

Evaluating Medicaid Buy-in Options for New Mexico

September 2018

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Background and Level Setting

Project Overview

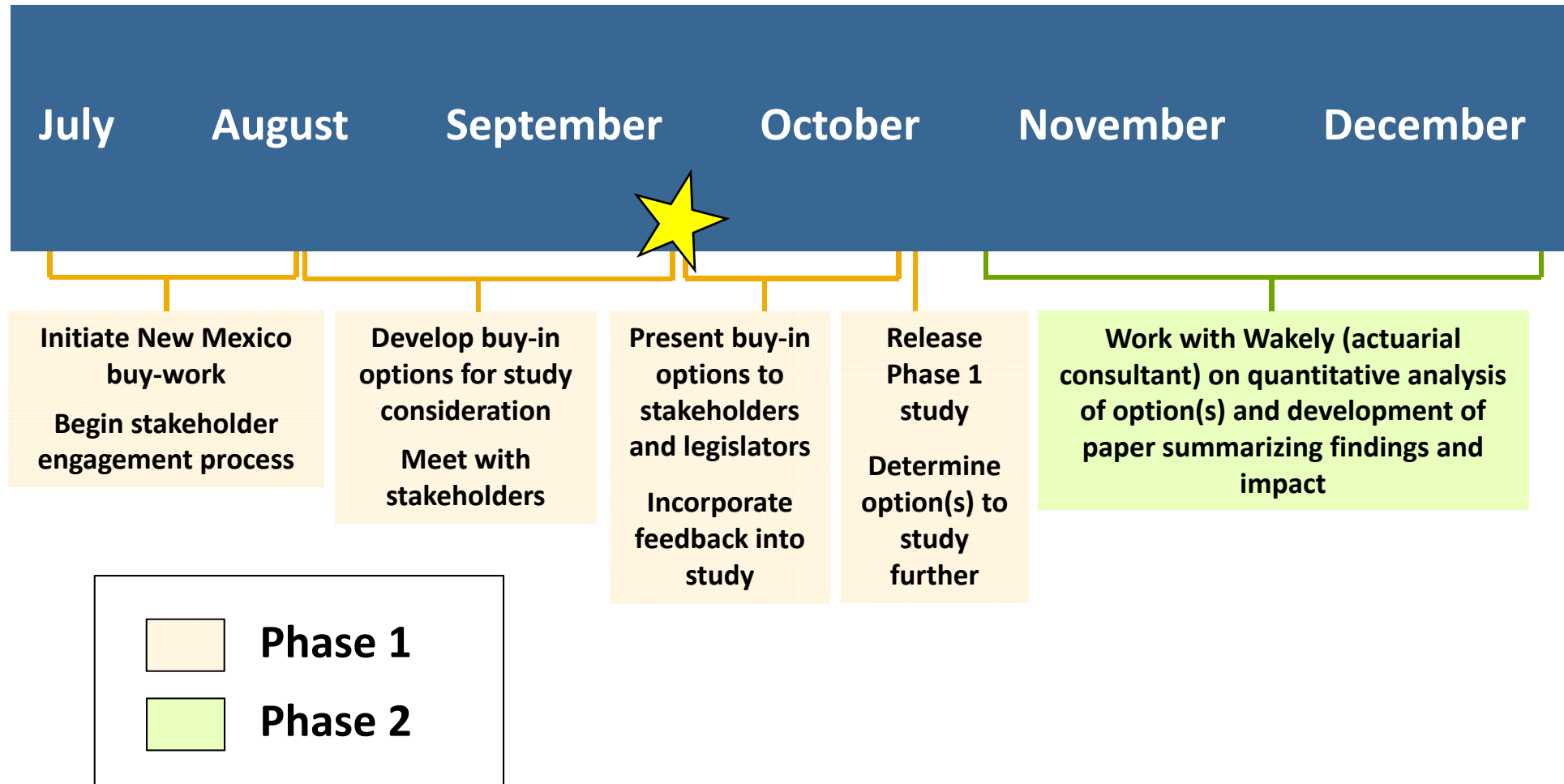
Manatt Health was engaged by *Health Action New Mexico* and the *New Mexico Center on Law and Poverty* to conduct a Medicaid buy-in study in accordance with Senate Memorial 3

