

The Medicaid Buy-In Landscape: Goals, Options and Design Considerations

October 11, 2018

- **Purpose and Goals of Medicaid Buy-In**
- **Medicaid Buy-In Options**
- **Medicaid Buy-In Design Considerations**
- **Option Details**

A Medicaid buy-in is a state-sponsored insurance product that leverages Medicaid in some way to offer coverage for individuals with incomes above the Medicaid eligibility level

Depending on its design, a buy-in can meet key health reform goals:



Improving Marketplace Access and Competition



Increasing Consumer Affordability



Strengthening Coverage, Continuity, and Alignment

What Medicaid Buy-In Cannot Solve

- It is important to understand that a Medicaid buy-in is **not a panacea for everything**
- It is **not a one-size-fits all model** for providing universal coverage and increasing affordability
- It may **not be the simplest way to address high out-of-pocket costs** in the existing insurance market
- It **may not change behavior** among people who are currently eligible for other programs, but do not seek coverage

- States may have a range of goals, some of which might be in conflict
- Meeting multiple goals—even when goals do not directly conflict— can be a challenge: prioritization is key
- State policymakers will need to understand and account for divergent stakeholder perspectives (e.g., advocates, insurers, providers)

Medicaid Buy-In Options

Three Basic Buy-In Options

While each buy-in design will have state-specific variations, three basic options are beginning to emerge

Option One	Option Two	Option Three
State-Sponsored QHP	Targeted Buy-In	Broad Buy-In
<p>A product offered on the Marketplace as a qualified health plan (QHP), likely in partnership with an existing insurer</p> <p>A variation would be a state-sponsored product that does not meet QHP requirements</p>	<p>A buy-in product for targeted populations based on geographic region, age, or health status</p> <p>May function with a different risk pool than the rest of the individual market</p>	<p>The state makes Medicaid benefits available to all consumers above current Medicaid eligibility levels, as an off-Marketplace state-administered buy-in plan</p>
On Marketplace	Off-Marketplace; In or Out of Individual Market Pool	Off-Marketplace, Outside of Individual Market Pool
Marketplace-Eligible Populations, Seeking An Affordable Option	Targeted Populations	Anyone Interested In Affordable Coverage
QHP Certification or 1332 Waiver Authority	1332 Waiver	
Low	State Risk and State Control	
		High

Medicaid Buy-In Design Considerations

A key design feature of Medicaid buy-in programs is which population it is trying to reach and which access barriers it is trying to solve



Low income



Unsubsidized (over 400% federal poverty line (FPL), immigration status, etc.)



Uninsured



Health status/age



Geographic region



Small businesses

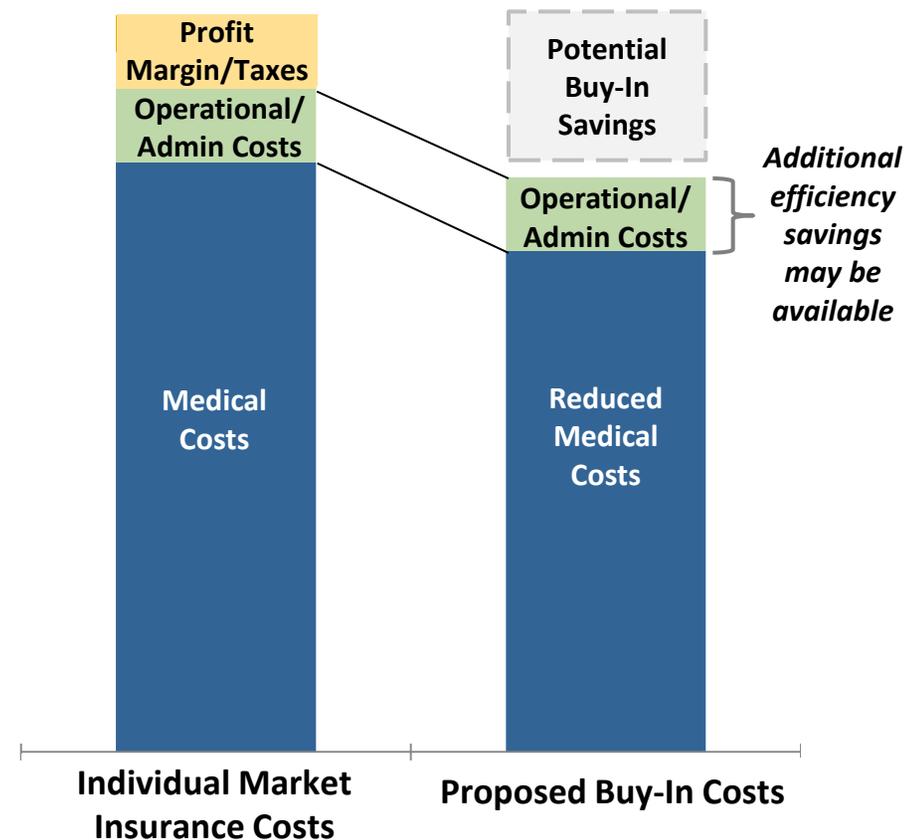
Benefits of a State Option

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 is less affected by market changes and more stable over time; it can also be more aligned with Medicaid

