

# Modeling a Medicaid Buy-in Option for New Mexico

Preliminary Findings

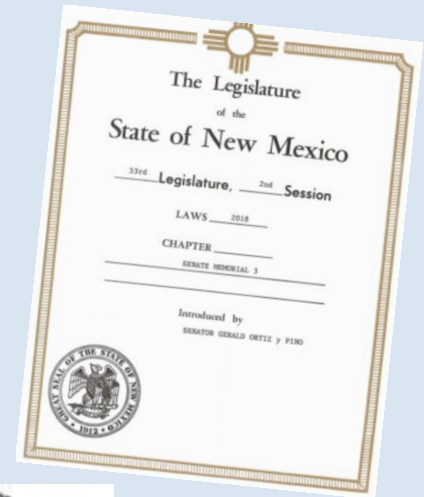
December 2018

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# Project Overview

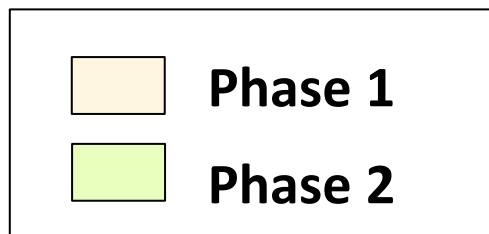
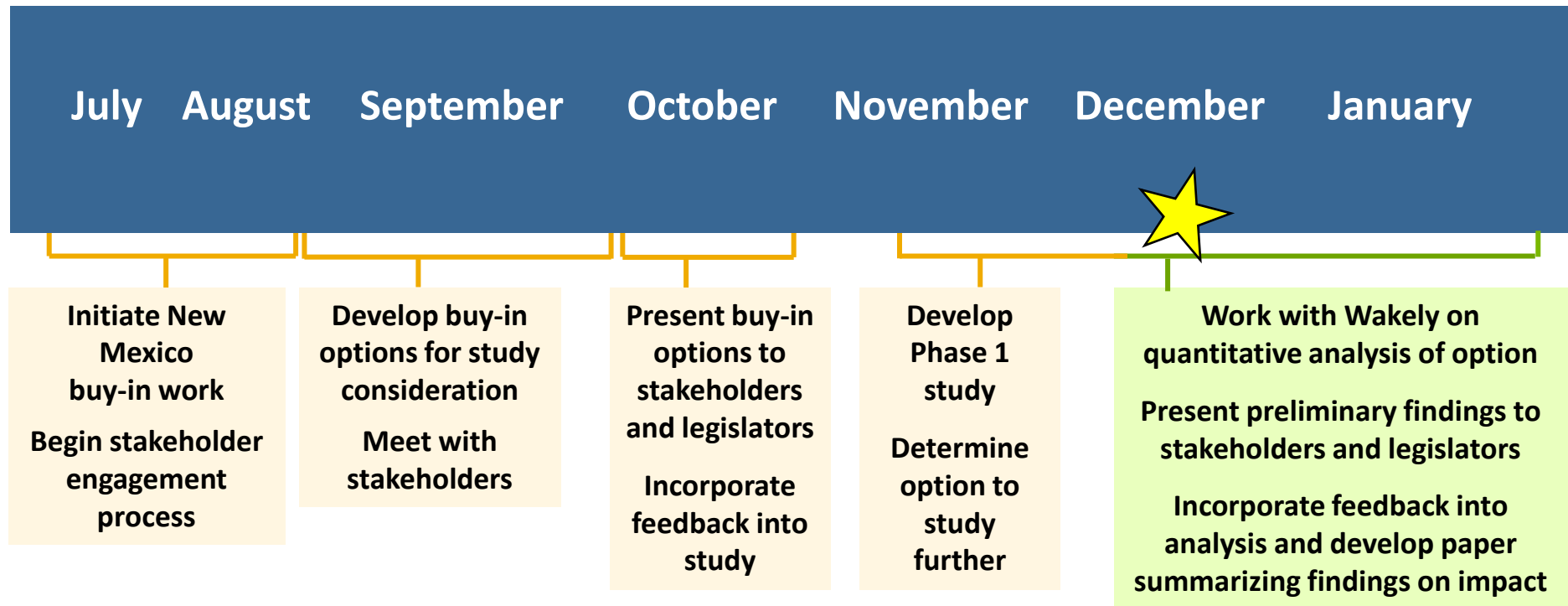
Manatt Health was engaged by *Health Action New Mexico* and the *New Mexico Center on Law and Poverty* to conduct a Medicaid buy-in study in accordance with Senate Memorial 3

