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MassHealth Family Assistance Program: A Case Study of an Employer-Based Insurance Subsidy Program

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On May 28, 1998, the Health Care Financing Administration of the Department of Health and Human Services (HHS) approved the Massachusetts Title XXI state plan. The MassHealth Family Assistance Program (MHFAP) will provide premium assistance for families to help pay the cost of employer-sponsored health insurance when an employer plan is available, and when the plan meets minimum benefits standards. The federal approval of the state's plan provides an incentive for other states considering a premium subsidy approach to begin developing their own plan and to think about solutions to some of the operational challenges inherent in establishing subsidies for employer-sponsored insurance.

Parts of the MassHealth Family Assistance program were originally approved by HHS under a Section 1115 comprehensive demonstration waiver of Medicaid. The Title XXI plan includes program adjustments and assures that it is consistent with the federal statute and guidelines for coordinating with private employer-sponsored plans for targeted uninsured low-income children. The program has a number of unique features that many states without Section 1115 demonstration waivers will not be able to duplicate. On the other hand, the approval may set a number of precedents for states interested in establishing or submitting plans for premium subsidy approaches. The following is a brief overview of the approach for providing premium assistance for Title XXI eligible children.

The MassHealth Family Assistance Program

The State Plan describes the MassHealth Family Assistance Program (MHFAP) of premium subsidies and its partner program, the Insurance Partnership Program, as established "to prevent 'crowd-out' and encourage employer-based coverage"[1] Under the MHFAP, uninsured children and their families will be provided with premium assistance for employer-sponsored coverage if it is available and the benefits meet minimum standards. The Insurance Partnership Program will provide incentive payments for small employers who provide insurance benefits to their low- income employees and will assist with the costs employer-sponsored plans for individuals and families that are already insured. (The costs of the

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DMA will request a summary of benefits or a copy of the policy from the employee or their employer. The state will use a checklist approach to compare covered services to those of the benchmark plan. Each benefit in the employer plan will be compared to the same benefit in the benchmark plan. Each benefit will be identified as meeting, exceeding or not meeting the benchmark benefits level. If all benefits exceed or meet that of the benchmark plan, the plan will qualify for premium assistance under the provisions of Title XXI.[2]

Premium assistance amounts and family shares– Families with gross monthly income below 150% of poverty that qualify for premium assistance will not be required to pay a portion of their monthly premium. Families with gross monthly income in excess of 150% of poverty will be required to contribute a family share toward the cost of the premium. The family share is a flat amount based on the number of children in the family. (Families will also be required to pay any additional premiums that exceeds the sum of the employer share and the cost-effective amount (see below). The family share cannot total to more than 5 percent of family income.)

The premium assistance amount will be calculated based on information collected from the program application (MassHealth Benefits Request form). The application will ask for the amount of the employer plan's premium and the employer share of the premium. A representative from the Department of Medical Assistance (DMA) will contact the applicant's employer to obtain missing items if missing from the application.

Cost-effectiveness test – The amount remaining after the employer share and the family share are subtracted from the premium will be compared to the cost of covering the eligible children directly under other MassHealth programs. If the premium assistance amount is lower than the cost of directly covering the child under the public program (the cost-effective amount), the family will qualify for a subsidy at the premium assistance amount. If the premium assistance amount is higher than the cost of directly covering the child under the public program, the Division will set the subsidy at the cost-effective amount. Unless the family share exceeds 5% of income, families offered subsidies will not have the choice of accepting the subsidy or enrolling in direct coverage.[3]

Enrolling in the Employer Plan **-** DMA plans to provide help to families enrolling in their employer-sponsored insurance coverage. The Division will help families choose among the employer-offered plans and determine which plans will meet the benchmark benefit level necessary to qualify for Title XXI premium subsidies.

Premium Payments – The Division will make subsidy payments directly to families. Families, in turn, will make payments to insurance carriers as they normally do – through their employers (i.e., employers will continue to deduct employees' share of premium from their paychecks). The State will conduct a quarterly audit to determine whether families receiving subsidies have used them to enroll in the health plan. In addition, on a monthly basis, officials will match program eligibility files against the enrollment files of several of the state's largest commercial carriers. This data match will provide a secondary means of determining whether or not families receiving a subsidy continue to enroll in coverage (although not all carriers in the state provide enrollment data).