- **Senate Memorial 3** tasked the Legislative Health and Human Services Committee with *“exploring the policy and fiscal implications of offering a Medicaid buy-in coverage option to New Mexico residents... to ensure health care coverage is expanded to low-income, uninsured residents”*
- With support from the **Laura and John Arnold Foundation**, Manatt is mid-way through the first phase of a two-phased study:
 - ★ **Phase 1:** Consider Medicaid buy-in options for New Mexico and prepare a paper to be shared with the state’s legislature that presents and qualitatively evaluates several options
 - **Phase 2:** Conduct a quantitative assessment of selected option(s) to inform state decision making



Phase 1 and 2 Timeline

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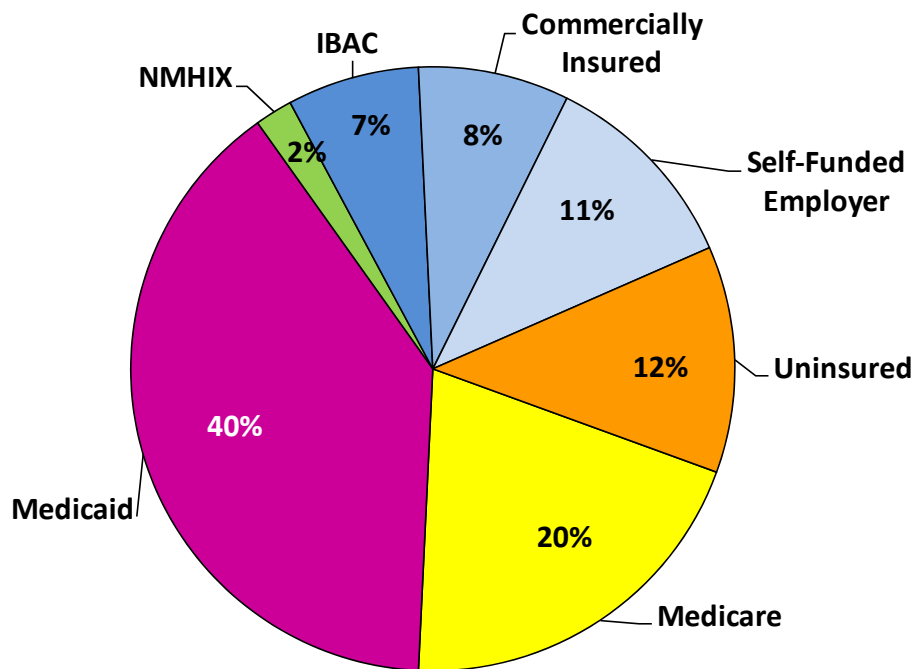


Current State of Health Care Coverage in New Mexico

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Medicaid is the state's largest insurer, covering 40% of the population.
A large proportion of the population remains uninsured.

Breakdown of Health Care Coverage in New Mexico (2015)



Breakdown of Uninsured in New Mexico (2017)

Uninsured, by Federal Poverty Level (FPL)	
Below 138% FPL	71,654 (39%)
Between 138% and 399% FPL	90,759 (49%)
At or above 400% FPL	23,518 (13%)
Total	186,996 (100%)

Among the uninsured may be individuals affected by the **"Family Glitch"** – people who are ineligible for subsidies often because of their spouse's access to employer-sponsored coverage that is deemed "affordable" for both the individual and their family based on the cost of individual coverage, rather than the cost of a family plan.

IBAC refers to the Interagency Benefits Advisory Council, which provides health coverage to Albuquerque Public Schools, the General Services Department, the New Mexico Public School Insurance Authority (NMPSIA), and the Retiree Health Care Authority