- **Senate Memorial 3 and House Memorial 9** 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 generous support from the **Laura and John Arnold Foundation**, Manatt is completing a two-phased study:
  - ✓ **Phase 1:** Develop a paper that presents and qualitatively evaluates several options for a Medicaid buy-in that was shared with the legislature and other stakeholders. *Released today, December 7*
  - ★ **Phase 2:** Conduct a quantitative assessment, in partnership with Wakely Consulting, of selected option(s) to inform state decision making



# Phase 1 and 2 Timeline

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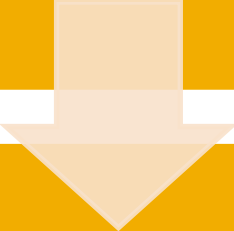
# Overarching Goals

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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***

# Current State of the Uninsured in New Mexico

88% of the uninsured in New Mexico are under 400% of FPL

## 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%)
<b>Total</b>	<b>186,996 (100%)</b>

*Among the uninsured there may be individuals affected by the “Family Glitch” – people who are ineligible for subsidies often because their spouse has access to employer-sponsored insurance (ESI) 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*

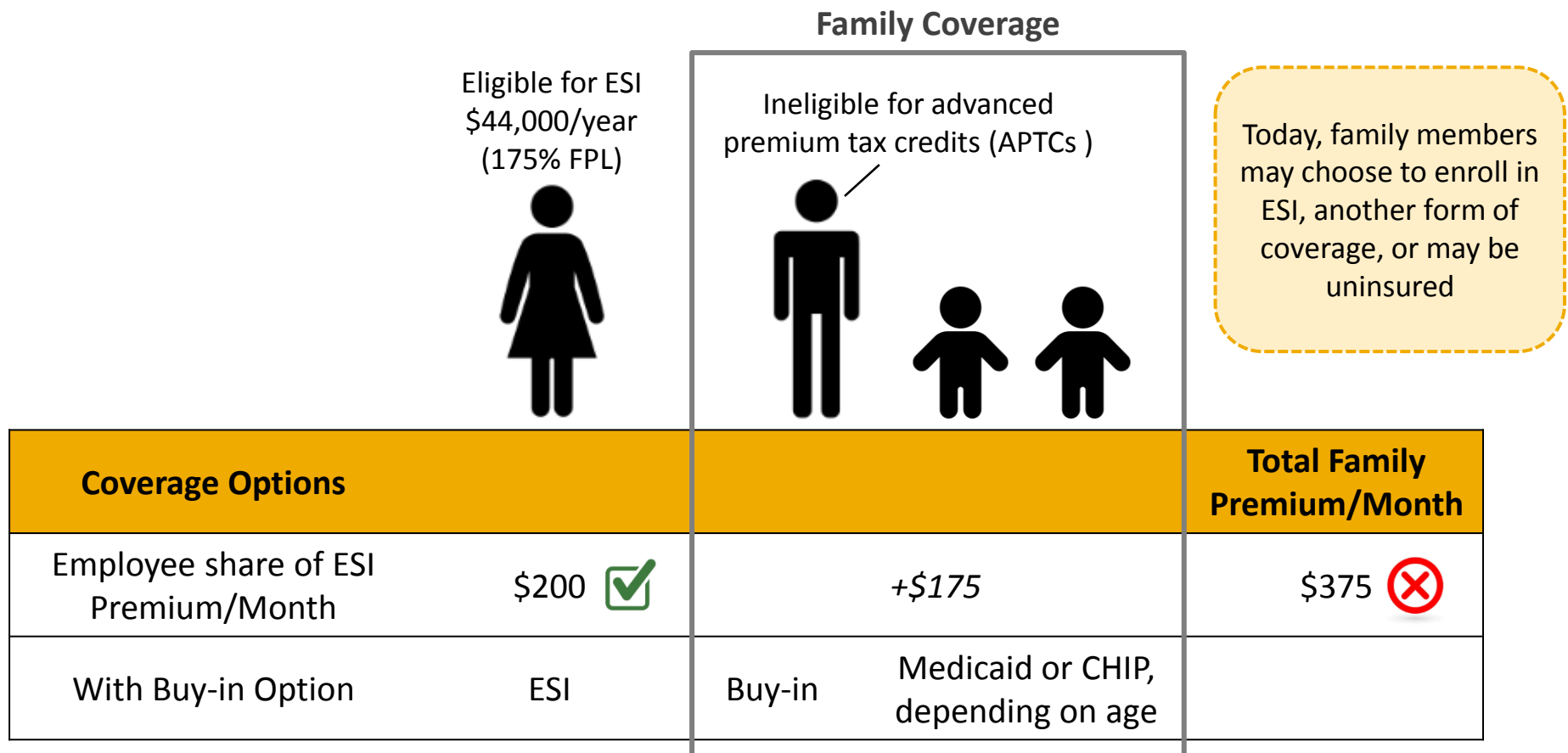
IBAC refers to the Interagency Benefits Advisory Council, which provides health coverage to Albuquerque Public Schools, the General Services Department, the New Mexico Public School Insurance Authority (NMPSIA), and the Retiree Health Care Authority

