Medicaid Eligibility & Private Health Insurance

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Medicaid & Private Health Insurance

- Most of the 45 million uninsured fall between Medicaid and tax-subsidized employer coverage
- Both Medicaid and the tax code provide taxpayer assistance for health benefits
  - However, they are now different and separate systems
  - Many advocates for expanding health insurance coverage prefer either Medicaid or private health benefits
  - Perhaps a “Medicaid + tax credits” strategy?

Medicaid & Eligibility

- Medicaid eligibility reforms are long overdue
  - 1980: Medicaid = $26 B, uninsured = 25 M
  - 2005: Medicaid = $330 B, uninsured = 45 M
- Key problems
  - Designed for charity care populations highly dependent on government programs, categorical ineligibility
  - Inability to assist working populations...80% of uninsured
  - Had Medicaid eligibility been re-designed, much of the uninsured problem might have been avoided

Expanding Medicaid Eligibility

- Medicaid now doesn't work well for employed populations
  - Categorical eligibility & exclusion
  - A single benefit package that is more expensive than most private health insurance
  - Lack of premium assistance options
    - About 1/3 of states have a premium support option (e.g. 1115 waivers); only 1-4% of Medicaid enrollees receive support
    - Mostly for shifting costs to employers rather than assisting employers or facilitating enrollment in private plans

Expanding Medicaid Eligibility

- Medicaid now doesn't work well for employed populations (cont)
  - Medicaid provider networks & plans limited, welfare healthcare
  - No workplace signup and payroll withholding arrangements. Welfare office application, income & asset testing
- A patchwork system that needs a new federal-state partnership w/ financing

Tax Policy & Health Insurance

- The tax code now doesn't work well for low-income uninsured populations
  - Categorical eligibility & exclusion (assists individuals with employer-paid premiums)
  - The amounts are too small for purchasing private health benefits. No "premium support" for enrolling in state programs
  - A tax collection system
    - Administered mostly through employer-based payroll withholding.
    - Lowest income populations don't pay income tax or file 1040s
    - Health plan premiums exceed income tax liability and must be paid monthly

Eligibility Principles for Medicaid and Tax Benefits

- **National "needs-based" eligibility for Medicaid and tax benefits**
  - Future eligibility for both Medicaid and tax benefits **based on income**, not categorical eligibility & exclusion. Phased-in
- **Medicaid benefits flexibility**
  - States able to offer Medicaid assistance for new populations based on private health plan benefits or other standard (e.g. SCHIP)

Eligibility Principles for Medicaid and Tax Benefits

- **Consumer choice**
  - Allow individuals to choose Medicaid, other state-sponsored programs or private plans.
    - Monetize Medicaid and tax benefits, so they can be “premium support” for an individual’s choice
    - Bypasses “public vs private” philosophical conflicts. The Medicare model
- **A “Medicaid + tax credits” administrative system**
  - State flexibility and new federal tax credits
    - Tax credits = refundable, advanceable, and electronically paid to health insurers, e.g. HCTC, EITC (W-5)
    - Medicaid programs and IRS = computer-linked
  - Workplace signup for workers