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Examining MaineCare's Coverage Options Under the Affordable Care Act

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HEALTH POLICY COLLOQUIUM BRIEF

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Note: This *Health Policy Colloquium Brief* was developed before recent legislative activity and statements by Governor LePage regarding accessing federal funds to cover more Mainers in MaineCare. Should policy decisions be made prior to the April 8 colloquium, speakers will expand their discussion to issues in the ACA beyond MaineCare coverage.

Background

The Affordable Care Act (ACA) was designed to achieve nearly universal access to health coverage in the United States—in part by standardizing Medicaid eligibility across the country so that each state's program would cover individuals with incomes below 138% of the federal poverty level (FPL), or $15,856 for an individual and $32,499 for a family of four in 2013 (see Figure 1).[i] However, in June 2012, the U.S. Supreme Court determined that states could not be required to broaden Medicaid and retained the decision as a state option. States that choose to participate may do so by amending their state Medicaid plans, and there is no explicit deadline for this decision. Should a participating state choose to discontinue its participation in the future, it may do so without penalty through another state plan amendment.

The Medicaid program is a shared responsibility of the federal and state governments. Currently, in Maine, for every $38 the state spends, the federal government matches that contribution with $62. This is known as the match rate or FMAP.

Figure 1: Income by Family Size and Federal Poverty Level (FPL) in 2013

Family Size	100% FPL	138% FPL	200% FPL	400% FPL
1	$11,490	$15,856	$22,980	$45,960
2	15,510	$21,404	31,020	62,040
3	19,530	$26,951	39,060	78,120
4	23,550	$32,499	47,100	94,200
5	27,570	$38,047	55,140	110,280
6	31,590	$43,594	63,180	126,360
7	35,610	$49,142	71,220	142,440
8	39,630	$54,689	79,260	158,520

i The ACA provides Medicaid coverage for adults with "modified adjusted gross income" (MAGI) of up to 133% FPL. As MAGI calculations include an automatic disregard of 5% of income, the effective eligibility threshold is 138% FPL.

The Muskie School is convening a series of colloquia to inform health policy debate in Maine. A colloquium is a conversation in which experts from various perspectives inform and engage the broader community to explore critical issues in health policy.

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The federal government calculates the FMAP annually based on a formula that compares the average income per person in each state to that of the nation as a whole. As a result, the FMAP changes as incomes change. The Congress temporarily raised the FMAP during the recent recession as a provision in the American Recovery and Reinvestment Act. The ACA uses the FMAP to create incentives for states to participate in the new Medicaid program by covering 100% of the costs associated with service use for the first three years (2014-2016) and no less than 90% in later years (referred to as the "full" ACA match). However, this full ACA match rate is only applicable to "newly eligible" populations, defined as those non-disabled adults under age 65 who were not eligible for coverage by their state plan or a waiver[ii] on December 1, 2009.

The Marketplace refers to state or federally run affordable insurance exchanges where individuals can purchase private coverage and receive federal subsidies if they are eligible.

In addition to increased Medicaid funding, in January 2014, the ACA will provide federally subsidized health care coverage for individuals with incomes up to 400% FPL. For individuals with incomes between 100-400% FPL, not otherwise eligible for Medicaid in a state, coverage will be subsidized by federally funded tax credits through health insurance exchanges, now known as the "Marketplace." Those under 100% FPL are not eligible for Marketplace subsidies but could be eligible for Medicaid, depending upon state decisions. Even if Maine does not choose to cover all those newly eligible under the ACA, beginning in 2014, MaineCare must extend eligibility for children aging out of foster care until they are 26, regardless of income.[iii]

Who are the "Newly Eligible" who qualify for higher ACA funding?