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

# Illustrative Example Explaining the Family Glitch

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Individuals affected by the “family glitch” are those where the family is offered employer insurance and the employee’s premium amount is “affordable” (i.e. less than 9.56% of income), which prevents other members from receiving subsidies, regardless of the additional premium cost of family coverage

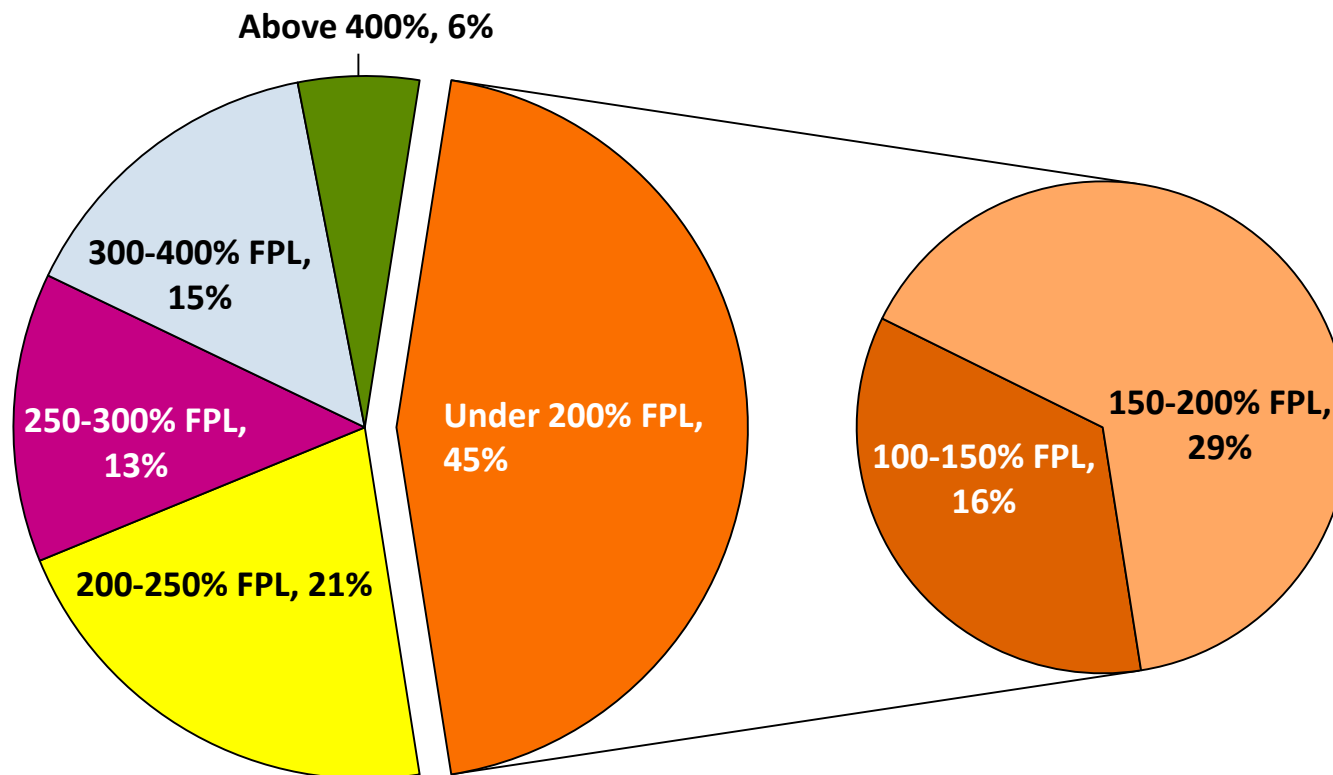


 Affordability

# 2018 New Mexico Marketplace Demographics

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](#)



# Phase 1 Considered Four Basic Buy-In Options

While Phase 2 focuses on modeling option one, the Targeted Medicaid Buy-In, the other three options remain under consideration. Manatt/Wakely will need to obtain additional data to fully assess the other options

Option One	Option Two	Option Three	Option Four
<b>Targeted Medicaid Buy-In</b>	<b>Qualified Health Plan (QHP) Public Option</b>	<b>Basic Health Program (BHP)</b>	<b>Medicaid Buy-In for All</b>
State offers Medicaid-like coverage <i>off</i> the Marketplace to those not eligible for Medicaid, Medicare, or subsidized Marketplace coverage.  NM could subsidize coverage for those who need financial assistance.	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.  NM could capture potential savings under a waiver to further increase affordability.	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).  Over time, NM could expand BHP through buy-in.	State offers Medicaid-like coverage to <i>everyone</i> (except individuals covered by Medicare); would be offered as a lower cost option <i>off</i> the Marketplace.  Subsidy-eligible individuals could apply their subsidies to the cost of coverage.