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

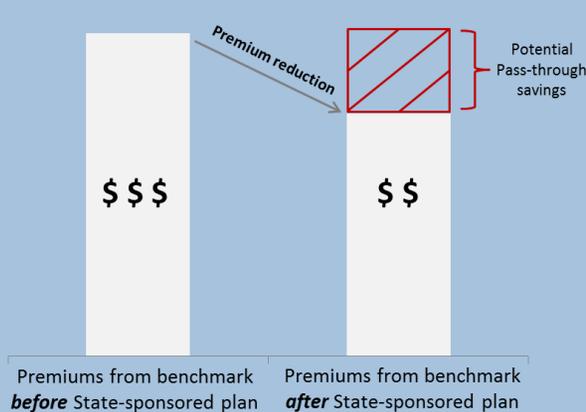


Medicaid Buy-In Program Parameters for Consideration

Design Elements	Possible Options
Eligibility	<ul style="list-style-type: none">• Marketplace eligible (subsidized and non-subsidized)• Targeted population (e.g., geography, age, health status etc.)• Open to all
Risk Pool	<ul style="list-style-type: none">• Part of or outside the individual market risk pool• Targeted by age or health status
Administration/ Delivery System	<ul style="list-style-type: none">• Offered on or off the Marketplace• Direct buy-in, administered by the state Medicaid agency• Partnership with a third party administrator (TPA)• Managed care contracting (e.g., existing Medicaid/CHIP, state employee plan, “tying” to other state contracting)
Provider Networks	<ul style="list-style-type: none">• Medicaid network• “Tying” provider participation linked to other programs (e.g., Medicaid)
Provider Rates	<ul style="list-style-type: none">• State-selected rates (e.g., Medicaid, Medicaid+, Medicare rates)
Benefit Design	<ul style="list-style-type: none">• Essential Health Benefits• Additional benefits (e.g., vision, dental, etc.)
Cost-Sharing	<ul style="list-style-type: none">• Marketplace cost-sharing tiers• More generous out-of-pocket plans

Marketplace Savings

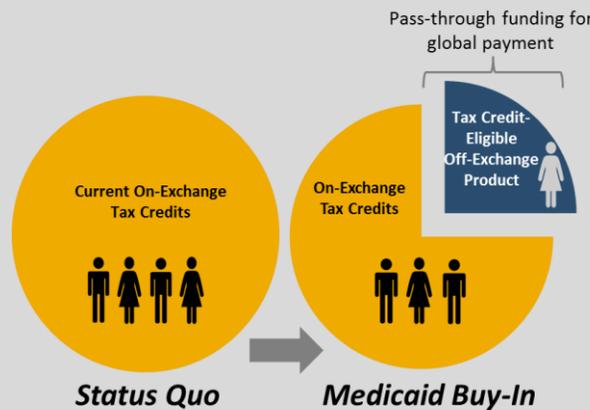
If a state-sponsored product **on the Marketplace** has a lower premium than current plans, it would reduce the benchmark for tax credit subsidies, thus reducing federal costs. Under a 1332 waiver, the state could receive pass-through funding for the value of those savings.



Tax Credit Transfer

A Medicaid buy-in **outside the individual market** would lower the number of individuals receiving tax credit subsidies on the Marketplace. Under a 1332 waiver, the state could receive those subsidies as a global payment.

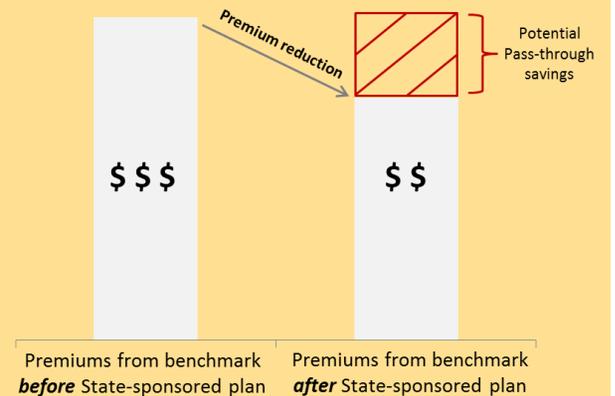
If the cost of the product was less than the value of the global payment, the state would be able to use those savings in the buy-in program.



High Risk Savings

Additionally, if, by design, the buy-in attracts a higher risk population than in the Marketplace, it could lower premiums in the individual market, thus lowering federal advanced premium tax credit (APTC) costs.

The state could be eligible for those pass-through savings through a 1332 waiver.