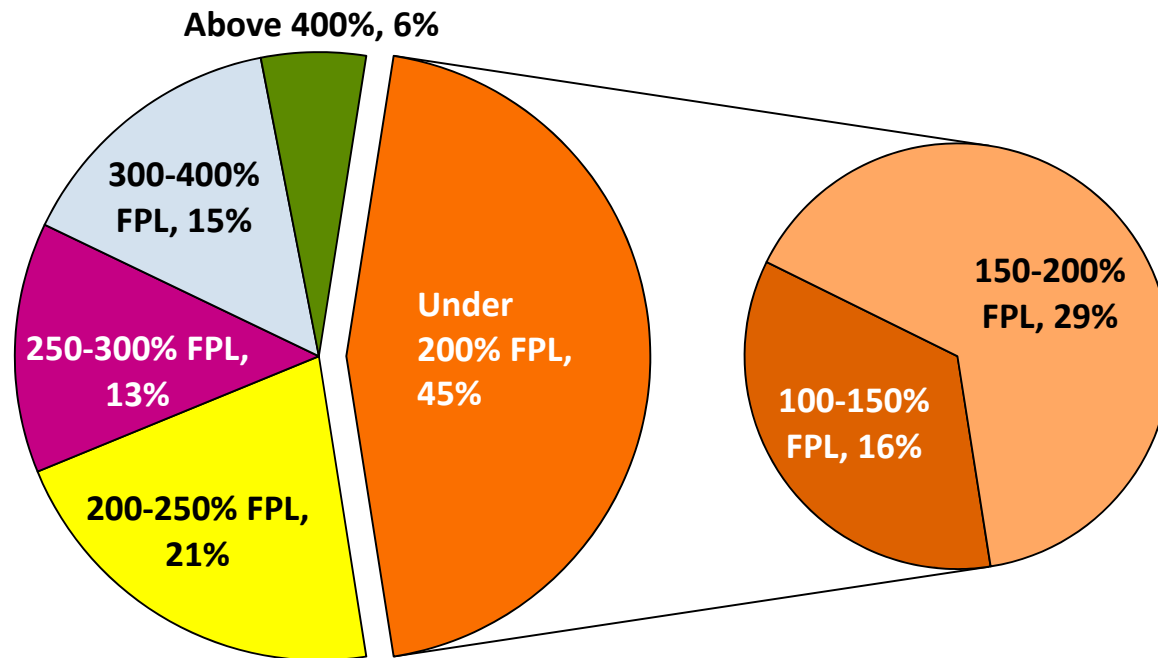
Sources: Population by Coverage Category: Legislative Finance Committee Estimates, 2016; **Uninsured by FPL:** U.S. Census Bureau: 2017 American Community Survey 1-Year Estimates

2018 New Mexico Marketplace Demographics

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New Mexico Marketplace enrollees are disproportionately low-income: 45% earn below 200% FPL; nearly all (94%) earn less than 400% FPL.

BeWellNM Marketplace Participation, by Income Level (2018)

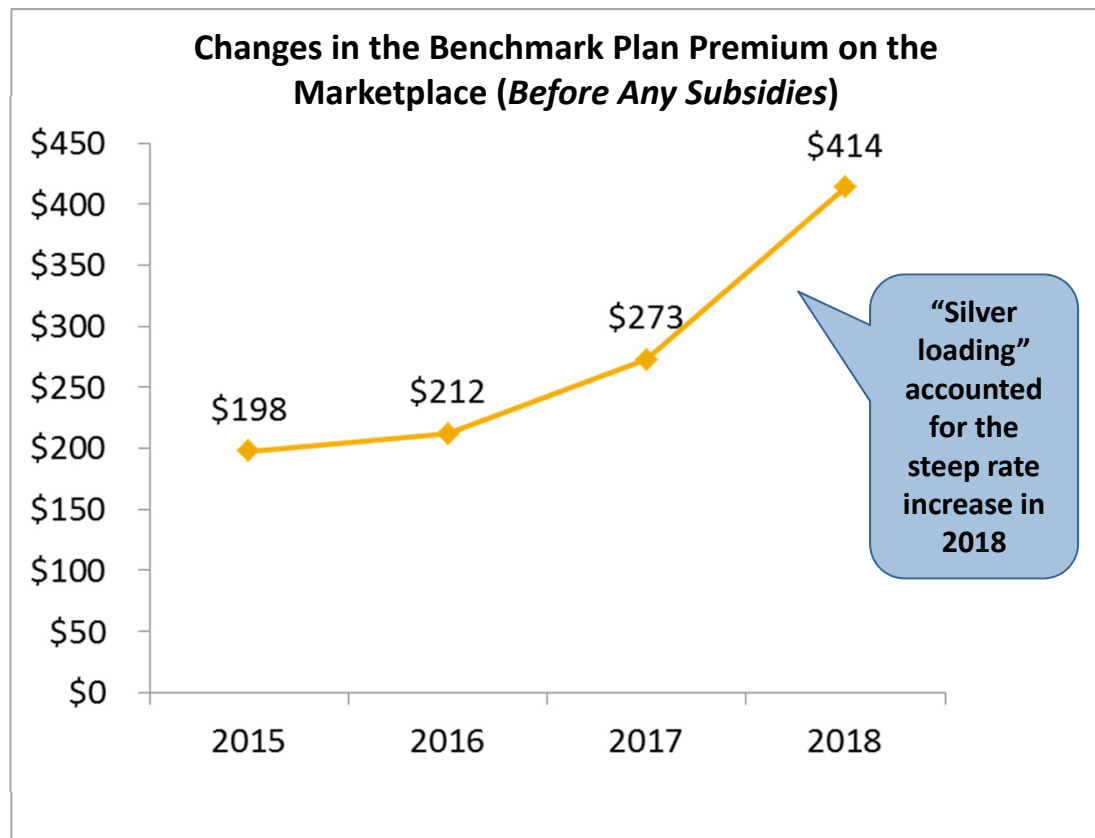


Source: S.A.C. Presentation 7/2018; KFF: [HealthCare.gov Marketplace Plan Selections by Household Income](#)