<b>Off Marketplace</b>	<b>On Marketplace</b>	<b>Off Marketplace, Outside of Individual Market</b>	
<b>No Federal Approval Needed</b>	<b>QHP Certification/ 1332 Waiver</b>	<b>1331 Authority (1332 Waiver for Buy-in)</b>	<b>1332 Waiver</b>
<b>Low Potential Enrollment</b>	<b>Moderate Potential Enrollment</b>	<b>Moderate Potential Enrollment</b>	<b>High Potential Enrollment</b>
<b>Low/Medium State Financial Responsibility</b>	<b>Low/Medium State Financial Responsibility</b>	<b>Low/Medium State Financial Responsibility</b>	<b>High State Financial Responsibility</b>

# Potential Buy-in Combinations and/or Phasing

New Mexico can adopt a coverage strategy that uses the Targeted Medicaid Buy-In as a bridge to, or in combination with, another buy-in option

**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 3: Basic  
Health Program**

*Start with targeted buy-in and expand to BHP + Buy-in*

**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*

# Potential Impact of New 1332 Guidance on Medicaid Buy-in

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The state should evaluate its approach for pursuing a 1332 waiver to support a Medicaid Buy-In in light of CMS' recently released new 1332 guidance, which expresses a strong preference for waivers that promote private health insurance over potential public/state-offered options