In Maine, because a waiver program was operational in 2009 that covered childless adults to 100% FPL, the newly eligible would be those childless adults with incomes between 100% and 138% FPL (see Figure 2). However, the ACA recognized that a

Figure 2: Current MaineCare Eligibility

Eligibility Category	Current Eligibility	ACA "New Eligibles"
Pregnant Women	Up to 200% FPL	--
Young Adults (aged 19-20)	Up to 150% FPL	--
Parents	Up to 133% FPL	--
Childless Adults (aged 21-64)	Up to 100% FPL*	100%-138%

* Enrollment for this group has been capped, so a significant proportion of these individuals would also be designated newly eligible.

ii Until passage of the ACA, non-disabled childless adults were not a group eligible for Medicaid coverage except through a federally approved "waiver" to a state's Medicaid program. Medicaid law allows the federal government to "waive" certain regulations and provisions of the law if a state proposes an innovation that meets federal guidelines and is approved by the federal government. In 2002, Maine sought and received approval for a childless adult waiver to cover this population up to 100% FPL.

iii Between 2005 and 2012, an average of 170 children aged out of foster care each year. Assuming each would be eligible for seven years (ages 20-26), this suggests that as many as 1,200 young adults formerly in foster care may be eligible for coverage in any give year (Source: Maine Children's Alliance analyses of data from the U.S. Department of Health and Human Services, Administration for Children and Families, Adoption and Foster Care Analysis and Reporting System (AFCARS) for 2005-2010 and the Maine Department of Human Services (federal fiscal years 2011 and 2012).

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small number of states, including Maine, had expanded eligibility before enactment of the ACA and made special provisions for them. First, because Maine's waiver program capped enrollment due to budget pressures, those childless adults who could not be served and were on a waiting list are eligible for the full ACA match. Second, those childless adults already served in Maine's current waiver are eligible for an enhanced match that gradually reaches 90% by 2019. That is, if Maine participates, the childless adults currently enrolled under the State's waiver would qualify for a significantly higher federal payment than the current federal match (See Figure 3), although not as high as the full ACA match. The provisions to assist the early expansion states do not provide enhanced match for higher income parents already covered. In Maine, parents up to 138% FPL will continue to be funded at the approximately 62/38 FMAP, although states that had not previously increased eligibility for parents will benefit from the higher ACA match rate.

Figure 3: Enhanced Federal Match Rate for Maine's Childless Adult Waiver Population

Year	Full Federal Match	Maine's Regular Match (FY 2014)	Enhanced Match for Childless Adults*
2014	100%	61.55%	81%
2016	100%	--	85%
2016	100%	--	88%
2017	95%	--	88%
2018	94%	--	91%
2019	93%	--	93%
2020 on	90%	--	90%

* This number is calculated from the "transition-matching rate" for expansion population, applied to Maine's FY 2014 FMAP rate. Maine's regular match rate beyond FY 2014 is unknown, but expected to remain near 60%. Note that this is the minimum match rate for the childless adult population. Those that are eligible but not enrolled because of the cap would receive the full ACA match; in addition, should the childless adult benefit plan fail to meet "benchmark" value, the entire population should be eligible for the full match.

Finally, the definition of who is newly eligible is based not just on income and previous coverage but on benefit design. Specifically, Maine's childless adult waiver program does not provide full Medicaid coverage. The law and recent federal guidance requires coverage that has an actuarial value equivalent to a "benchmark" plan. If the U.S. Department of Health and Human Services (HHS) determines, upon actuarial review, that the benefits in the childless adult waiver program do not meet this threshold, then that group—the current enrollees in the childless adult waiver—would be considered newly eligible and qualify for the full ACA match (100% federal funding for 3 years and no less than 90% in later years).

In addition to higher rates of federal cost sharing, the new program gives states greater flexibility in designing the benefits for newly eligible adults, allowing them to diverge from standard Medicaid coverage and offer benefits more like products in the commercial market (although they must still comply with some basic federal benefit standards).

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What are the Estimates of Maine's Eligible Population?

An estimated 46,000 uninsured individuals would be newly eligible for MaineCare.