New Mexico Marketplace Premium Experience

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For people with access to subsidies, Marketplace coverage *can* be affordable. However, for individuals ineligible for subsidies, affordability is a large barrier to accessing coverage.



2018 Advanced Premium Tax Credit (APTC) Statistics	
Average Premium	\$538
Average APTC among Consumers Receiving APTCs	\$476
Average Premium <i>after</i> APTC (among Consumers Receiving APTC)	\$88

The premium for the second-lowest cost silver plan in the Marketplace (the “benchmark plan”) has risen, particularly over the last year, but subsidies shield most (79%) individuals from these premium hikes.

Sources: *KFF, Marketplace Average Benchmark Premiums* (premiums were analyzed using the second-lowest cost silver (“benchmark”) premium for a 40-year-old in each county and weighted by county plan selections); *KFF, Marketplace Average Premiums and Average Advanced Premium Tax Credit*

Overarching Goals

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Increase coverage and reduce uninsured rate



Increase affordability of coverage and care, while supporting adequate provider reimbursement rates



Simplify health care coverage for beneficiaries and families

Note: Medicaid Buy-in may not be able to address all of these goals—other solutions should be considered too

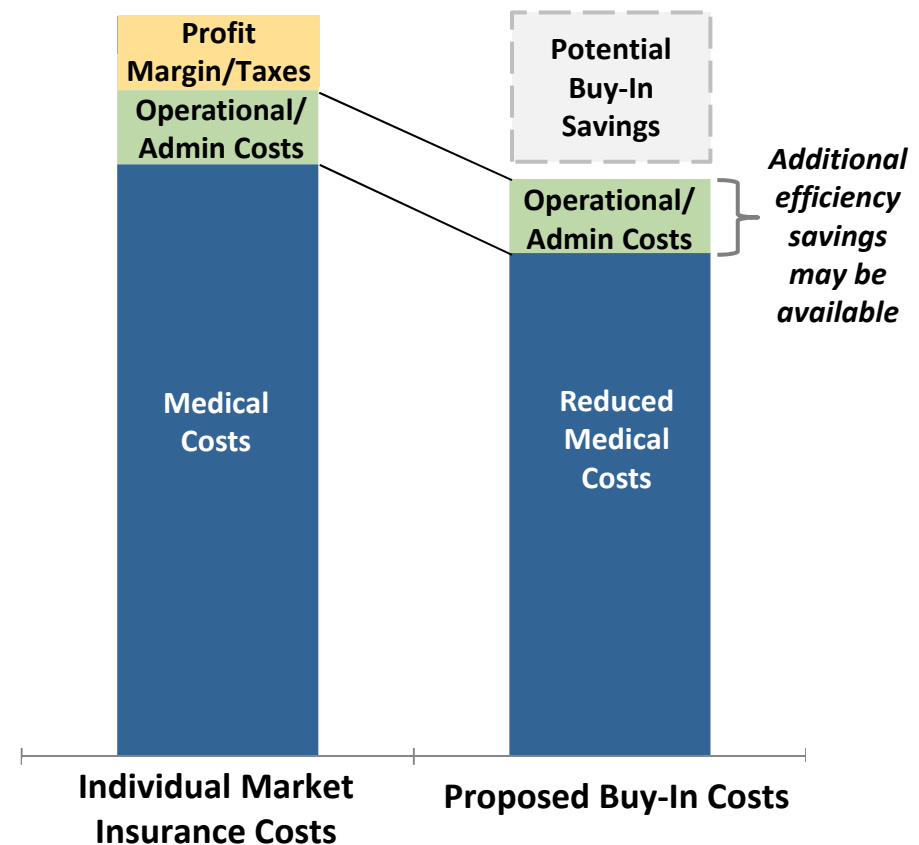
Buy-in as a Way to Address Goals

By allowing people to “buy in” to Medicaid or other public coverage, the state may be able to improve affordability (through lower prices) and expand coverage.

