Ensuring Health Coverage for Maine Families with Children in 2014

A Health Policy Brief by the Maine Children's Alliance

Introduction

Mainers know that our future rests on how well we foster the health and wellbeing of the next generation. That is why we have prioritized health coverage for our children – ensuring our children's health and wellbeing early in life is one of the best predictors of health and well-being later in life. What many people aren't aware of, however, is the significant impact of parents' health insurance status on their children's health. For many years, Maine has worked to ensure access to health coverage for the parents of children because children whose parents are insured are more likely to receive check-ups, preventive care and other health care services. Unfortunately, in 2012, Maine changed the law for parent eligibility – we used to provide health coverage to parents with incomes up to twice the poverty level (see chart below); now we only offer coverage to parents with incomes at or below the poverty line. About 28,500 working Maine parents have lost regular Medicaid coverage since 2012 – to put that in perspective, that number represents more citizens than the entire city of Auburn.

Why does this change concern us? Because, right now in addition to uninsured parents, we have 6,000 children in Maine eligible for MaineCare, who are not enrolled. We know that when parents are uninsured, it is more likely that their children will also be uninsured, *even if the children themselves are eligible for insurance coverage*.[1] When coverage is extended to parents, their children are more likely to become insured as well. In Massachusetts, for example, when Medicaid coverage was extended to more parents and other adults, the rate of insurance among children was doubled.[2]

This paper examines in detail both opportunities and challenges that have developed for parents in Maine as a result of decisions at the state level and as a result of some details of transitioning MaineCare to align with the Affordable Care Act. It also addresses the misconception that the new health insurance Marketplace will be available and affordable for every low income parent above the poverty level. In fact, we know that when income goes above Medicaid eligibility levels, many – if not most parents - will not be eligible for subsidies in the new Marketplace. It also suggests actions the state might take to assure families with children do not fall through coverage cracks so that we might more comprehensively serve all low income Maine families with children.

How parents' health coverage helps keep children healthy

Ensuring parents have health insurance is important for children even when children themselves have coverage. Data show that children with uninsured parents have a greater risk of gaps in coverage, and are less likely to receive check-ups, preventive care and other health care services.[3]

When a parent is ill, the impacts on children can be significant, particularly for those parents without insurance. That is because the more limited someone's access to health care, the more likely it is that preventable health problems become worse or more complex. In addition, medical bills create not only significant financial burden but psychological stress that can impact the entire family. Perhaps most seriously of all, there is a relationship between insurance status and mortality. According to a study published in the New England Journal of Medicine, the risk of death is reduced among adults who are covered by states' Medicaid expansions. The study found that for every 176 additional people covered by Medicaid, one death per year is prevented. The authors noted that this rate is consistent with the Institute of Medicine's finding that having health insurance reduces adult mortality by 25 percent.[4]

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[1] Sara Rosenbaum and R.P.T. Whittington, *Parental Health Insurance Coverage as Child Health Policy: Evidence from the Literature*, 5-6 (George Washington University 2007)

[2] *Putting Out the Welcome Mat for Parents by Extending Medicaid Helps Children*, 1-2 (Georgetown University Health Policy Institute, Center for Children and Families, December 2013). Available at http://ccf.georgetown.edu/ccf-resources/putting-out-the-welcome-mat-for-parents-by-extending-medicaid-helps-children/.

[3] Rosenbaum and Whittington.

[4] Benjamin D. Sommers, Katherine Baicker, and Arnold M. Epstein, *Mortality and Access to Care among Adults after State Medicaid Expansions,* 367 N Engl J Med 1025, 1031 (December 2012).

This argues unequivocally for access to quality, affordable health care for all. As health reform moves forward to achieve that end, Maine must not lose the opportunity to cover all families – parents and children -- under the state options and generous financing offered under the Affordable Care Act (ACA).

The State and Federal Context: The Problem of Reducing Access to Health Care as the Affordable Care Act is Implemented

In 2013 and 2014, about 28,500 low-income working parents who are supporting minor children at home are losing MaineCare coverage because, in 2012, Maine's 125th Legislature cut the income eligibility limit for parents from 200% to 100% of the poverty level.[5] To put this in perspective, the number of parents now *losing* their coverage (28,500) is 1.5 times greater than the number of *all* uninsured parents in Maine in 2011 (which was 19,000).[6] Children below 200 percent of the poverty level remain eligible for MaineCare coverage, but research suggests they are less likely to get coverage if their parents are without coverage.[7] At the same time that MaineCare is being cut, the ACA has been fully implemented throughout the nation. This does not mean, however, that those who lost MaineCare coverage will get coverage through the ACA's new Health Insurance Marketplace. Here's why:

2013 Federal Poverty Level (FPL)			
Family size	**100% FPL**	**138% FPL**	**200% FPL**
1	$11,490	$15,856	$22,980
2	$15,510	$21,404	$31,020
3	$19,530	$26,951	$39,060
4	$23,550	$32,499	$47,100

Enacted in 2010, the ACA initially required all states to provide Medicaid coverage to adults with income up to 138 percent of the poverty level, effective January 1, 2014. Federal funding would fully pay for all newly eligible[8] adults for three years, and would pay no less than 90% beginning in 2020. But in 2012, the Supreme Court ruled that states could not be mandated to expand their Medicaid programs to adults. The decision whether to accept the federal dollars already appropriated by Congress to the States for their Medicaid expansion to adults was left to state governments.[9] In 2013, Maine's 126th Legislature decided to accept the Federal funding and passed a bill to provide Medicaid to adults, including parents, with incomes up to 138% of the poverty level. Unfortunately, that bill was vetoed by the Governor.