- The October 22 guidance outlines goals that the Administration believes waivers should achieve:
  - *Increased access to affordable private coverage*
  - *Sustainable spending growth*
  - *State innovation*
  - *Empower those in need*
  - *Promote consumer-driven healthcare*
- The guidance also relaxes the earlier standard that waivers do not provide less comprehensive or less affordable coverage to particular subgroups within the state
- While the new guidance does not directly address buy-in waivers, the preference for private coverage innovations may mean that buy-in products that partner with an existing insurer are more likely to receive approval

New Mexico can employ a multi-pronged strategy, including increasing its enrollment baseline, to maximize its opportunity for federal funding before obtaining a 1332 waiver to support a Medicaid buy-in



# Phase 2 Modeling

# Design Parameters for Targeted Medicaid Buy-in

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Wakely is modeling an approach where the state offers buy-in coverage—with subsidies for lower-income individuals—outside of BeWell NM to those currently ineligible for Marketplace or other coverage subsidies

## 1 Eligibility

Targets individuals who lack access to other subsidized coverage, including:

- Individuals ineligible for Medicaid, Medicare or Marketplace subsidies due to immigration status
- Individuals affected by the family glitch
- Individuals with incomes above 400% of the federal poverty level (FPL)

## 2 Benefit Package

- Essential health benefit (EHB) package
- Potential Medicaid benefit add-ons:
  - Dental
  - Vision

## 3 Premiums

- Individuals pay premiums
- NM subsidizes premiums for target population
- Mirrors the premium tax credit (PTC) structure offered for Marketplace coverage (premiums equal to 2.1%-6.5% of income)

## 4 Cost-Sharing/Deductibles

- Metal tiers and actuarial value (AV) levels mirror the Marketplace: Silver, Gold, Platinum (70 AV, 80 AV, 90 AV)
- Individuals below 200% FPL can also enroll in cost-sharing reduction plan variants that mirror those in the Marketplace (i.e., 87 AV and 94 AV)

# Key Questions for Phase 2 Modeling

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Wakely is estimating different scenarios to answer the following questions related to the Targeted Medicaid Buy-in and its potential implications for the existing New Mexico Marketplace

- What is the projected enrollment for the targeted buy-in among each of the target groups?
  - Non-citizens ineligible for Marketplace and other subsidized coverage who have incomes below 200% FPL
  - Dependents affected by family glitch (i.e., those whose dependents are offered “affordable” employer coverage) who are ineligible for Marketplace or other subsidized coverage and have incomes below 400% FPL
  - Those with incomes above 400% FPL
- How much would it cost New Mexico to subsidize coverage for the target populations?
- What are the premium costs to individuals for an essential health benefits package? What are the additional costs associated with covering dental and vision? How do the costs compare with current individual market offerings?
- What is the predicted impact on the existing individual market?

# Preliminary Results of Phase 2 Modeling: Subsidies

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## Comparison to Marketplace Offerings

Average buy-in premiums are projected to be 7% lower than estimated New Mexico Health Connection plans (about \$32 per member per month (PMPM) less— or \$421 PMPM). Individuals above 400% FPL and any other individuals unsubsidized by the state will pay this amount

### Proposed Premium Subsidy Ranges by Income for 2019\* if subsidized by New Mexico

Income % FPL	Annual Income for Single Individual	Premium Cap As a % of Income	Annual Premium Cap for Single Individual
Under 100%	<\$12,140	2.08%	<\$252
100-133%	\$12,140-16,146	2.08%	\$252-\$502
133-150%	\$16,146-\$18,210	3.11%-4.15%	\$502-\$752
150-200%	\$18,210-24,280	4.15%-6.54%	\$752-\$1588

**Premium subsidies use the buy-in silver plan as a benchmark**

# Preliminary Results of Phase 2 Modeling: Enrollment Scenarios 15

## Projected First-Year Enrollment in the Buy-In

Take-up scenarios	Eligible	High	Medium	Low	Very Low
<b>Immigration Status:</b> Individuals ineligible for the Marketplace due to immigration status, earning less than 200% of the FPL <i>(The model does not include currently include immigrants between 200-400% FPL*)</i>	17,000	6,450	2,900	1,500	750
<b>Family Glitch:</b> Spouses and children affected by family glitch earning less than 400% FPL	20,000-25,000	13,350		9,300	
<b>Unsubsidized:</b> Individuals earning more than 400% of the FPL	36,000	550	250	< 100	< 100
<b>Percent Take-Up in Year One**</b>		<b>25%</b>	<b>21%</b>	<b>14%</b>	<b>13%</b>
<b>Total</b>	<b>80,000</b>	<b>20,350</b>	<b>16,500</b>	<b>10,800</b>	<b>10,050</b>

