

Testimony Regarding

S.B. 1204: An Act Establishing the Connecticut Health Insurance Exchange

Sharon D. Langer
Public Health Committee
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Senator Gerratana, Representative Ritter, and members of the Public Health Committee:

I am testifying today on behalf of Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families. I am a Senior Policy Fellow, concentrating in policy analysis and advocacy related to Medicaid and HUSKY health insurance programs for low-income families and children.

We **support the inclusion of a Basic Health program** in Section 18 of the S.B. 1204, An Act Establishing the Connecticut Health Insurance Exchange, with the slight modifications noted on page 3 of my testimony. The establishment of a basic health program (BH program) will ensure that Connecticut's low-income working parents, other caretaker relatives, and other adults have access to affordable health care when health reform measures take effect in 2014.

As of January 1, 2014, almost all adults with income below 133% of the federal poverty level (FPL) will be eligible for Medicaid. Connecticut will no longer be required to cover parents, caretaker relatives and pregnant women above 133% FPL (e.g., \$14,484/year for an individual) in HUSKY A (Medicaid). We currently cover parents and caretaker relatives up to 185% FPL (e.g., \$34,280/year for a family of three) at the same level as children under 19 in HUSKY A, and cover pregnant women up to 250% FPL under HUSKY A (e.g., \$36,775/year for a family of two). Children under 19 in HUSKY are eligible regardless of income although their families contribute to the cost of care at higher income limits.

Under the Affordable Care Act, the state is required to retain children in Medicaid (HUSKY A) and CHIP (HUSKY B) until 2019. As a result of HUSKY, we have nearly universal coverage for children.

The State will have several options to choose from in determining how low-income adults will access health coverage. The BH Program provides the best protection for low-income HUSKY parents (and other near poor adults) with income between 133% FPL and 200% FPL. (It is worth noting that there will some pregnant women with family income between 200% FPL and 250% FPL currently covered under HUSKY, who will not be eligible for the BH Program). Since the federal government will pay 100% of the BH Program, this is also the most fiscally prudent option for the State.

While the state could keep these HUSKY parents covered in Medicaid after 2014, the state would continue to share the cost with the federal government, receiving 50 cents on the dollar for the state's Medicaid expenditures. We would certainly support such a decision but recognize that the State's fiscal situation makes such a decision unlikely.

These adults could also be moved into the Health Insurance Exchange where the federal government would provide subsidies for individuals with family income below 400% FPL. See, Center for Children and Families, *Health Insurance Exchanges: New Coverage Options for Children and Families* (August 2010), available at <http://ccf.georgetown.edu>

We believe that the federal subsidies are not sufficient to make coverage affordable to individuals with income between 133% and 200% FPL – the group that will benefit from coverage through a BH Program.¹ Individuals at these income levels are likely to opt out of coverage, subjecting themselves to a double whammy of being uninsured and subject to a financial penalty for failure to meet the federal insurance mandate.

Consumers will receive subsidized coverage in the Exchange through federal health insurance tax credits that will be calculated at the beginning of a plan year. As a result, many low-income consumers may not enroll in the Exchange for fear “of owing money to the Internal Revenue Service at the end of the year if their annual income turns out to exceed what consumers anticipated when health insurance credits were paid during the course of the year.”²

Research also tells us that families at the lower end of the income range between 133% and 200% FPL are subject to greater fluctuations in their income. By establishing the BH Program, the legislature will help reduce the “churning” that families would inevitably experience by needing to move back and forth between Medicaid and the Exchange during the course of a year. It is estimated that “more than 35 percent of all low-income adults will need to change between Medicaid and the exchange at least once every six months.”³ This increases the likelihood of gaps in coverage which in turn reduces access to regular care.

Our support for S.B. 1204 is also predicated on affording the 16,000 parents and other caretaker relatives currently eligible under HUSKY A, (and others eligible for the BH Program, approximately 41,000) with the same protections provided to individuals covered under Medicaid. BH enrollees would be afforded “all benefits, limits on cost-sharing and other consumer safeguards that apply to medical assistance provided in accordance with Title XIX of the Social Security Act”.⁴ In addition, the bill rightly requires that any “excess. . . federal funds” shall be used to increase reimbursement rates for providers serving individuals in the BH Program.

It is anticipated that the federal funding that the state receives for the BH Program will in fact exceed the amount of money that is currently available under Medicaid for these individuals. The amount of money that the state receives each year for the BH Program is 95% of the subsidies and other cost-sharing assistance at a particular premium level that individuals would otherwise receive in the Exchange. The state is required by federal law to set aside the funding for the BH Program in a trust fund that may only be used for the BH Program. Think of it as a fund not unlike Unemployment Insurance that cannot be siphoned off for other uses.