Had he signed it, half of the parents (14,500) scheduled to lose their MaineCare coverage due to the 2012 state cut in eligibility, as well as an additional 10,000 childless adults also subject to cuts, would have been eligible for coverage. A bill has been introduced in 2014 to remedy this situation. Not only is passage of this bill important for the health of adults in Maine, but we know that as parents lose MaineCare, the risk increases that the numbers of children with MaineCare will drop as well.

The combined effect of the MaineCare cuts in 2012 and the Governor's veto of Medicaid expansion in 2013 is to put at risk the health and wellbeing of Maine families and children. Because Congress has made subsidies available on the Marketplace for adults with incomes between 100% and 400% of the poverty level, some suggest that those who have recently lost coverage could simply get subsidized insurance on the Marketplace. But the subsidies in the new Marketplace are *only* for people who are not offered "affordable" insurance through an employer.

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[5] The Affordable Care Act prohibited the state from cutting Medicaid to parents with income below 133 percent of the poverty level until January 1, 2014. Thus, approximately 14,000 parents with income above 133 percent of the poverty level were cut from regular Medicaid in March 2013. Of these, approximately 6,000 qualified for transitional medical assistance for 6 or 12 more months because they were working. In the second stage of cuts, those with income between 100 and 133 percent of the poverty level were cut on January 1, 2014, most of whom are also working and will receive 6 or 12 more months of Transitional Medical Assistance.

[6] 19,000 parents were uninsured for the year or more in Maine in 2011 – a time when MaineCare covered most parents with income under 200% of the poverty level. *Parents Without Health Insurance,* series 2008-2011*,* (Kids Count Data Center, Annie E. Casey Foundation)

[7] Rosenbaum and Whittington

[8] If Maine had decided to expand its Medicaid program as the ACA originally intended, this would mean two things:
1) Federal funding fully pays for adults under 138% of poverty without children at home for three years; and pays at least 90% beginning in 2020. 2) For the adults under 138% of poverty with children at home, who were not considered "newly eligible," the federal government would pay the standard match rate of 61%.

[9] National Federation of Independent Business v. Sebelius, 567 U.S. (2012). Available at http://laws.findlaw.com/us/000/11-393.html.

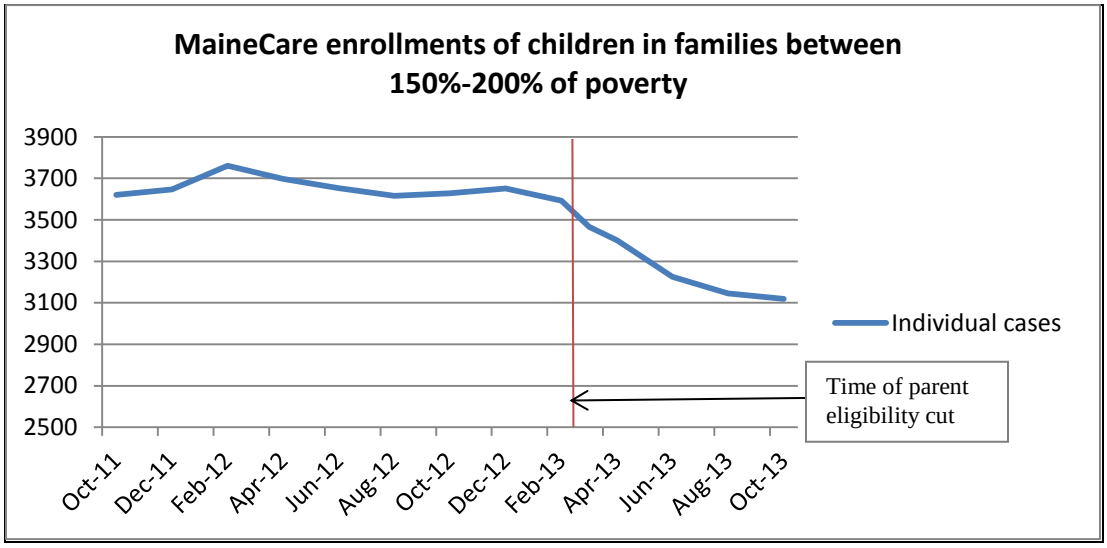
How does the federal law define "affordable"? "Affordable" means that the employee's cost for *self-only* coverage is less than 9.5% of household income (in other words, the additional cost of obtaining insurance coverage for a spouse or family member is not factored into the equation for "affordability"). So, consider a working Maine mom with household income just above the poverty line; if her employer offers her health coverage for $10 per month, but offers her spouse coverage for $900 per month, that is considered an offer of "affordable" coverage under federal law, and that family is ineligible for subsidies in the federal Marketplace. This is one reason why only one in three people with incomes between 138%-400% of poverty will actually become eligible for a subsidy to help pay for health insurance premiums in the Marketplace.[10]

Passing a bill providing Medicaid coverage for adults with income up to 138% of the poverty level is not only important for the health of adults in Maine, but for families as well. We know that as parents lose MaineCare, the numbers of children with health coverage are dropping as well.