- **Administration:** A state-sponsored buy-in can take advantage of unique administrative savings and bargaining powers unavailable to private commercial plans
- **Oversight:** State-administered products can come with greater accountability from government agencies
- **Stability:** Backed by the state, a buy-in can be less affected by market changes and more stable over time; it can also be more aligned with Medicaid—New Mexico’s largest payer

A key issue across buy-in options will be setting/negotiating provider rates and ensuring adequate provider networks

Potential Sources of State Buy-In Savings



Review of Buy-in Options

Potential Buy-in Options

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1

Targeted Medicaid Buy-In

2

Qualified Health Plan “Public Option”

3

Basic Health Program

4

Medicaid Buy-in for All

Options are all not mutually exclusive and can be phased in over time

Four Basic Buy-In Options Under Consideration

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Option One	Option Two	Option Three	Option Four
Targeted Medicaid Buy-In	Qualified Health Plan (QHP) Public Option	Basic Health Program (BHP)	Medicaid Buy-In for All
<p>State offers Medicaid-like coverage <i>off</i> the Marketplace to those not eligible for Medicaid, Medicare, or subsidized Marketplace coverage.</p> <p>NM could subsidize coverage for those who need financial assistance.</p>	<p>State offers lower cost product <i>on</i> the Marketplace to individuals and small employers; would be offered as a QHP, likely in partnership with an existing insurer.</p> <p>NM could capture potential savings under a waiver to further increase affordability.</p>	<p>State offers BHP for individuals with incomes below 200% FPL who are not Medicaid-eligible (including people who would be Medicaid eligible, but for their immigration status).</p> <p>Over time, NM could expand BHP through buy-in.</p>	<p>State offers Medicaid coverage to <i>everyone</i> (except individuals covered by Medicare); would be offered as a lower cost option <i>off</i> the Marketplace.</p> <p>Subsidy-eligible individuals could apply their subsidies to the cost of coverage.</p>
Off Marketplace	On Marketplace	Off Marketplace, Outside of Individual Marketplace	
No Federal Approval Needed	QHP Certification/ 1332 Waiver	1331 Authority (1332 Waiver for Buy-in)	1332 Waiver
Low Potential Enrollment	Moderate Potential Enrollment	Moderate Potential Enrollment	High Potential Enrollment
Low/Medium State Risk	Low/Medium State Risk	Low/Medium State Risk	High State Risk

Framework for Reviewing Options

To evaluate each buy-in option, the team has considered a number of design parameters and stakeholder perspectives.

Criteria for Evaluating Options

- ✓ Eligibility
- ✓ Benefit package
- ✓ Provider reimbursement/network
- ✓ Offeror (i.e., entity offering coverage)
- ✓ Risk pool
- ✓ Impact on individual market
- ✓ Impact on employer coverage
- ✓ Federal authority needed
- ✓ Source(s) of funding
- ✓ Estimated risk to the state
- ✓ Potential variations or ways to phase in
- ✓ Key stakeholder perspectives (beneficiaries/families, employers, providers, insurers, state)

Option 1: Targeted Medicaid Buy-in

The state would offer lower cost (Medicaid-like) coverage to individuals who are currently ineligible for subsidies; the state could subsidize buy-in coverage for lower-income individuals.

Design Parameters

Eligibility	<ul style="list-style-type: none"> Individuals who do not have access to Marketplace subsidies (e.g., individuals in the family glitch, those who do not qualify because of immigration status, those with incomes above 400% FPL)
Benefit package	<ul style="list-style-type: none"> Medicaid benefit package (could be modified to reduce costs, and individuals could be subject to some cost sharing, depending on income)
Offerer	<ul style="list-style-type: none"> Medicaid managed care plan (alternately, state could offer plan themselves, through fee-for-service/third party administrator)
Risk pool	<ul style="list-style-type: none"> Individual market, off Marketplace
Impact on individual market	<ul style="list-style-type: none"> Limited impact as this options targets those not receiving financial assistance Could improve risk pool if currently uninsured, healthier individuals enroll
Impact on small group market	<ul style="list-style-type: none"> Minimal – may be small drop-off in small group offering
Federal authority needed	<ul style="list-style-type: none"> No federal authority required
Source(s) of funding	<ul style="list-style-type: none"> State funding needed if coverage would be subsidized for lower-income populations
Risk to the state	<ul style="list-style-type: none"> Low/Medium – federal approval is not required, but state costs may vary relative to projections
Variation	<ul style="list-style-type: none"> Could be expanded to include certain individuals subject to 5-year bar from Medicaid (who currently have access to tax credits)

Option 2: Qualified Health Plan “Public Option”

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The state would make a lower-cost QHP “public option” available to individuals and small employers on the Marketplace.