An estimated 46,000 uninsured individuals,[1] nearly all of whom will be adults without children, would be newly eligible for Medicaid should Maine decide to participate in the ACA optional Medicaid coverage. Of these, approximately 14,000 have incomes between 100% and 133% FPL, while an estimated 32,000 have current incomes below 100% FPL (presumably individuals eligible for Maine's childless waiver but not enrolled because of the cap or other reason).

In addition to the newly eligible population, another estimated 13,000 uninsured Maine adults are considered currently eligible for Medicaid but have not enrolled.[1] Although estimates do not specify the characteristics of this group, they would presumably be parents or young adults that are eligible (see Figure 2) but have not actually enrolled in MaineCare. As noted above, costs associated with this group would be matched by federal funds at Maine's current FMAP rate (62%). Whether or not Maine accepts ACA Medicaid funding, these individuals are currently eligible for MaineCare and may choose to enroll when the ACA mandate for coverage takes effect in 2014.

If Maine chooses not to participate in the ACA optional Medicaid program, the 14,000 uninsured childless adults with incomes between 100% and 138% FPL referenced above would be eligible to participate in subsidized coverage through the federal Marketplace, although there is disagreement over the affordability of these plans for this group.[iv] The 32,000 uninsured childless adults with incomes below 100% FPL would be ineligible for any subsidy through the Marketplace.

Continued coverage for currently eligible populations in Maine is uncertain.

Continued coverage for currently eligible populations in Maine is uncertain. The ACA requires states to maintain current eligibility standards (called the "maintenance of effort," or MOE, provision). As a result, a request from Maine to the federal government to roll back parent eligibility to 100% FPL was denied and their eligibility will be retained at 138% FPL. However, each state's MOE provision expires when its Marketplace, whether state- or federally-run, is certified as fully operational. At that time (presumably January 1, 2014), Maine could again request that parents' eligibility be capped at 100%. And, although Maine currently covers childless adults up to 100% FPL, this waiver expires 12/31/2013. The proposed biennial budget for state fiscal years 2014 and 2015 does not include funding beyond the waiver expiration date. If the state elects the ACA optional coverage, those now on the waiver will be eligible for enhanced federal match (Figure 3), but that would require the appropriation of additional state funds to meet matching requirements. Alternatively, if the federal government determines that childless adults do not meet the standard for benchmark coverage, they will be eligible for the higher ACA match.

iv In 2012, Maine chose not to establish its own state-run Marketplace so Maine residents will enroll in qualified health plans through the federal Marketplace.

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As of March 14, 2013, 25 states had decided to participate in the new Medicaid program.

States pursuing new Medicaid funding seek to reduce the number of uninsured.

Some states question the reliability of future federal funds.

What are States Deciding?

As of March 14, 2013, 25 states had decided to participate in the new Medicaid program and another two are considered likely participants. Twenty-three states, including Maine, have either decided not to participate, are leaning in that direction, or are undecided. Recently, Arkansas approached the federal government with an alternative plan—they propose to cover individuals up to 138% FPL by purchasing private insurance for them rather than expanding Medicaid. This proposal, which has been approved in concept by the federal government, has provoked considerable interest and may become a model for other states although questions remain about how it would be structured and function.

Weighing the Decision to Participate

States' reported reasons for pursuing the new Medicaid funding have varied, but most note that reducing the number of uninsured in their state is a primary consideration, particularly given that individuals are now required by the ACA to have health insurance.

Others have indicated that the program offers a strong financial benefit. First, by covering many uninsured, health care providers will face less uncompensated care—a cost that is ultimately passed on to other consumers, including the privately insured. And, over time, the ACA reduces funds now available to hospitals to help cover the cost of uncompensated care, creating additional motivation to assure people have coverage. In addition, proponents argue that the high federal match will bring substantial new revenue to states that would, in turn, lead to job creation in the health care industry and spread to other sectors. Although states will ultimately be required to pay up to 10% of the service costs for the newly covered population, many have decided that it is a good investment given these benefits.