MaineCare Eligibility Cuts: Unintended Holes in Coverage

When Parents Lost Coverage, Children Lost Coverage.

Although only parents – and not their children – were slated for eligibility cuts under Maine's 2012 legislation, caseload data indicates that in the first stage of parent eligibility cuts, not only did parents lose coverage, many children did as well. The chart below shows the MaineCare's CHIP (Children's Health Insurance Program)[11] or "CubCare"caseloads (all children 18 and under) for households with income between 150% and 200% of the Federal Poverty Level lost coverage as well.[12] It is very important to understand that all of the children who lost coverage were eligible for coverage: Maine lost 13% (474) of these cases at approximately the same time that parents were cut.



Source: Maine Department of Health and Human Services, Geographic Distribution of Programs and Benefits (Oct. 2011- Oct. 2013).

Neither Maine's Legislature nor MaineCare administrators intended for children to lose coverage when their parents were cut. And, unfortunately, closing codes from the state's MaineCare data system are not specific enough to tell us exactly why a case has been closed. But it is likely that parents who received notice of their own termination from MaineCare believed, erroneously, that their children were also being terminated. [13]

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[10] Matthew Buettgens, Austin Nichols and Stan Dorn, *Churning Under the ACA and State Policy Options for Mitigation,* Table 2, (Robert Wood Johnson Foundation, Urban Institute, June 2012). Available at http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2012/rwjf73172.

[11] Maine's CHIP (Child Health Insurance Program) is also known as "CubCare"

[12] This is Maine's separate CHIP program, providing the same benefits as Medicaid, except requiring a premium payment for children over 1 year old in households with income 150%-200% of FPL and infants with income 185% - 200% FPL. These FPL percentages are changing for eligibility purposes effective January 1, 2014 as the state shifts to the new modified adjusted gross income method of calculating eligibility under the Affordable Care Act.

[13] This group was not eligible for Transitional Medical Assistance, which would have allowed parents with earned income to continue Medicaid for six to twelve months.

Risks are Now Higher for Postpartum Women Losing MaineCare and their Infants

With the cut of parent eligibility from 200 to 100 percent of the poverty level, roughly 2300 pregnant Maine women in that income range per year could lose their MaineCare eligibility 60 days postpartum.[14] This is a new risk for mothers and a new complication for their health care providers in Maine, where for almost a decade the eligibility of children, pregnant women and parents aligned at 200 percent of the poverty level, and women remained relatively secure in their coverage. In Maine, as a result of recent MaineCare eligibility cuts, a new mother with income between 100 and 200 percent of the poverty level will receive notice that she will lose her coverage when her baby is about eight to ten weeks old. Her MaineCare will actually be terminated by the time her baby is 14 weeks. By then, she will have had to find alternative coverage or come to terms with the fact that although her child will remain covered, she will be uninsured. Like other parents, her circumstances will steer her toward either employer coverage, coverage through the Federal Health Insurance Marketplace (Healthcare.gov), or being uninsured because coverage for women at these income levels, even with a subsidy, is likely to be unaffordable.

Maintaining health coverage during the postpartum period couldn't be more important for infants and their mothers. Healthy development is especially critical in the early months when the baby's brain architecture is being shaped, dependent upon nurturing, responsive interactions with her closest adults. It is the child's early experiences and relationships that provide the foundational structures in the brain on which all learning and development is based.

Postpartum depression is of particular concern during this critical period, given its potential to disrupt these early, essential interactions. In the general population postpartum depression can affect somewhere between 10% and 20% of new mothers, but affects certain groups at higher rates. Studies have shown that low income, low educational level, and young age are all factors that increase the risk of postpartum depression.[15] Thus, the state cuts in MaineCare eligibility can prove pernicious to new mothers suffering from postpartum depression. These new moms will be at risk for losing access to essential treatments when their health coverage ends. If she is symptomatic but undecided about seeking help, she could be deterred from seeking care when she knows that her MaineCare will be (or has been) terminated.

Some Families Will Lose and Some Will Gain Eligibility with the New Federal Medicaid Changes

States and the federal government have been working at the regulatory and operations level since 2010 to align the eligibility rules and systems for the premium tax credit to help people purchase coverage on the Marketplace and with those in the Medicaid program so that the two programs work as seamlessly as possible. This is important for the many households with variable income that will cause them to shift between Medicaid and the Marketplace. The complex state and national effort has resulted in entirely reconfiguring Medicaid's eligibility structure. As a result, the federal eligibility rules for Medicaid that apply to non-disabled adults under 65, children, pregnant women and parents were replaced with rules based on the IRS's definition of a taxpayer's household and the taxpayer's modified adjusted gross income (MAGI).[16]

This will impact eligibility for various types of families described below. If medical and social service providers, navigators and families can spot these situations, perhaps newly eligible families can gain coverage, or families confused by decisions affecting their coverage can more quickly navigate to the best alternative.