Design Parameters	
Eligibility	<ul style="list-style-type: none"> Individuals who are eligible to purchase coverage on the Marketplace today (ACA rules) Small employers (who purchase coverage on or off the Marketplace)
Benefit package	<ul style="list-style-type: none"> Marketplace benefit package (Essential Health Benefits)
Offerer	<ul style="list-style-type: none"> Marketplace plan
Risk pool(s)	<ul style="list-style-type: none"> Individual market for individuals Small group for small employers
Impact on individual market	<ul style="list-style-type: none"> Depends on design – could have a positive impact on market through increased competition, or could decrease competition as offerors may struggle to compete with lower cost option
Impact on small group market	<ul style="list-style-type: none"> Depends on design – could have a positive impact on market through increased competition, or could decrease competition as offerors may struggle to compete with lower cost option
Federal authority needed	<ul style="list-style-type: none"> 1332 waiver, to capture savings that would otherwise go to the federal government (incurred as a result of a lower-cost benchmark plan and lower subsidies)
Source(s) of funding	<ul style="list-style-type: none"> Federal funding through 1332 waiver
Risk to the state	<ul style="list-style-type: none"> Low/Medium – would require state to accurately price public option; also must meet 1332 waiver and deficit neutrality requirements, but risk adjustment in place and state funding not necessary

Option 3: Basic Health Plan (BHP)

The state would create a new coverage option for lower-income populations who are eligible for Marketplace coverage, but may find paying for such coverage difficult.

Design Parameters	
Eligibility	<ul style="list-style-type: none"> Individuals with incomes 138-200% FPL Certain immigrant populations with incomes below 200% FPL who are excluded from Medicaid due to immigration status
Benefit package	<ul style="list-style-type: none"> Medicaid or Marketplace benefit package (<i>state decision</i>)
Offerer	<ul style="list-style-type: none"> Medicaid managed care plans or Marketplace plans (<i>state decision</i>)
Risk pool	<ul style="list-style-type: none"> New BHP risk pool
Impact on individual market	<ul style="list-style-type: none"> Potentially significant – would shift more than half (56%) of Marketplace enrollment into a new risk pool, which would significantly affect the individual market and Marketplace coverage; if population moving is healthier, then could lead to higher rates in individual market
Impact on small group market	<ul style="list-style-type: none"> None
Federal authority needed	<ul style="list-style-type: none"> 1331 (BHP) authority
Source(s) of funding	<ul style="list-style-type: none"> Federal government would pay state 95% of what it would otherwise spend on subsidies for eligible population <i>Variation:</i> If state chose to expand to cover new populations (e.g., family glitch and undocumented), state could need to supplement federal funding to cover these populations
Risk to the state	<ul style="list-style-type: none"> Low/Medium – funding would be per capita which means that the state would not be penalized if enrollment increased; would require state to submit BHP Blueprint for federal approval
Variation	<ul style="list-style-type: none"> Could be expanded over time, to allow individuals to <i>buy in</i> to BHP, but would require a 1332 waiver

Option 4: Medicaid Buy-in for All

The state would allow *anyone* to purchase lower cost Medicaid coverage; individuals currently receiving subsidies on the Marketplace could apply subsidies to cost of coverage.

Design Parameters	
Eligibility	<ul style="list-style-type: none"> Any individual who is currently not eligible for Medicaid or Medicare <i>Note: We are investigating the design features necessary to enable employers to choose this option for their employees*</i>
Benefit package	<ul style="list-style-type: none"> Medicaid
Offerer	<ul style="list-style-type: none"> Medicaid managed care plan or state (fee-for-service/third party administrator)
Risk pool	<ul style="list-style-type: none"> New “buy-in” risk pool
Impact on individual market	<ul style="list-style-type: none"> Potentially significant – depending on design, could shift enrollment and healthier risk out of the individual market
Impact on small group market	<ul style="list-style-type: none"> Potentially significant – depending on design, could shift enrollment and healthier risk out of the small group market
Federal authority needed	<ul style="list-style-type: none"> 1332 waiver
Source(s) of funding	<ul style="list-style-type: none"> Federal funding through 1332 waiver Potential state funding to offset costs related to adverse selection and to cover new populations (e.g., family glitch or undocumented)
Risk to the state	<ul style="list-style-type: none"> High – state likely to face the most risk with this option, as effects are uncertain <ul style="list-style-type: none"> Could lead to larger than anticipated enrollment and dramatically affect the size and viability of other markets May be difficult to predict consumer interest/uptake: population choosing option could be healthier than expected (and increase premiums for Marketplace) <i>or</i> sicker than expected (and increase costs for state) Increases in premiums for Marketplace could impact state’s ability to obtain a 1332 waiver

*The state would need to design the buy-in program to ensure it would qualify for employee/employer tax benefits.