\*The targeted buy-in would also subsidize the non-citizen group up to 400% FPL (with the total eligible population estimated at 35,000), but Wakely is limiting its current modeling of this group to those below 200% FPL due to data constraints.

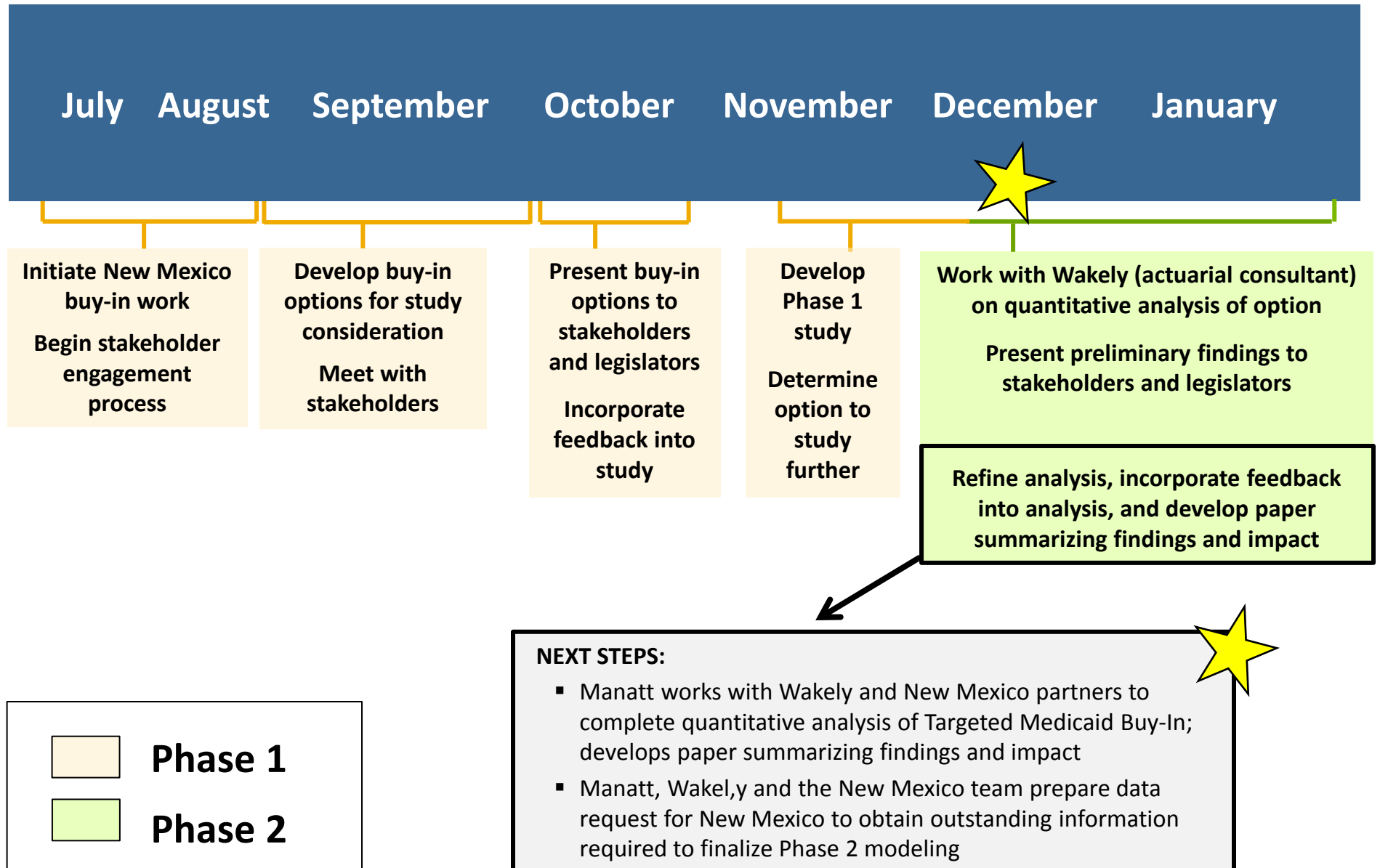
\*\*Figure is rounded to nearest percentage point; reflects total enrollment across groups divided by total number eligible.