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[14] Federal law covers the pregnant women category, covered at 200% of the poverty level in Maine, until 60 days post partum. A rough estimate of 2300 is derived from 2011 Maine Pregnancy Risk Assessment Monitoring System Survey Results, Chart: Delivery Paid by MaineCare, (Maine Department of Human Services, Office of Data, Research and Vital Statistics), available at http://www.maine.gov/dhhs/mecdc/public-health-systems/data-research/prams/tables2011/54%20delivery_insuranceMaineCare11.pdf.

[15] Hillary F. Hutto et al., Postpartum Depression Among White, African American, and Hispanic Low-Income Mothers in Rural Southeastern North Carolina , 28 J. OF COMMUNITY HEALTH NURSING 41, 41-42 (2011), available at http://dx.doi.org/10.1080/07370016.2011.539088.

[16] 77 Fed. Reg. 17144 (March 23, 2012); *Taxable and Non-Taxable Income, Publication 525*, 17 (Internal Revenue Service, 2012). An additional excellent source for the charts that follow was Byron J. Gross, Wayne Turner, and David Machledt, *The Advocate's Guide to MAGI* (The National Health Law Program, October 2013, updated December 2013).

Situations where MaineCare Eligibility *May be Gained* in 2014

Situation	Explanation	Timing
Veterans with Service-connected disability benefits.	These VA benefits no longer count in deciding MaineCare eligibility under the MAGI rules, possibly making some veteran's households eligible for MaineCare when they would not have been before. MaineCare can "wrap around" TriCare and may cover services that might not be available from TriCare.	Effective January 1, 2014.
Households in which child support *received.*	Under MAGI, child support income will no longer count in deciding MaineCare eligibility, potentially making some of these families eligible for MaineCare where they would not have been before.	Effective January 1, 2014.
Households with assets that previously would have made them ineligible for MaineCare	To align with the Marketplace, the ACA does not allow states to impose asset limits as a condition of Medicaid eligibility for parents, children or pregnant women.	Effective January 1, 2014.
Households with an individual *who pays* alimony.	Consistent with the IRS rule, alimony will no longer count as income to the person who pays it in deciding MaineCare eligibility. This may allow some households that include payers of alimony to become eligible for MaineCare who had not been before.	Effective January 1, 2014.

Situations where MaineCare Eligibility *May be Lost* in 2014

Situation	Explanation	Timing
Parents with income between 100% and 133% of the poverty level. *(Children in the household remain eligible).*	Parent eligibility was cut by the Governor and the 125th Legislature in 2012 to 100% of the poverty level. Parents with income between 100 and 133 percent of the poverty level were protected from the cut by a clause in the ACA until January 1, 2014, when that protective clause expired.	Effective January 1, 2014. Parents with earnings may receive four, six, or twelve months of *Transitional Medical Assistance,* depending on circumstances.*
A MaineCare household with a stepparent at home that was not on MaineCare.	A household with a stepparent in the home who was previously not part of the MaineCare household is required under MAGI rules to be included in the household, regardless of tax filing status. Absent a change in the stepparent's income, this will probably make the household ineligible for MaineCare. (At the time of the last eligibility review, the stepparent would have been included in the household had that been possible without the stepparent's income making the household ineligible.)	Effective March 1, 2014 or the household's next regularly scheduled review, whichever is later. Households with earnings may then receive four, six, or twelve months of *Transitional Medical Assistance,* depending on circumstances.*

Situations where MaineCare Eligibility *May be Lost* in 2014, continued

Situation	Explanation	Timing
Tax-filing, custodial parents, when the noncustodial parent claims the child as a tax dependent.	Parents *who plan to file income taxes for the current year* with a child who is being claimed as a tax dependent by a noncustodial parent could possibly lose eligibility because the child won't be counted as part of the custodial parent's household. With a smaller household, the income eligibility limit is lower for the remaining household members. *But, if the parent does not plan to file income taxes,* then, as a non-filer, any children living with the parent would still be considered part of the household and her MaineCare would not be affected. (However, this parent may be required to or may want to file taxes, and should obtain professional tax advice if there is a question). **Note: the *child's* MaineCare eligibility is not affected.** The child in this situation is treated as part of the custodial parent's household regardless of the custodial parent's filing status. This gives the child the advantage of the larger household size and corresponding higher income eligibility threshold.	Effective March 1, 2014 or the household's next regularly scheduled review, whichever is later. Parents with earnings may then receive four, six, or twelve months of *Transitional Medical Assistance,* depending on circumstances.*
Households with an individual *who pays* child support.	MaineCare previously disregarded from income child support that a member of the household was paying to another household. Under MAGI, this is no longer disregarded, but fully counted as income, and could cause the payor's household to become ineligible for MaineCare.	March 1, 2014 or the household's next regularly scheduled review, whichever is later. Households with earnings may then receive four, six, or twelve months of *Transitional Medical Assistance,* depending on circumstances.*
Families with higher than average child care costs.	Some households with high child care costs could lose MaineCare eligibility as a result of the transition to MAGI. Before this transition, families could "disregard" from their income child care costs of up to $175 per month per child over one year old and up to $200 per month per child under one. Under MAGI, this child care "disregard" (or deduction from income) was eliminated. States were instructed to use a formula that resulted in a standard eligibility level taking into account, *on average,* the state's previously existing disregards, including the one for child care. Households with *above average* child care costs whose income is near the limit could find themselves not eligible for MaineCare.[17]	March 1, 2014 or the household's next regularly scheduled review, whichever is later. Households with earnings may then receive four, six, or twelve months of *Transitional Medical Assistance,* depending on circumstances.[18]