Potential Buy-in Combinations and/or Phasing

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New Mexico could pursue different combinations of these options and/or phase them in over time.

**Option 1:
Targeted
Medicaid Buy-in**



**Option 2:
QHP Public
Option**

Implement targeted buy-in and public option to reach different populations

**Option 1:
Targeted
Medicaid Buy-in**



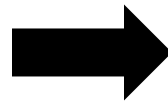
**Option 2:
QHP Public
Option**



**Option 4:
Medicaid Buy-in
for All**

Implement targeted buy-in and public option, then expand to buy-in for all over time

**Option 1:
Targeted
Medicaid Buy-in**



**Option 4:
Medicaid Buy-in
for All**

Start with targeted buy-in and expand to buy-in for all over time

**Option 3: Basic
Health Program**















**Option 4:
Medicaid Buy-in
for All**

Start with BHP and expand to buy-in for all over time

Comparison of Options

Comparing Options

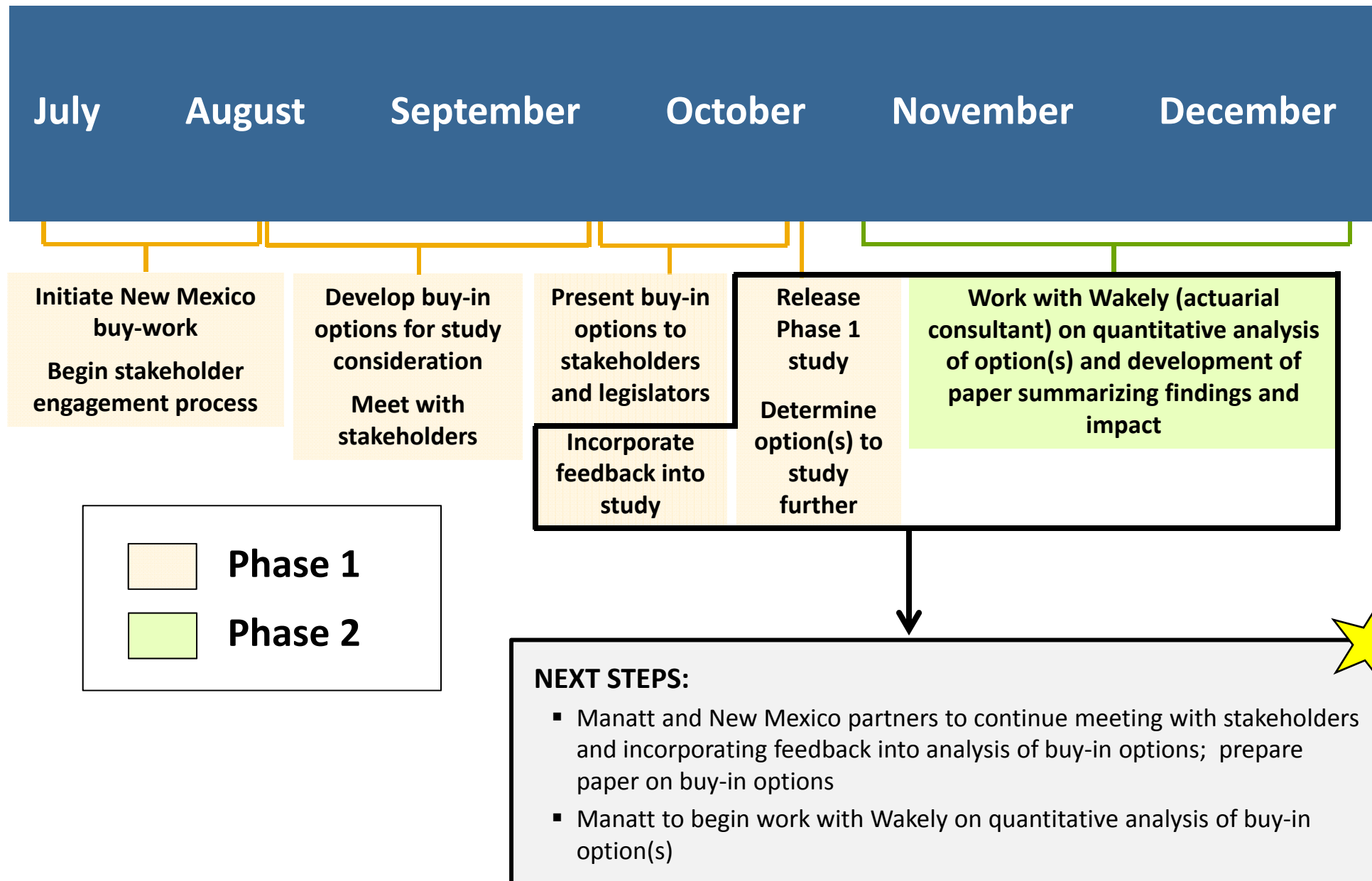
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Overarching Goals	Option 1: Targeted Medicaid Buy-in	Option 2: QHP Public Option	Option 3: Basic Health Program	Option 4: Medicaid Buy-in for All
Expand coverage to currently uninsured		 (could expand coverage to individuals who cannot afford it today)	 (to some, but not undocumented or family glitch above 200% FPL)	
Increase affordability	 (for some, but not all)	 (for some, but not all)	 (for some, but not all)	
Simplify health care for families	 (leverages existing infrastructure)	 (leverages existing infrastructure)	 (for some, if aligned with Medicaid)	