All section 1332 waivers must comply with guardrails protecting consumers and ensuring deficit neutrality

1 *Scope of Coverage*

The waiver must provide coverage to at least as many people as the ACA would provide without the waiver

2 *Comprehensive Coverage*

The waiver must provide coverage that is at least as “comprehensive” as coverage offered through the Marketplace

3 *Affordability*

The waiver must provide “coverage and cost-sharing protections against excessive out-of-pocket” spending that is at least as “affordable” as Marketplace coverage

4 *Federal Deficit*

The waiver must not increase the federal deficit including all changes in income, payroll, or excise tax revenue, as well as any other forms of revenue

However, even if guardrails are met, there is limited precedent and waivers are always under Treasury and HHS discretion. It is unclear how this Administration will respond to new coverage option waivers



Medicaid buy-ins will have implications for that must be considered during program design

★ **Impact to Existing Insurance Markets:**

- Impact on the existing market will depend, in large part, on who is attracted to the buy-in
 - ◆ If too many healthy individuals shift to the buy-in, premiums may increase in the existing market, which could prevent a 1332 waiver from being approved
 - ◆ If the buy-in attracts less healthy risk, under a low cost-sharing design, premiums on the existing market may decrease in response
- The buy-in could also result in existing market destabilization if too many enrollees transition to the product and insurers increase premiums or drop out of the market in response
- Mitigation strategies are available, including limiting enrollment to certain populations to better control/predict changes in the buy-in risk pool

★ **Impact to the State:** Under a global pass-through payment, the state may be at greater financial risk if the buy-in is in a separate risk pool and attracts individuals with higher than anticipated health risk

Medicaid Buy-In Option Details

Three Basic Buy-In Options



Program Design

- The state contracts with an insurer/managed care organization that has networks in other markets (e.g., individual market, state employee plans, Medicaid/CHIP)
- The product would meet federal and state rating rules; the state would leverage its purchasing power, perhaps across multiple products (Medicaid, Buy-in, SEBP), to maximize premium affordability
- The product would be designed to meet QHP standards to qualify for APTCs, without a 1332 waiver
 - **Variation:** If the state seeks to alter QHP requirements, it could apply for a 1332 waiver
- State could apply for 1332 waiver to capture savings

Target Population:

Individuals who currently qualify for individual market coverage, seeking a more affordable option

Implementation Considerations

- **Authority:** Depending on the plan design, this option may not require federal approval
- **Administrative Partners:**
 - Requires close collaboration between Medicaid and insurance agencies
 - By partnering with an existing insurer, the state will have some flexibility to lower costs through administrative savings
- **Risk Considerations:** Under this option, the state will face limited risk

Program Design

- The state extends Medicaid-like coverage outside the Marketplace to selected populations, depending on its goals. For example, a geographic region with unmet needs, or to function as a high-risk pool for high-cost, high-need populations
- The state sets reimbursement rates, develops appropriate cost-sharing levels, and administers the product through the state Medicaid agency and a TPA
- The state can finance this product through federal tax credits and enrollee premium contributions; as well as pass-through savings under a high-risk design, if a 1332 is approved
- **Variation:** Could be designed in or outside of the individual market

Potential Target Populations:

Individuals in geographic areas with limited insurance options

Individuals with higher than average medical needs

Individuals who are unsubsidized in the Marketplace

Implementation Considerations

- **Authority:** Requires 1332 for use of tax credits and pass-through savings outside the Marketplace and there may be additional statutory considerations, depending on design; No guarantee that these waivers will be approved by CMS
- **Eligibility:** The state could consider eligibility limits or benefit changes for better actuarial predictions (e.g., geographic or income limits) or to limit the buy-in's impact on other markets
- **Risk Considerations:** Offering this option outside of the individual market will impact the individual market risk pool and may have financial risks or savings to the state

Program Design

- The state offers a Medicaid-like buy-in product to everyone, regardless of income, geography, immigrant status etc., using the Medicaid delivery infrastructure
- The state sets reimbursement rates, develops appropriate cost-sharing levels, and administers the product
- Financing is available through federal tax credits for eligible enrollees (under a 1332 waiver) and enrollee premium contributions
 - Presumably state funding would be necessary to subsidize premiums for some enrollees
- A potential glide path to single-payer, if the individual market and employer markets are disrupted

Target Population:

Everyone interested in more affordable health care options

Implementation Considerations

- **Authority:** Requires a 1332 waiver for use of tax credits and there may be additional statutory considerations depending on design; no guarantee that these waivers will be approved by CMS
- **Financing:** Funding mechanisms and administration will require planning and coordination with federal and state officials (e.g., lump sum vs. per enrollee, risk adjustment participation, savings usage restrictions, pass through savings etc.)
- **Risk Considerations:** Opening the buy-in to all, with a separate risk pool, results in uncertainty about the health profile of enrollees and the subsequent impact on existing markets, and state risk under a global federal tax credit payment

Some states are considering additional buy-in design options that warrant further discussion



Leveraging State employee plans: By allowing state residents to purchase into a State employee plan, or tying state employee plan insurers to offering another affordable product in the Marketplace



The Basic Health Plan (BHP) model: States could pursue a 1332 to redesign and expand BHP plans to individuals with higher income eligibility, allowing them a choice to buy-in to the program



Extending coverage options to small businesses: Under multiple buy-in designs, the state could tailor the buy-in product as an additional option for small businesses



Patti Boozang
Senior Managing Director

212-790-4523

PBoozang@manatt.com



Chiquita Brooks-LaSure
Managing Director

202-585-6636

CBrooks-LaSure@manatt.com