Once a family loses MaineCare coverage, for one of the above reasons or due to a simple increase in income, will they be able to find some other form of coverage? This is at best questionable for families who are riding so very close to the Medicaid income limits. Indeed, to what extent will the private market under the Affordable Care Act provide access to affordable coverage at these junctures for families just over the MaineCare eligibility limits? At this point in time, we simply do not know.

[17] In Maine, for example, the children's income limit of 200% of the poverty level in 2013 (which applies to net income after disregarding certain child care costs and work related expenses) converts to 213% of the poverty level (which includes the only "disregard" allowed under the ACA - five percentage points of the applicable percent of the poverty level). Center for Medicare and Medicaid Services, *State Medicaid and CHIP Income Eligibility Standards Effective January 1, 2014.* Available at http://www.medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Medicaid-and-CHIP-Eligibility-Levels/medicaid-chip-eligibility-levels.html. (This shows the limit for children in Maine to be 208% of the poverty level which, when the five percentage point disregard is added, effectively makes the income limit 213% of the poverty level.)

[18] Transitional Medical Assistance (TMA) provides Medicaid for a transitional period of six or twelve months to households losing eligibility because of earnings. TMA has been temporarily reauthorized by Congress to operate through March 31, 2014. It will have to be reauthorized by Congress again in order to continue beyond that date. If Congress takes no action, a four month transitional Medicaid provision would continue to apply because of earlier permanent law, but the six and twelve month provisions would not.

Low Income Families Just Above the Poverty Line: A Broad Coverage Gap

Some have suggested that parents with income above 100 percent of the poverty level no longer need MaineCare because they can access subsidies in the form of premium tax credits to help them purchase private insurance on the new Marketplace.[19] However, many will not be eligible for premium tax credits and those who are eligible are likely to have difficulty affording the premiums. In fact, Congress already decided that those with income up to 138 percent of the poverty level would be unable to afford coverage in the Marketplace and provided them 1) access to Medicaid (given state approval), and 2) exemption from any tax penalty for failure to enroll in health coverage, based upon hardship.[20]

Consider, for example, a mother with two children earning slightly above the poverty level -- $20,800 per year ($10 per hour, full-time, 52 weeks per year). Her children are covered by MaineCare, but she lost her own coverage January 1, 2014 as a result of the state's eligibility cut. She will have to seek some alternative. Her income is below 138% of the poverty level and because Congress intended that someone with her low income receive Medicaid, she will be able to obtain a federal hardship exemption and not face a tax penalty if she can't afford to purchase coverage. If the Governor had not vetoed Medicaid expansion in 2013, she would have been covered.

Under the ACA, if the mother in our example is offered coverage from her employer that costs less than 9.5% of her income ($165/mo), the coverage is considered "affordable" and she will NOT be eligible for a premium subsidy on the Marketplace. Thus, if her employer does offer her coverage, even at the typical Maine rate of $91/month[21], she will likely decline it, be disqualified from premium tax credits on the Marketplace, obtain a certificate of exemption for hardship from the tax penalties, but remain uninsured. If the Governor had not vetoed Medicaid expansion in 2013, she would have been covered. If Maine accepts federal Medicaid funding for adults, however, she will be covered, providing more security for herself *and her children.*

An even bigger affordability problem for families exists as a result of an IRS interpretation of the ACA often referred to as the "family glitch." Family members who have access to coverage through a parent or spouse's employer are made ineligible for premium tax credits on the Marketplace if the cost of *self-only* coverage for the employee is less than 9.5% of household income.[22] Consider another working mom making $20,800 per year, whose employer offers employee-only coverage for $10/month but offers family coverage for $900/month. Since her employer is offering employee-only coverage for less than 9.5% of household income, both she and her husband would be ineligible for tax credits in the Federal Marketplace *regardless* of how much his coverage would cost.

Simply put, the offer of "affordable" employer-sponsored insurance *for the employee* renders *both* parents ineligible for premium tax credits on the Marketplace. The non-employee parent in this case is left with no access to affordable coverage from the employer, the Marketplace, or from MaineCare. If this family's income were above 200 percent of the poverty level, the children, too, would be caught in the family glitch with no access to affordable coverage. Family members caught by the family glitch are also recognized by the federal government as being in a hardship circumstance and are exempt from tax penalties if they do not enroll in health insurance.[23]

What is affordable when income is low?

