://data.bls.gov/pdq/SurveyOutputServlet