Next Steps

Next Steps

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Thank You!

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Appendix

Framework for Reviewing Options – *Design Parameters*

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Design Parameters

Eligibility	<ul style="list-style-type: none"> To whom would the option be available?
Benefit package	<ul style="list-style-type: none"> Would the coverage include the Medicaid benefit (vision, transportation and/or dental) package or the Marketplace Essential Health Benefit (EHB) benefit package?
Offerer	<ul style="list-style-type: none"> What type of plan would provide coverage?
Risk pool	<ul style="list-style-type: none"> Which risk pool (individual, employer, or other) would the option utilize?
Impact on individual market	<ul style="list-style-type: none"> What sort of impact would the option have on the current individual marketplace? (None, minimal, some, or significant)
Impact on employer coverage	<ul style="list-style-type: none"> What sort of impact would the option have on employer sponsored coverage? (None, minimal, some, or significant)
Federal authority needed	<ul style="list-style-type: none"> Is federal authority needed in order to implement the option? If so, what authority? (<i>See next slide for more information on different kinds of federal waivers</i>)
Source(s) of funding	<ul style="list-style-type: none"> How would the option be funded (e.g., through state dollars, federal dollars, other)?
Risk to the state	<ul style="list-style-type: none"> What is the level of estimated risk for the state to pursue the option? (High, medium, low)
Potential variations, as applicable	<ul style="list-style-type: none"> Are there potential variations of the option? If so, what are they?

Overview of Referenced Federal Authorities

1332 Waivers (State Innovation Waivers)

- Section 1332 of the Affordable Care Act (ACA) permits states to request waivers from HHS and the Treasury Department of four key components of the ACA:
 1. Individual mandate (*eliminated for 2019*)
 2. Employer mandate
 3. Benefits and subsidies
 4. Marketplace and QHPs
- A state waiver application must satisfy certain criteria (affordability, enrollment, comprehensive coverage, budget neutrality) in order to be granted by the federal government.

1331 (Basic Health Plan Authority)

- Section 1331 of the ACA permits states to create a Basic Health Program (BHP)—a health benefits coverage program for low-income individuals with incomes below 200% FPL who are not eligible for Medicaid (*including lawfully present non-citizens*), who would otherwise be eligible to purchase coverage through the Marketplace.
- BHP Benefits must include at least the essential health benefits specified in the ACA, and monthly premium and cost sharing cannot exceed what eligible individuals would have paid for QHP coverage on the Marketplace.
- States receive federal funding equal to 95% of the amount of federal premium tax credits and cost-sharing reductions that would have been available had the BHP-eligible individuals purchased coverage through the Marketplace. States must submit a “BHP Blueprint” to the federal government.

1115 Demonstration (Medicaid Waivers)

- Section 1115 of the Social Security Act authorizes the approval of State Medicaid demonstration projects, which are subject to evaluation, to give states additional flexibility to design and improve their programs, and are intended to demonstrate and evaluate policy approaches not typically allowed under Medicaid program rules, such as:
 - Expanding eligibility to populations not otherwise eligible for Medicaid;
 - Providing services not typically covered by Medicaid; or
 - Using innovative payment and delivery models.
- A state waiver application must satisfy certain criteria in order to be granted by the federal government.