States that are reluctant, or unwilling, to participate in the new program question the reliability of future federal funds, especially given the current budget and deficit debate and argue that the marketplace, not a government program, should be the strategy to increase health coverage. Leaders of these states note that Medicaid programs already face many challenges to financial solvency and their ability to meet current state costs related to coverage and thus should not undertake any new obligation. They raise doubts about the estimated impact on uncompensated care.

Proponents of participation note that the federal government has consistently met its promise to the states in maintaining federal funding. The FMAP increase included in the American Recovery and Reinvestment Act, often cited by opponents as proof of the uncertainty of the sustainability of federal funds, was always intended to be temporary and a means to help states through the recession. Moreover, in the event that federal funds do not materialize, or should states be unable to meet the 10% cost share for the optional Medicaid populations, the federal government has made clear that states could opt out of the coverage at any time.

Another concern expressed by opponents of expansion has been the financial and administrative burden of enrolling new members, the full impact of which is

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unknown but may be significant. Although states can receive a higher match for any costs related to care provided to new eligibles, ongoing administrative costs associated with increased enrollment that are not related to IT systems will be matched by only 50% federal dollars.

In addition to concerns about affordability, non-participating states have argued that because Medicaid programs generally pay providers a lower reimbursement than private insurance, this creates access barriers for program enrollees and shifts costs to private payers. They note that increasing enrollment would exacerbate this problem and potentially leave many individuals already covered by Medicaid with even poorer access than they face currently.[2] The ACA requires that all Medicaid programs increase payments to primary care providers for 2013 and 2014, and provides full funding to support this. However, it is unclear whether this effort is sufficient to increase provider participation in Medicaid, particularly given the limited duration of these payments. And, while the enhanced payments may aid in access to primary care, they do not target specialty services—a particular access problem for many with Medicaid.

Maine's Fiscal Considerations

While the majority of states appear poised to participate in the new Medicaid program, some in Maine's leadership have expressed concern about taking any action that would increase the size of MaineCare, particularly given the State's current budget deficit. To address MaineCare's current $100M shortfall, Maine recently proposed reductions in MaineCare eligibility for several groups including: 1) young adults aged 19-20; 2) parents earning at or above the federal poverty level; and, 3) a 10% reduction in eligibility levels for elderly and disabled adults participating in the Medicare Savings Plans that helps them pay out of pocket costs and premiums in Medicare. In January, however, the federal government disallowed the cut for young adults, and limited the reduction for parents to 133% of the federal poverty level (the threshold for the new Medicaid program). The federal government approved reductions in benefits for the elderly and disabled adult Medicare beneficiaries and for parents with income between 133% and 200% FPL.

In addition to Maine's current Medicaid shortfall, the State owes an estimated $484 million in back payments to Maine hospitals—a situation that some have attributed, at least in part, to prior decisions to expand MaineCare. Of this, a little over one-third ($186 million) is the State's responsibility and, if paid, would be matched by nearly $300 million in federal funds. Governor LePage has proposed a reconfiguration of the State's agency liquor contract to produce additional revenues that could be targeted to the hospital debt and has recently expressed openness to explore extending Medicaid eligibility, once the hospital debt is resolved. The Legislature has proposed alternative approaches; negotiations appear to be underway.

Estimates by the Urban Institute (a commonly cited source for ACA-related estimates) suggest that Maine is one of about 10 states that could actually experience a net savings from participation in the ACA Medicaid program. These analyses project that the State could save $118 million in the first three years of the new

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Medicaid program and as much as $690 million between 2014 and 2022.[3] If the state participates in the Medicaid expansion, adults who were already in the waiver when the ACA was enacted are eligible for the enhanced FMAP for early expansion states—the primary basis for the estimates of Maine's potential savings.

In addition, these estimates presume that about 17% of the savings (or $120 million of the $690 million) would stem from reductions in uncompensated care to providers. Study authors note that this estimate presumes that states and localities end up funding roughly 30% of uncompensated care costs, and uncompensated care would decline by about one-third if states participate in the ACA program. It is important to note, however, that those opposed to participation have questioned these estimates.

