KANSAS HEALTH POLICY AUTHORITY
LEGISLATIVE COORDINATING COUNCIL STUDY #4
Medicaid Buy-in for Those Leaving Medicaid

Background

The Kansas Medicaid program serves vulnerable populations by providing comprehensive medical coverage with very limited cost sharing. In order to qualify, adults must either be disabled, elderly, or the caretaker of at least one minor child and must meet other requirements. Among the additional requirements are Kansas residency, citizenship, and supplying a valid social security number. By far, the most restrictive requirements that applicants must meet are the financial requirements to participate in the program.

For those with very few assets (generally around $2,000 or less) and very low income—a fraction of the Federal Poverty Level (FPL)—adults may qualify for comprehensive health care coverage. For those whose income or assets exceed the requirements, Kansas does not provide an option for them to "buy-in" to, or purchase their own, coverage through the Medicaid program. The 2008 Legislature requested that KHPA study the potential of allowing individuals leaving Medicaid the option to buy-in to it.

Assumptions

First, the question targets those who qualify for Medicaid and are leaving the program, presumably due to an increase in income; therefore, this study focuses on able-bodied adults with children who gain employment and leave the Medicaid program as a result of increased earnings. Elderly adults are covered by Medicare, so a buy-in option would not be appropriate for that group. Disabled adults already have a buy-in option through the *WorkingHealthy* program. The remaining population with few health insurance options after becoming ineligible for Medicaid due to an increase in earnings is the able-bodied adult population with children.

It should be noted that this population does not include able-bodied, non-elderly adults with no children. There currently is no Medicaid option for this population in Kansas. Given that this study is only looking at those leaving Medicaid and not any populations that have not been previously served by Medicaid, this study will not address the non-disabled, non-elderly, uninsured, childless adults.

Secondly, this study presumes that a buy-in program would include no subsidy from either federal or State funds because all public programs will have been exhausted for the covered individuals. The costs stated in the study will reflect the actual per member per month cost of covering this population in Medicaid, all of which would be born by the individual(s) covered. Given this assumption, there are no Medicaid laws or regulations that preclude the state from offering the Medicaid package to uninsured individuals or to having the Medicaid agency administer said program. The Medicaid Management Information System (MMIS) could administer claims payment and managed care assignments, although modifications made to it for this purpose would have to be financed with State dollars.

Finally, this study considers the full Medicaid benefit package being offered to people leaving Medicaid. It would be the state's option to offer a more restricted package, but given the unlimited number of possibilities for a limited package, this study only considers the full package of benefits.

Population

Nearly one-third of all non-elderly adults in the United States live in households with less than 200% of the FPL[1]. This income threshold translates to a maximum of $2,934 gross income per month, or $35,208 per year, for a family of three[2]. To maintain a relatively meager existence, a family of three can easily spend $2,000 or more per month just on basic necessities such as housing, transportation, food, utilities, clothing, and child care. Many people working at jobs that pay less than 200% of poverty do not have access to insurance through their employers. It is understandable, then, that 27% of non-elderly Kansas adults are uninsured as compared to only 8% above 200% of the FPL[3].

Medicaid

In order for a non-disabled parent to meet the financial requirements for Medicaid, the family must have income that meets financial thresholds that are not directly tied to the FPL. However, the highest a family can make would be comparable to about 30% of the FPL. For a family of three, this translates to $440 gross income per month, or about $5,300 per year. A family of three could not have more than one person working more than 15 hours per week at the federal minimum wage of $6.55 per hour and be eligible for this Medicaid coverage.

Once the family is eligible, however, there are some incentives to gaining full-time employment. In order to allow people to transition into employment without losing their health care coverage, Kansas Medicaid disregards 40% of earned income for these families. This means that the one person in this family of three could increase to approximately 26 hours per week at minimum wage before becoming ineligible for this Medicaid program. Kansas also disregards actual out-of-pocket child care expenses if the child care is for purposes of employment. The allowable expenses are capped at certain amounts depending on the age of the child. Because this population generally qualifies for child care subsidies and because child care expenses vary by household, they have not been included in these calculations.