See attached chart for a comparison of the income eligibility, costs to individuals and the state, and benefits for adults currently covered under HUSKY A and the options available under health reform for adults with income above 133% FPL.

We suggest the following changes to Section 18 of S.B. 1204 to make clear that childless adults are eligible for Medicaid under Section 1902 of the Social Security Act (not Section 1931); adults under age 65 are eligible for the BH program per federal law, and that caretaker relatives – such as a grandparent, aunt or uncle - not just parents - are also currently eligible for HUSKY A, and should be eligible for the BH program. In addition, the reference to Section 1331 of the Affordable Care Act in lines 971-973 is misplaced since Section 1331 defines the BH program – not the Medicaid expansion group (individuals under 133% FPL). Section 1331 is correctly referenced in lines 975-976.

Lines of the bill are noted. Additions are in bold and underlined; deletions are in brackets:

941 Except as provided in section 17b-277, the medical
942 assistance program shall provide coverage to persons under the age of
943 nineteen with family income up to one hundred eighty-five per cent of
944 the federal poverty level without an asset limit and to persons under
945 the age of nineteen and their parents and needy caretaker relatives,
946 who qualify for coverage under [Section] [Sections 1902
947 (a)(10)(A)(i)(VIII) and] **Section** 1931 of the Social Security Act, with family
948 income up to one hundred eighty-five per cent of the federal poverty
949 level without an asset limit. Such levels shall be based on the regional
950 differences in such benefit amount, if applicable, unless such levels
951 based on regional differences are not in conformance with federal law.

...

966 . . . On and after January 1, 2014,
967 medical assistance shall be provided to childless adults and parents
968 and needy caretaker relatives who qualify for coverage under Sections **1902**
947 (a)(10)(A)(i)(VIII) and
969 1931 of the Social Security Act, with family income up to one hundred
970 thirty-three per cent of the federal poverty level, without an asset test
971 [and as determined in accordance with the provisions of Section 1331 of
972 the Patient Protection and Affordable Care Act, P.L. 111-148, as
973 amended from time to time]. On and after January 1, 2014, the
974 Commissioner of Social Services shall implement the basic health
975 program option in accordance with the provisions of said Section 1331
976 of the Patient Protection and Affordable Care Act. On and after
977 January 1, 2014, all individuals **under 65 years of age** with family income up to two hundred
978 per cent of the federal poverty level, as determined in accordance with
979 said Section 1331 of the Patient Protection and Affordable Care Act,
980 and who are ineligible for medical assistance pursuant to Title XIX of
981 the Social Security Act, shall be eligible for medical assistance under
982 the basic health program.

...

986 Individuals enrolled in the basic health program shall include, **but not be limited to, parents**
and other caretaker relatives
987 with incomes above one hundred thirty-three per cent of the federal

988 poverty level, as determined under said Section 1331 of the Patient
 989 Protection and Affordable Care Act, who would otherwise qualify for
 990 HUSKY Plan, Part A and individuals described in section 17b-257b.

Thank you for this opportunity to testify in support of the Basic Health Program in S.B. 1204.

		Options for Connecticut under ACA		
	HUSKY Program (Current coverage)	Option 1 Medicaid	Option 2 Basic Health Plan	Option 3 Health Insurance Exchange
Income eligibility				
Parents	Up to 185% FPL	Up to 185% FPL	133-200% FPL	up to 400% FPL
Pregnant women	Up to 250% FPL	Up to 250% FPL	133-200% FPL	up to 400% FPL
Cost				
Individual	No cost	No cost	No cost if aligned With Medicaid*	Monthly premium & other out of pocket costs TBD
State	50%	50%	-0-	-0-
Federal	50%	50%	100%	100% for subsidies
Benefits	Comprehensive	Comprehensive	Aligned with Medicaid*	Must meet "essential benefits" **

* S.B. 1204 envisions that the BH Program would provide the same cost-sharing protections and benefit package as Connecticut's Medicaid program.

** Essential benefits must meet federally defined minimum standards.

¹ Dorn, S., *The Basic Health Program Option under Federal Health Reform: Issues for Consumers and States, State Coverage Initiatives* (March 2011), Robert Wood Johnson Foundation, available at www.statecoverage.org/files/TheBasicHealthProgramOptionUnderHealthReform.pdf

² *Id.*, at 3.

³ *Id.*, at 14.

⁴ *Report to the General Assembly from the Sustinet Health Partnership Board of Directors* (January 2011), at 19. www.ct.gov/sustinet/lib/sustinet/sn.final_report.appendix.cga.010711.pdf .