What Does the ACA Require of MaineCare Even If Maine Does Not Elect the New Coverage Option?

Maine must comply with a significant number of ACA provisions related to MaineCare. These new requirements must be in place in all states, whether or not states extend eligibility in the Medicaid program or operate a health insurance Marketplace (the new affordable insurance exchange designed to give consumers and small businesses easier access to health coverage and, for eligible individuals, access to premium subsidies).

Maine must comply with new eligibility requirements for Medicaid regardless of its decision on expansion.

Many of these ACA provisions aim to streamline and improve the eligibility and enrollment system in Medicaid and align it with the new health insurance Marketplace. In Maine, the Marketplace will be operated by the federal government, not the State. While details about its operation are not yet known, the Marketplace will provide "one-stop-shopping" for consumers to access affordable coverage either through Marketplace insurance products or, if they are eligible, through Medicaid.

To facilitate that one stop shopping, the ACA requires coordination in eligibility and enrollment between the Marketplace and the MaineCare program for non-disabled people under age 65. MaineCare must "collapse" its many current eligibility categories into four—children, pregnant women, parents/caretakers and childless adults—and change its income eligibility requirement to one that looks only at modified gross income (MAGI) and does not apply an asset test as now required in MaineCare. MaineCare must be able to verify income electronically through a new federal data hub and automate and make available on-line, by phone, mail or in person enrollment and annual renewal. The federal government will provide a single streamlined application, not yet available, or states can propose their own for federal approval. The same application and processes must apply in the Marketplace and MaineCare to assure there is "no wrong door"—that people will experience a seamless transition from eligibility determination to coverage regardless of whether they apply through MaineCare or the Marketplace. To do so, MaineCare and the Marketplace will need to accept and transfer electronic case files for determinations and coordinate procedures around notices, appeals and grievances. MaineCare must develop a website and consumer assistance, compatible with the Marketplace, to facilitate application, enrollment and renewal.

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These new requirements aim to automate and modernize Medicaid eligibility and enrollment and need to be in place when enrollment opens for ACA coverage on October 1, 2013. Because the law's new eligibility and enrollment changes apply only to non-disabled persons under 65, the state will continue to operate different systems for that remaining and large population of MaineCare enrollment.

The changes require significant new effort by states to upgrade and adapt technology, processes and procedures to comply with the law. To assist states in carrying out these efforts, the federal government will pay 90% of the cost of developing and implementing new IT systems and 75% of the costs to administer and maintain them. Some states, especially those that will not be operating a state Marketplace, express concerns about making these changes without additional federal guidance and information about how the federal Marketplace will operate. However, as of January 2013, 44 states and the District of Columbia, had applied and received approval (via an Implementation Advanced Planning Document (IAPD) from the federal government for federal funding for upgrading Medicaid eligibility systems).

Maine has contracted with an experienced vendor for both the business processes and associated IT applications and infrastructure to ensure readiness and conformance to the CMS conditions and standards. Maine DHHS reports it is on target to submit an expedited IAPD in early April with plans to commence implementation in early May.

Colloquium Discussion Questions

The following will be revised based on legislative action regarding expansion as of the time of the Colloquium:

- Are there other considerations for and against expansion that have not been addressed in this Brief?
- Are there any middle ground options—e.g., accept the money only while the federal government pays 100% of costs? Is Arkansas' plan to subsidize premiums in the Marketplace a viable option, and what are the ramifications of this approach?
- The ACA requires states to reform their Medicaid operations regardless of their decisions about expansion. What will this entail and what are implications for Maine?
- The cost of the Medicaid program and questions about its sustainability are growing. Is this the time to add more people or should we first do a better job managing what we have? How? Does the ACA help states get costs under control?
- The ACA brings new requirements for coverage to individuals and Maine employers and requires that MaineCare coordinates effectively with the federal Marketplace. What are the issues and opportunities? How would a decision to accept or deny coverage to the ACA optional populations impact employers?

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