If a single parent with two children is among those who are eligible for a premium tax credit, will the coverage be affordable? Let us return to the single parent with two children making $20,800 per year. Because she lives below 138 percent of the poverty level, Congress intended that she be covered by Medicaid under the ACA. But because the Governor vetoed Medicaid expansion in 2013, she does not yet have access to Medicaid in Maine. Assuming she has no access to "affordable" employer-sponsored coverage, she has to seek coverage in the new Marketplace.

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[19] For people unable to access Medicaid, employer sponsored, or other group insurance, the ACA offers those with income between 100 and 400 percent of the poverty level advanced premium tax credits on a sliding scale to help them purchase private health insurance on the new online Marketplace. Those with income below 250 percent of the poverty level are also eligible for subsidies to reduce cost-sharing such as deductibles and copayments.

[20] 78 Fed. Reg. 39494, 39525 (July 1, 2013), *to be codified at* 45 CFR § 155.605(g)(4).

[21] [21] State Health Facts, *Average Single Premium per Enrolled Employee For Employer-Based Health Insurance*, (Kaiser Family Foundation, 2012). Available at http://kff.org/other/state-indicator/single-coverage/

[22] 78 Fed. Reg. 7264, 7265 (February 1, 2013) *to be codified at* 26 C.F.R. § 1.36B-2(c)(3)(v)(a) (2).

[23] 78 Fed. Reg. 39494, 39526 (July 1, 2013), *to be codified at* 45 CFR § 155.605(g)(5).

Because her income is above the poverty line, she will be eligible for a subsidy to help her buy insurance on the new Marketplace. She would pay about $34 per month in premiums for a "silver" plan on the Marketplace – the silver level is the one that will allow her to access cost-sharing subsidies to help reduce significant deductibles and copayments.[24] For those with disposable income, this premium payment may seem affordable, but it is not for a family for whom any such expense must be sacrificed out of another basic need.

The Maine Department of Labor's average basic needs budget for a single parent with two children would require an annual gross income of $39,218 (about 200 percent of the poverty level, and roughly twice what she is making) to meet her family's basic needs *other than health care needs*, including rent, utilities, food, transportation, telephone, child care, clothes, household goods, and personal items.[25] One can see that this puts beyond reach any significant payment toward a health insurance premium for most parents struggling with only slightly more than half of that basic needs income. In fact, many studies now show the extent to which premiums or other cost-sharing requirements serve as a barrier to health care for low income families. [26] The barriers are more pronounced for households with lower income.

Two premiums are too much for one low income family: MaineCare premiums and private insurance premiums.

In Maine's own MaineCare program, the state charges premiums ranging from $8 to $64 per month to families for children in Maine's CHIP program between 150 and 200 percent of the poverty level. [27] Maine children's participation in CHIP (15,945 children) as a percentage of all children's participation in Medicaid and CHIP combined (125,985 children) is only 12.6 percent. This is compared to 16 percent nationally.[28] Maine's CHIP premiums could account, at least in part, for the low participation. A single parent with two children with income at 190 percent of the poverty level ($37,107 per year) would pay $64 per month for her children's health coverage. She would also pay a substantial premium, even accounting for her premium tax credit, for her own coverage on the Marketplace -- $180 per month for a silver plan. Her total premium cost for her and her children would be $244 per month, or $2,928 per year. Yet her income, as shown above, is insufficient to meet her basic needs, even if health care costs were excluded entirely as a basic need item.

Movement Between MaineCare and the Private Market

Evidence indicates there will be substantial movement, or "churn," on and off MaineCare eligibility for families at low income levels. Frequent, although relatively narrow, income variability for families at these income levels occur as hours of employment are increased or decreased depending on seasonal, economic or other considerations. These changes result in frequent movement between Medicaid and uninsurance, or attempts to access other coverage. Nationally, it has been estimated that about one-third of all people who are eligible for either Medicaid or premium subsidies under the ACA will change their eligibility from one year to the next, and more people will either lose or gain eligibility for premium subsidies during the year than will retain them.[29] This is problematic, because more parents are also likely to fall through the coverage gaps that exist between Medicaid and the private market. In addition, even if families connect

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[24] *Subsidy Calculator* (Kaiser Family Foundation). Available at http://kff.org/interactive/subsidy-calculator/. Although a "bronze" plan, with the premium tax credit, might be available to a parent with no initial premium cost, this type of plan does not qualify for subsidies to help with deductibles, co-payments and co-insurance. In Maine, under Anthem's bronze plans, a deductible of over $4,000 must be paid before coverage of any non-preventative health service beyond two primary care office visits (cost: $35 copayment plus co-insurance). *See* http://file.anthem.com/OFF_HIX_ME_KIT1.pdf. At Maine Community Health Options access is not as limited with the bronze plans, but still very difficult, with high copayments, deductibles and at least 50% hospital co-insurance, quickly exposing the family to out of pocket liability for the full $6,350 per individual maximum allowed under the ACA. *See* https://www.maineoptions.org/Documents/Individual-Plan-Brochure.pdf.

[25] Ruth Pease, *Maine Livable Wage in 2010,* 4 (Center for Workforce Research and Information, Maine Department of Labor). Available at http://www.state.me.us/labor/cwri/data/Livable%20Wage/LivableWageReport2010.docx. (This basic needs budget, being three years old, is likely an underestimate of a single parent family's basic needs. The Department of Labor has since been directed by statute in 2012 to calculate, if funds permit, a basic needs budget to reach a livable wage with two parents working, rather than one. 26 M.R.S.A. § 1406.)