## Next Steps

# Next Steps

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# Appendix

# Key Assumptions and Caveats for Phase 2 Modeling

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## Assumptions: Base Assumptions

- **Individual Market:** Wakely estimates that the 2020 individual market, absent policy changes, will decrease to approximately 50,000-55,000 enrollees. For purposes of modeling Wakely assumed the market would have approximately 51,000 members.
- **Medicaid Buy-In Rates:**
  - Assumed Medicaid buy-in rates aligned with lowest cost carrier in 2019 Individual Market
  - Reduced those rates further by removing Exchange User Fee costs and profit margin

## Assumptions: Take Up and Cost

- Wakely used the following assumptions to estimate take-up and cost
  - **Family Glitch:** Relied on national estimates from Buettgens et al (2016) and Nowak et al (2015) and applied to New Mexico. Morbidity estimates was based on Nowak et al (2015).
  - **Undocumented:** Relied on analysis of census data for size and income distribution of uninsured undocumented in New Mexico. Take-up estimates relied on current APTC take-up rates and adjusted for population coverage statistics, lower income of some of the population, and other factors to produce a range of outcomes.
  - **Utilization:** Estimated using Zallman et al (2018) data on immigrant utilization and adjusted for potential risk selection in take-up.
  - **Above 400% FPL:** Used a Council of Economic Advisors (2017) elasticity function to estimate the take-up coverage given a premium change.

Nowak et al (2015) "Alternatives to the ACA's Affordability Firewall"; [https://www.rand.org/pubs/research\\_reports/RR1296.html](https://www.rand.org/pubs/research_reports/RR1296.html)

Buettgens et al (2016) "Marketplace Subsidies: Changing the Family Glitch Reduce Health Spending But Increases Government Costs"  
<https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2015.1491>

# Key Assumptions and Caveats for Phase 2 Modeling

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## Assumptions: Additional Analysis

- **Benefit Wrap Costs**
  - Wakely estimated vision and dental costs using IBM MarketScan® data and Medicaid cost guides. Where possible, the New Mexico fee schedule was applied to national Medicaid utilization.
  - Non-Emergency Medicaid Transportation was not estimated because of extreme uncertainty given population utilization uncertainty, exact benefit structures, and lack of New Mexico specific diagnosis data.
- **Cost-Sharing Wrap Costs**
  - The under 200% FPL was estimated to have cost-sharing wraps of 100%. Costs were estimated to align cost-sharing variants (87%/94%) currently in the ACA market and then adjusted to 100%, accounting for the increased utilization due to the reduced cost-sharing.

## Caveats

- There is high uncertainty in these estimates for a variety of reasons:
  - New programs affecting new populations have large levels of uncertainty
  - Medicaid Buy-In estimates reflect key assumptions on unit costs, administration costs, individual market single risk pool estimates, and key operational estimates
  - Current political and individual market dynamics also produce uncertainty in terms of costs and enrollment
  - Given limitations in data, Wakely relied on national estimates and assumptions rather than state-specific data. To increase the accuracy of the estimates, Wakely suggests New Mexico specific data be utilized.
  - Wakely did not estimate shift within the individual market to the Medicaid Buy-In option. Given the lower premiums this transition in coverage. This could have implications for state operations and revenues
  - Wakely did not include potential implications that the Buy-In option may have how risk adjustment transfers.