In the near future, the State will switch to a method of administering subsidies through Billing and Enrollment Intermediaries. Billing and Enrollment Intermediaries (BEIs) are entities, similar to insurance agents, that not only sell coverage to small employers, but also provide ongoing administrative functions, such as premium billing, enrollment, and disenrollment. Many small employers in Massachusetts already use BEIs. The new system will work as follows:

- The State will partner with BEIs to administer subsidies for program participants employed by small employers. The small employers will also receive subsidies through the Insurance Partnership program.
- The BEIs will collect premium contributions from small employers (and their employees). They will also have access to a bank account established by the State, from which they will withdraw funds to cover both premium subsidies and Insurance Partnership payments.
- Because premium subsidies and Partnership payments will be collected by the BEIs and remitted directly to insurance carriers, employers and employees will owe less for their insurance than they would if they were being paid directly by the State. In other words, the amounts collected by the BEIs will off-set what the employer and employee would otherwise owe the insurance carrier. As a result, BEIs will need to calculate the reduced premium owed by the employer and employee and bill them appropriately.
- In situations where employers take employee premium contributions directly out of employees' paycheck, they will have to modify this deduction to account for the reduced amount owed by program participants.

By partnering with BEIs, MassHealth officials can use a single mechanism to administer both participants' subsidies and small employer Insurance Partnership payments. In addition, this system does not require participants to provide ongoing proof of health plan enrollment. The BEIs will be responsible for verifying enrollment with the carrier. Program participants who are employed by non-small employers or by small employer who do not contract with BEIs will continue to receive subsidies directly from the State.

Assessment and Evaluation – The Division will conduct an annual assessment of the effectiveness of the State Plan by measuring the increase in the number of children with employer-sponsored health coverage. The Current Population Survey will be used to calculate a baseline number of uncovered low-income children at the start of the program and to measure changes from that baseline annually.

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Critical Differences Between the MA Programs and Other Subsidy Programs Under Title XXI

Because the Massachusetts programs were initially developed under a Sec. 1115 comprehensive demonstration waiver, there are components of the MassHealth Family Assistance Program and the Insurance Partnership Program that are not likely to be allowed under Title XXI. Massachusetts will be foregoing enhanced matching payments for components of their program that are not consistent with the rules of Title XXI. For example:

- The MA programs will provide subsidies to families under 200% of poverty whether they are already insured or not. Under Title XXI, however, enhanced matching funds are only available for currently uninsured children. (MA will not be claiming enhanced matching payments under Title XXI for subsidies for already insured families).

- Under the Insurance Partnership Program, small employers will receive incentive payments for providing health insurance. Under Title XXI, funds must be used only to provide children with health benefits coverage.[4] (Again, enhanced matching payments will not be claimed for insurance partnership payments.)

Noteworthy Provisions in the Massachusetts Plan

States exploring models for establishing a premium assistance program may want to consider including a provision that exempts children (or families) determined eligible for premium assistance from late enrollment rules of employer plans. In effect, such a provision makes qualifying for premium assistance a condition for special enrollment in employer plans. This provision ensures that eligible children do not have to wait for long periods of time before being allowed to enroll in their parent's employer plan.

The Massachusetts plan allows premium assistance payments to be made directly to the eligible family. Other states may consider making all subsidy payments directly to families instead of through employers so that the premium amounts are relatively invisible to employers. In this type of approach, employers are not engaged in making special calculations and payroll deductions for CHIP eligible children and their families. Many employers may balk at the additional cost and burden of those activities and may more readily respond to incentives to reduce their contributions and replace them with the public funds if they are administering the public funds.

Finally, the plan does not include mechanisms to upgrade benefits beyond the package of benefits provided by the employer to ensure that benchmark benefits standards are met. Such mechanisms to supplement employer plans make the administration of a premium subsidy more complex. On the other hand, states with a great deal of variation in employer benefits plans may need to upgrade in order to reach sufficient numbers of children (or families) through the premium subsidy. A few states, those without a great deal of variation in the benefits of employer plans, may not need to establish procedures to supplement employer benefits plans.[5] In Massachusetts, agency officials assert that the vast majority of employer plans will meet the benchmark test without major supplementation so the premium assistance option can be utilized without provisions to supplement or upgrade employers' benefits plans.

FOOTNOTES:

[1]Massachusetts Title XXI State Plan, p.2.

[2]If benefits do not meet or exceed the benchmark level, they will be compared to the basic benefits level approved as part of the Medicaid Sec. 1115 waiver. Premium assistance for plans that qualify at the basic level will qualify for federal Medicaid matching payments under the waiver. If benefits do not qualify under either the benchmark or the basic level, children will be covered directly under the MassHealth public program (direct coverage).

[3]There is a grandfathered class of children who are currently covered by an existing program for whom this rule will not apply.

[4]Ten percent of a state's allotment may be used for administration of the child health initiative, outreach, and other health initiatives aimed at improving the health of children.

[5]The exception is for cost-sharing. Most employer plans will not be able to meet the cost-sharing ceilings in Title XXI.

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