[26] These studies are reviewed in *Premiums and Cost-Sharing in Medicaid: A Review of Research Findings* (Kaiser Commission on Medicaid and the Uninsured, February 2013). Available at http://kaiserfamilyfoundation.files.wordpress.com/2013/02/8417.pdf.. How premiums are administered is critical to access as well. *See,* Tricia Brooks, Handle with Care: How Premiums Are Administered
in Medicaid, CHIP and the Marketplace Matters (Center for Children and Families, Georgetown University Health Policy Center). Available at http://ccf.georgetown.edu/wp-content/uploads/2013/12/Handle-with-Care-How-Premiums-Are-Administered.pdf.

[27] 10-144 CMR ch. 332, chart 8.

[28] *Medicaid & CHIP Enrollment For Children – June 2011* (Center for Children and Families, Georgetown University Health Policy Center). Available at http://ccf.georgetown.edu/facts-statistics/medicaid-chip-enrollment/medicaid-chip-enrollment-children/#me.

[29] Matthew Buettgens, Austin Nichols and Stan Dorn, *Churning Under the ACA and State Policy Options for Mitigation,* 1 (Robert Wood Johnson Foundation, Urban Institute, June 2012). Available at http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2012/rwjf73172.

to the private market smoothly, this churning not only causes high administrative costs for all involved, but the potential changes in plan coverage, drug formularies, and provider networks that can disrupt care for individuals.

Consequences to financial barriers

The financial barrier to health coverage for low income adults will likely result in those with disproportionately higher health care needs enrolling in the Marketplace plans. Only those with high health needs will be truly compelled to set aside other basic needs to pay for coverage. This could affect the risk pool, increasing the cost of insurance for everyone in the Marketplace. In addition, some people with significant health care needs will remain uninsured and continue to place pressure on hospital and physician uncompensated care costs – costs which are also passed on to the insured. Of course, the risk and cost to the family of being uninsured, including the children, can be enormous.

The good news is there is much Maine can do to improve the situation.

Improving Health Care for Maine Families with Children

Stabilize family coverage up to 200 percent of the poverty level and make it affordable.

Maine must stabilize affordable coverage for families between 100% and 200% of the poverty level, where many parents need assistance, but won't be eligible for assistance on the Marketplace or won't be able to afford what is offered by an employer.

Although designing a seamless, accessible system allowing easy movement without breaks in care or coverage between the Marketplace, employer-sponsored insurance and MaineCare is beyond the scope of this paper, both Medicaid and the ACA offer tools to work with. These include opportunities to:

- ***Extend Medicaid to adults to 138 percent of the poverty level.*** It is absolutely critical that the Governor and the Legislature act on this quickly. The 100 percent federal funding for newly eligible individuals began on January 1, 2014 and extends until the end of 2016. The state's failure to act on this not only causes more suffering for the uninsured and their children and higher uncompensated care costs for providers, but it costs Maine an estimated *$21.4 million federal dollars each month the Medicaid decision is delayed.*[30] Maine needs these dollars in the first years within which thousands of people who have been uninsured for many years finally have access to coverage. Experience shows there is pent up demand for care in these early years until their health stabilizes. We should take advantage of the 100% federal dollars when the costs for the newly insured are likely to be highest. These are federal dollars, already appropriated by Congress for state Medicaid programs, that Maine would be receiving to provide health coverage to our uninsured, reimbursement to our health care providers, and jobs to our economy if we had acted by January 1st.

- ***Create a Basic Health Plan in Maine under the ACA.*** The Basic Health Plan is a mid-step for households between 138 and 200 percent of the poverty level. Conceived in the ACA as a state option for low income households between Medicaid and the private market, it is available to states beginning in 2015 with federal funding in the amount of 95% of what the federal government would have expended had the person qualified for premium tax credits and other subsidies in the Marketplace.

  States have significant flexibility in how a Basic Health Plan is designed, but many see it as a potential solution for issues such as:
  - Serving families caught in the "family glitch" (described above) who are ineligible for both Medicaid and premium tax credits.
  - Reducing premiums and out of pocket costs for low income adults not eligible for Medicaid, but unable to afford premiums even with the premium tax credits, and

[30] Sara Gagné-Holmes, Christine Hastedt, and Garrett Martin, *Federal Health Care Funding Makes Dollars and Sense for Maine*, Table 2 (Maine Equal Justice Partners and Maine Center for Economic Policy 2013). Available at http://mejp.org/sites/default/files/Federal_HC_Funding_Maine_Report_0.pdf .

- Mitigating "churn" by designing a smooth transition between Medicaid and the Basic Health Plan and aligning parent eligibility reviews with children's eligibility reviews in Medicaid and CHIP.[31]

- ***Use Maine's Accountable Communities to smooth transitions in and out of private coverage, the Basic Health Plan, and MaineCare.*** Maine's Office of MaineCare Services, together with many community partners, is presently developing a new form of health care delivery organization – Accountable Communities – with which to deliver MaineCare services and manage their care.[32] Accountable communities that serve members in both MaineCare and a Basic Health Plan with the same network of providers and coverage of health services would work well in smoothing transitions and assuring continuity of care when members move between the two.

