Creating the Next Generation of MinnesotaCare

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Minnesota’s health care system will look very different in 2014!

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Affordable Care Act creates a health insurance Exchange

• An online competitive marketplace where individuals can shop for private health insurance, allowing them to compare cost and quality.
• Allows individuals to access premium tax credits and cost-sharing assistance.
• Connects people to public health insurance.
• Will improve enrollment experience by ensuring there is “no wrong door” and by creating navigator program.

What will happen to low-income Minnesotans in 2014?

• Good news! Minnesota has the opportunity under the Affordable Care Act to:
  • Expand Medicaid to cover an additional 140,000 Minnesotans (up to 138 percent of poverty)
  • Keep, expand and improve MinnesotaCare by adopting a Basic Health Program (for those between 138 and 200 percent of poverty)
So, what’s up with MinnesotaCare?

- MinnesotaCare currently covers 148,000 Minnesotans in all 87 counties, BUT
- Elements of MinnesotaCare may not be compatible with higher standards of the Affordable Care Act (such as hospital cap)
- Federal waiver for MinnesotaCare ends December 31, 2013. If feds do not renew waiver, we will have to fund MinnesotaCare with all state dollars.

What are the choices for those on MinnesotaCare?

We can allow low-income Minnesotans to go into the Exchange, where they have three options:

1. Select a standard level of health insurance coverage (a "silver" plan)
2. Select a catastrophic health insurance plan (a "bronze" plan)
3. Go without health insurance
**Premiums: Bronze v. Silver Health Plans**

- **Catastrophic (bronze)**
  - Premiums: $0 after tax credits
  - Cost-sharing: 40% (no subsidy option)
  - Deductibles: $3,500-$4,500
  - OOP Limits: $6,350 ($12,700 family)

- **Standard (silver)**
  - Premiums: $ after tax credits
  - Cost-sharing: 6-13% (subsidy option)
  - Deductibles: $650-$2,050
  - OOP Limits: $2,100 ($4,200 family)

**Option 1: Standard (Silver) Level of Insurance**

Would be the better coverage option in the Exchange, offering low deductibles and co-pays.

But, would have substantially more expensive premiums (2 to 3x higher) and more annual cost-sharing than MinnesotaCare, particularly for parents.
Parent with two children: Premiums on Exchange are substantially more expensive than MinnesotaCare

MONTHLY EXPENSES

Child Care $624
Housing $924
Food $91
Transportation $280
Other Necessities $289
Taxes $238
Total $2,446
(Monthly Deficit: -$130)

John
Family of 3
Ramsey County
150%FPL – approx. $28,000

Children’s Defense Fund-Minnesota calculated budget information, which reflects all food supports such as SNAP, School Meals or WIC, and Reduced-Price-School Meals. It does not reflect housing or child-care assistance due to the significant waiting lists for these supports. This budget also does not reflect common family expenses, like telephone bill, utilities (besides electricity), and debt payments.
Option 1: Standard (silver) level of insurance

**Much Higher Monthly Costs**
$93 a month for John (3x↑ than MinnesotaCare)

**Low Medical Expenses**
But, more costly medical bills than MNCare
(13 percent vs. 1-2 percent cost-sharing)
Could spend about 13 percent of income in year
on health care expenses.

*This option will most likely be unaffordable.*

Option 2: Catastrophic coverage (bronze trap)

**No Monthly Costs**
- $0 premiums could save our single parent a $1,000 for year.

**But, Much Higher Medical Bills**
- Could cause John to spend over a third of his income if he needs to access health care (beyond covered preventive services) for the year.

*This option will leave our John underinsured after reform.*
Option 3: Uninsurance

Families can forgo buying insurance, altogether:
- Pay the individual-mandate penalty – the greater of a flat dollar amount per individual, or a percentage of the individual’s taxable income.
- Avoid risk of having to repay premium tax credits if they earn more than expected. This process is call “tax reconciliation”

The Risk of Reconciliation

If an individual’s income increases during the year, and she does not report the change, she could end up owing when she files her federal tax return:

<table>
<thead>
<tr>
<th>Percentage of Poverty Line</th>
<th>Reconciliation Limit for Married Filers</th>
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<tbody>
<tr>
<td>Less than 200 percent</td>
<td>$600</td>
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<tr>
<td>Between 200 and 300 percent</td>
<td>$1,500</td>
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<tr>
<td>Between 300 and 400 percent</td>
<td>$2,500</td>
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<tr>
<td>Over 400 percent</td>
<td>No limit</td>
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<tr>
<td>Single filers: Limit is 50 percent of joint filers.</td>
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A Guiding Principle for Reform

Health reform should move us forward, not backwards, in terms of coverage for low-income Minnesotans.

There is a better alternative...preserve and improve MinnesotaCare!

• The Affordable Care Act offers better options than the Exchange for covering low-income individuals.
• So how can low-income people get comprehensive and affordable health coverage under the Affordable Care Act? ...
Enter stage left…

The Basic Health Program!

Basics of a Basic Health Program

- Who would be eligible?
  - Adults between 138 and 200 percent of poverty
  - Lawful immigrants between 0 and 200 percent of poverty, including those ineligible for Medicaid
- In Minnesota:
  - It is estimated that 120,000 people will be eligible for the Basic Health Program – 60 percent parents, 40 percent childless adults
MinnesotaCare 2.0!

• Basic Health Program could allow us to:
  • **Preserve** MinnesotaCare for most of those who currently rely on it.
  • **Expand** MinnesotaCare to tens of thousands of additional Minnesotans.
  • **Improve** the quality of coverage by removing hospital caps and other barriers to coverage.
  • **Ensure** affordable and comprehensive coverage.
  • **Avoid** tax reconciliation for individuals
  • **Increase** provider rates (if funds are available)

The choice facing Minnesota

<table>
<thead>
<tr>
<th>MinnesotaCare</th>
<th>Exchange-Only Coverage</th>
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<tbody>
<tr>
<td>Guaranteed affordability</td>
<td>Unaffordable and variable benefits</td>
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<td>and strong benefits</td>
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<td>No risk of underinsurance</td>
<td>High risk of inadequate coverage &amp; medical debt</td>
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<tr>
<td>No tax risk for low-income folks</td>
<td>Risk of tax reconciliation</td>
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So how do we get from here to there?

2013 Legislative Session

What are the challenges?

- Legislators seeking to move state “vouchers” for health care
- Lack of knowledge that MinnesotaCare’s future is at risk
- Overshadowed by complex Exchange process
- Federal regulations are incomplete at this time
- Uncertain outcome if there is no legislative action
Good progress is taking place

- Access work group of Health Reform Task Force has approved strong recommendations for MinnesotaCare population
- More organizations getting involved in advocating for MinnesotaCare

How the pieces could fit together:
A happier (healthier) world for low-income Minnesotans
Join us in building a better health care system in Minnesota!

### 2012 Federal Poverty Level

The benefit levels of many low-income assistance programs are based on these poverty guidelines. Find your family size and monthly or yearly income below to determine your FPL percentage category.

**Note:** Pregnant women are listed as two people for the purpose of this chart.

#### 48 Contiguous States and the District of Columbia

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<th>Family Size</th>
<th>% Gross Yearly Income</th>
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