At the point the family's income exceeds this program's limit; however, the adults in the family do not automatically lose Medicaid coverage. As long as their gross income remains below 185% of the FPL, the family can qualify for full Medicaid coverage for up to one full year under the transitional medical program. This group does not get the 40% earnings disregard, but child care expenses are still deducted from the gross income. This allows the family to earn up to $2,714 per month, or nearly $33,000 per year for a family of three. This would allow two people in the household to be employed full time at minimum wage, or to have one wage earner making about $15 per hour. While the KAECSES eligibility system makes it impossible to obtain earnings information for this transitional medical population, it is clear that very few people leaving Medicaid get close to the 185% income limit. As such, the vast majority of adults who lose coverage because their time on transitional medical coverage has run out and their income

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[1] Kaiser Family State Health Facts retrieved on December 17, 2008 from http://www.statehealthfacts.org/profileind.jsp?ind=141&cat=3&rgn=18.

[2] Kansas Economic and Employment Services Manual, Appendix F, Item F-8. Retrieved on December 17, 2008 from http://www.srskansas.org/KEESM/Appendix/F-8_ma_program_standards_05_08.pdf.

[3] Kaiser Family State Health Facts retrieved on December 17, 2008 from http://www.statehealthfacts.org/profileind.jsp?ind=141&cat=3&rgn=18.

exceeds the maximum for other Medicaid coverage, are earning considerably less than 185% of poverty, or $33,000 per year for a household of three.

Cost for Buy-in

Adult participants in this Medicaid population's average monthly expenditures FY 2008 were about $405 per member per month. Assuming a 10% administrative cost, the total cost of the plan would be approximately $446 per member per month. For children, the average monthly expenditure is $181 in this population group. Assuming a 10% administrative cost, the total cost of the plan would be $200 per member per month.

Because the vast majority of the people leaving Medicaid are well below 185% FPL, their children would continue to be covered under Medicaid or SCHIP. This study will focus on the cost and likelihood that adults would choose a buy-in option upon losing Medicaid coverage.

In fiscal year 2008, the transitional medical program served an average of 6,600 people per month. The unduplicated total of people served was over 17,000. This means that approximately 10,000 people left the transitional medical program, due to the expiration of their time limit, throughout the year. Each of these individuals would be eligible to purchase medical coverage through this buy-in program. Considering the income level of most of these households, it seems likely that most individuals would be interested in purchasing coverage, but given the cost, it seems unlikely that any of them would be able to afford to purchase unsubsidized coverage.

Table 1 illustrates the percentage of monthly income a Medicaid buy-in might cost three different families.

Table 1
Examples of Medicaid Buy-in

FAMILY SIZE	GROSS MONTHLY INCOME	PERCENT OF FPL	MONTHLY PREMIUM	PERCENT OF GROSS INCOME
3	$1,325	90%	$446	34%
4	$2,250	127%	$902	40%
4	$2,845	162%	$922*	33%

*Includes $20/month premium for SCHIP for one child

For example, a family of three with one parent working full time at minimum wage and receiving $200 per month in child support has a gross family income of about $1,325 per month, or about 90% FPL. For this family, the children continue to receive medical coverage under the Medicaid program. To provide health insurance coverage through the buy-in program, the family would spend about $446 per month on premiums, or about 34% of their gross income on health insurance.

Another example might be a family of four where both mother and father work full time at minimum wage. Total gross family income is $2,250 per month, or about 127% FPL. Again, the children are still eligible for coverage under Medicaid or SCHIP, but the total cost of insurance for both parents will be $902 per month or about 40% of the family's income.

A third example considers the same family with one parent having a slightly higher wage, perhaps $10.00 per hour, and the other parent earning minimum wage. The total income in the household is $2,845. This is about 162% FPL. The children continue to be eligible for SCHIP with a premium of $20 per month. Insurance for both parents will cost $902 per month. The total for the family would be $922 per month, or nearly one-third of the family's gross income.

Conclusion

The Medicaid program provides a comprehensive benefit package to low-income wage earners. However, when the adults' income increases and time-limits have expired, no subsidized insurance options remain. There are few options for these low-income parents. While the option to buy-in to the Medicaid program would undoubtedly sound attractive to someone facing the loss of coverage, it seems unlikely that many families will be able to spend between 30% and 40% of their gross household income on insurance coverage.