

Expanding Medicaid in Washington State: An Overview of Key Policy Decisions

The Affordable Care Act (“ACA”) gives states a new opportunity to expand Medicaid, starting in 2014. States that choose the expansion will experience:

- Significant coverage gains. Most individuals up to 138% FPL will be eligible for Medicaid, regardless of assets or family structure. In Washington, nearly 328,000 residents could gain coverage.
- A high federal matching rate. The federal government will provide 100% federal support the first 3 years, eventually phasing down by 2020 and holding at 90% long-term.
- State flexibility. Within guidelines, the state will determine the benefit package, how the program is administered, and how best to simplify eligibility & enrollment policies and minimize churn.

Washington State Context: Health Coverage for Adults

Today	In 2014
<p><u>Mandatory Medicaid:</u> Parents, adults with disabilities, and adults over age 65 are eligible for Medicaid if they earn roughly below 80% FPL. Pregnant women are eligible up to 185% FPL. The state pays 50% of the costs of coverage.</p>	<p><u>Mandatory Medicaid:</u> The groups that are already eligible today will remain eligible for Medicaid. The state will continue to be responsible for 50% of the costs of coverage.</p> <p><u>New Medicaid Expansion:</u> The state can add a new Medicaid group: childless adults up to 138% FPL. The state will receive the high federal match rate for this group.</p>
<p><u>Optional Medicaid:</u> Washington has adopted certain state options for some adult groups who are ineligible for Mandatory Medicaid, such as breast and cervical cancer patients and workers with disabilities.</p>	<p>These groups include people with income both above and below 138% FPL. Some, but not all, will qualify for the Medicaid Expansion or subsidized Exchange coverage.</p> <p>The state will have to decide whether to continue the Optional Medicaid programs. It may be important to retain them for those ineligible for other coverage options.</p>
<p><u>State Programs:</u> Low-income adults who are not in the above categories are generally ineligible for Medicaid. Basic Health and Medical Care Services (formerly Disability Lifeline) now cover nearly 50,000 of these individuals.</p>	<p>Most enrollees in current Basic Health and Medical Care Services (as well as those on the Basic Health waiting list) will qualify for the new Medicaid Expansion, as their incomes are under 138% FPL. The state will receive the high federal match rate for this group.</p> <p>Some enrollees may be eligible for the Exchange and/or the Federal Basic Health Program. A small number may not qualify for any program if the state programs are closed.</p>
<p><u>Private Insurance:</u> Unsubsidized individual insurance is available through the commercial market.</p>	<p>Individual insurance will be available through the Exchange and/or the Federal Basic Health Program, with sliding-scale subsidies for premiums and other costs based on income.</p>

Medicaid Expansion Policy Goals

The Medicaid expansion will greatly benefit Washington State and its residents. The expansion will have an even greater impact if implemented along with strong policies to include robust benefits, prevent gaps in coverage, and promote continuity of care.

Expansion Goal #1: Full Benefits for All Medicaid Enrollees

In preparation for the 2014 Medicaid expansion, Washington must select a benchmark for coverage that includes, at minimum, the ten categories outlined as Essential Health Benefits in the ACA. Some of these categories of benefits will be new for Medicaid, such as habilitative care. Similarly, the scope of some benefits may actually be greater than in the existing Medicaid program. On the other hand, the ACA's ten required categories do not include certain critical Medicaid benefits, such as long-term care.

Given these different benefit package requirements, Washington State should align existing Medicaid benefits and the new benchmark plan benefits to include the best of both packages. The ACA permits states to exceed the EHB benchmark through a "Secretary-approved" option. The state should take this opportunity to unify its current Medicaid program with the expansion, offering a single, comprehensive benefits package for all Medicaid enrollees.

A unified package would have two key advantages. First, a uniform package would create a seamless health coverage experience, ensuring that low-income Medicaid enrollees receive the health care they need regardless of categorization as "current eligibility" or "newly eligible." Second, a uniform package would promote administrative simplification, sparing the need for the state, plans, and providers to track individuals and revise benefits as they move across income thresholds.

As part of this single benefits package, the state should restore critical services that were historically covered but were cut in recent years due to the economic downturn—such as adult dental care, rehabilitation therapies, eyeglasses, and hearing care. These benefits are critical to the health of Medicaid enrollees. Excluding them has serious health consequences for enrollees, because low-income individuals are simply unable to afford even urgently-needed care if it is not in their benefit package.

In short, the uniform benefits package should:

- Meet or exceed the Essential Health Benefits package for the Exchange;
- Maintain and restore traditional Medicaid benefits, including those cut in recent years; and
- Include long-term care for all enrollees to the maximum extent permitted.¹

Expansion Goal #2: Preserve Needed Optional Medicaid Categories to Fill In Gaps

The ACA streamlined eligibility for Medicaid in 2014, consolidating today's numerous grounds for eligibility into a few simple categories that will include the expansion group. As part of this simplification process, it may make sense for Washington State to phase out or reduce some of its optional medical assistance programs— recognizing that many of the individuals served by these programs may be able to access new coverage options through the expansion of Medicaid's income threshold, the Federal Basic Health Option, or the Exchange. For example, many of the women who use Take Charge's limited family planning benefit today will be eligible for more comprehensive coverage in 2014 and will no longer need the program.

However, as Washington State considers these Medicaid "transition options," it will be critical to understand the needs of those for whom the ACA's new coverage options will be inadequate, such as:

¹ Technical questions remain about which types of long-term care the state may include its benefits package for expansion enrollees (i.e. institutional versus home and community-based).

- Some immigrants and certain individuals with offers of employer coverage will not be permitted to buy subsidized coverage from the Exchange.
- Individuals who seek services on their own, such as pregnant teens, may not be able to apply without notification to others in their household under new income calculation rules.

For these individuals and others, Washington State must continue its commitment to coverage, seeking state-funded solutions to coverage gaps where necessary. The state should be able to finance these solutions with little to no additional expenditures, capturing savings from declining caseloads in state-funded programs caused by enrollees moving into the federally-supported Medicaid expansion, BHO, and Exchange.

Expansion Goal #3: Design a Medicaid Program that Improves Continuity of Care

While Washington State can promote access to coverage in 2014 by building a uniform benefits package and retaining certain optional medical programs, it must also consider strategies to maintain coverage and continuity of care.

A preliminary study of Washington’s Medicaid expansion found that enrollees whose income crosses the 138% FPL threshold are very likely to cross back into the program the following year and vice versa.² While some degree of “churning” due to income fluctuations and changing family circumstances is to be expected, it is important to minimize the frequency of churning and the degree to which it disrupts care. To that end, Washington State could adopt a number of policies to minimize churn as it plans for Medicaid expansion:

- The state could continue its historical commitment to aligning Medicaid with a complementary Basic Health program. Today, Washington’s Basic Health program coordinates closely with Medicaid, contracting with the same plans and providers. In 2014, Washington could fully integrate its Medicaid expansion with the federally-financed Federal Basic Health Option, providing an affordable bridge to the higher-priced Exchange for individuals whose income hovers just above Medicaid levels.
- The state could adopt 12-month continuous eligibility for adults, allowing a person to stay on Medicaid for a year even if their income fluctuates. The state has already adopted this policy for children enrolled in Apple Health for Kids, leading to improvements in both the continuity and quality of care. While the state would need to seek a federal waiver to achieve this goal, New York has already obtained a similar waiver.

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² Institute for Health Policy Solutions presentation, “Eligibility Churning, Continuity of Coverage and Care: Policy Options.” Draft, May 4, 2012.