- ***Eliminate the CHIP waiting period.*** When CHIP was enacted in 1997, many more millions of children were uninsured than are today, and states were required to establish procedures to prevent their CHIP programs from substituting for group health plans in the private market. Many states, including Maine, required that children be uninsured for a certain period of time before they would be permitted entry into the CHIP program, effectively creating a waiting period for CHIP. Maine established a period of three months for its CHIP program, known as CubCare. The state also created various practical exceptions to the waiting period, for example, when the reason for the lost coverage was beyond the control of the employee or when the cost of the coverage met certain cost-burden requirements.[33]

  Today the situation is entirely different. Almost everyone must have coverage by law, and a parent may not access Medicaid until his or her child is enrolled in coverage.[34] The goal in administering these programs is to allow families to move seamlessly between the private and public sectors based upon income eligibility. The 1990s issue of whether public coverage was going to substitute for private was resolved in the careful balance struck between the two with the ACA's integrated structure.

  The three month waiting period clearly undermines the goal of seamless transitions between public and private coverage. Applying only to group coverage, it does not apply to assistance with premium tax credits. The child subject to a three month period without group coverage today, is nevertheless required to be insured. His parents would be required to purchase coverage on the marketplace for three months while waiting, then would transfer into CHIP – creating great, unnecessary administrative burden and opportunity for gaps in coverage while the family navigates multiple bureaucracies. In recent federal regulations, the Centers for Medicare and Medicaid Services (CMS) has encouraged states to consider eliminating their waiting periods. If a state maintains its waiting period, CMS has placed greater limits and exceptions to them, and requires states to facilitate the enrollment of the child at the end of the waiting period without requiring an additional application.[35] Under these circumstances Maine could avoid significant administrative burden within MaineCare, terrible confusion and administrative burdens for families, and a high risk of coverage gaps and interruptions in care for children by simply eliminating the waiting period.

[31] Sonya Schwartz, *One Step Closer to the Basic Health Program* (Georgetown University Health Policy Institute, December 3, 2013); 78 Fed. Reg 59122 (proposed rule, September 25, 2013).
[32] An Accountable Community is Maine's version of the Accountable Care Organization, where organized networks of providers are accountable for the total cost of care and the quality of services delivered to their members, use care coordination, quality, and efficiency to reduce costs, and can share in the savings when care is delivered at lower cost over all. *See* Accountable Communities Initiative (Maine Department of Health and Human Services), viewed January 2, 2014 at https://www.maine.gov/dhhs/oms/vbp/accountable.html..
[33] MaineCare Eligibility Manual, 10-144 CMR ch. 332, Part 5(2)(II). Although the CubCare name has since been dropped and it has been incorporated into MaineCare, the part of Maine's MaineCare program that was CubCare is technically a separate state CHIP program, allowing the state to charge premiums and establish this waiting period.
[34] 77 Fed. Reg. 17204 (March 23 2012), *to be codified at* 42 CFR § 435.119(c)
[35] 78 Fed. Reg. 42160, 42312-13, *to be codified at* 42 CFR §§ 457.340, 457.350 and 457.805.

These and other policy options have been the subject of much analysis and discussion in other forums, and should be thoughtfully discussed in Maine with the goal of maintaining sustainable, affordable coverage for all, and most especially, families with children.[36]

Conclusion

To keep Maine children healthy, Maine must assure that their parents have health coverage. The premium tax credit on the Marketplace will be helpful for many families, but many more will be unable to access it. Maine has the tools under the Affordable Care Act to set the right course: provide Medicaid to adults, including parents, as originally intended under the ACA, adopt a Basic Health Plan to protect families from large coverage gaps in the private market for families under 200% of the poverty level, and take action to mitigate the impact of churn between systems by eliminating the waiting period for CHIP and by offering Accountable Community plans designed so that fluctuations of income do not cause disruptions in care and unnecessary administrative costs.

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The Maine Children's Alliance (MCA) advocates for sound public policies that improve the lives of all Maine's children, youth and families. For 20 years, MCA has provided Maine with reliable, consistent data with the Maine KIDS COUNT project.

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[36] *See, e.g., Churning Under the ACA*; Dylan Scott, "States Work to Smooth Transition from Medicaid to Health Exchanges," *Governing* (February 5, 2013), available at http://www.governing.com/blogs/view/gov-states-work-to-smooth-transition-from-medicaid-to-health-exchanges.html; Benjamin D. Sommers, Sara Rosenbaum, *Issues In Health Reform: How Changes In Eligibility May Move Millions Back And Forth Between Medicaid And Insurance Exchanges,* 30 Health Aff 2228 (February 2011); Tricia Brooks and Martha Heberlein, *Making Kids Wait for Coverage Makes No Sense in a Reformed Health System* (Center for Children and Families, Georgetown University Health Policy Center, December 6, 2013). Available at http://ccf.georgetown.edu/ccf-resources/making-kids-wait-for-coverage-makes-no-sense-in-a-reformed-health-system/).