



# Children's Coverage Design Considerations

## Out-of-Pocket Spending



**Medicaid and CHIP Payment and Access Commission**

Joanne Jee and Veronica Daher

# Overview

- Update on future of children's coverage analysis
- Literature review on the effects of premiums and cost sharing on use of services and outcomes
- Approaches to eligibility and subsidy design in selected federal programs

# Literature Review

# Premiums and Cost Sharing in Children's Coverage

- What level of out-of-pocket costs is appropriate for low- and moderate-income families?
- Premiums and cost sharing are a feature of virtually all insurance, but amounts are historically low in Medicaid and CHIP.
- Premiums can affect access to coverage while cost sharing can affect access to services once insured.
- This review synthesizes studies of the effects of premiums and point-of-service cost sharing on low-income children's access to care and health outcomes.

# Plans Impose Premiums and Cost Sharing to:

1. Reduce use of unnecessary services
2. Steer enrollees toward more cost-effective or preferred services
3. Shift some costs from plans to enrollees
4. Encourage personal responsibility in purchasing decisions

# Premiums: Effects on Access to Coverage

- Increased premiums are linked to decreased health insurance enrollment for children.
- Children with low incomes are disproportionately affected by premium increases.
- Sick children are more likely to remain enrolled despite premium increases.

# Cost Sharing: Effects on Access and Outcomes

- Cost sharing at the point of service can impede low-income children's access to care and increase financial distress.
- People reduce use of both effective and less-effective care in response to increased cost sharing.
- While studies show a link between cost sharing and adverse outcomes for older adults or chronically ill populations, evidence on cost sharing and outcomes is inconclusive for children.

# Conclusions

- Even small increases in cost sharing and premiums affect access and outcomes for low-income children and families.
- As the Commission moves forward, it is important to consider what level of cost sharing may encourage appropriate use of services without impeding access to necessary care.

# Approaches to Financial Subsidies in Federal Programs

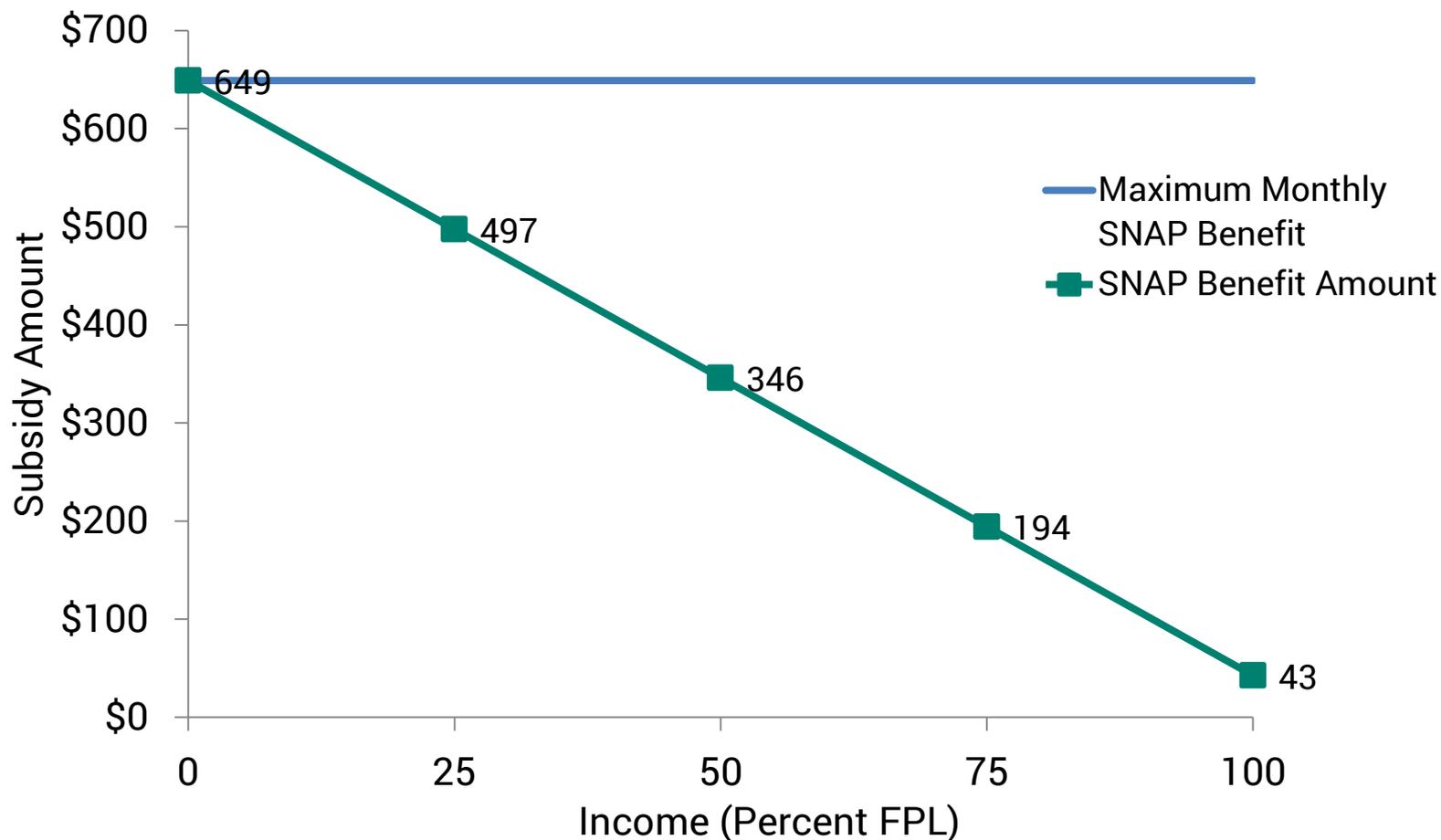
# Eligibility and Design of Subsidies in Selected Federal Programs

Reviewed how eight federal programs serving low- and moderate-income individuals and families adjust subsidies as income grows:

- Supplemental Nutrition Assistance Program
- Federal rental assistance programs
- Supplemental Security Income
- Improved Disability Pension Benefit for Veterans
- Earned Income Tax Credit
- Medicare Part D Low-Income Subsidy Program
- National School Lunch Program
- Low-Income Home Energy Assistance Program

# Example of Gradually Reduced Subsidy

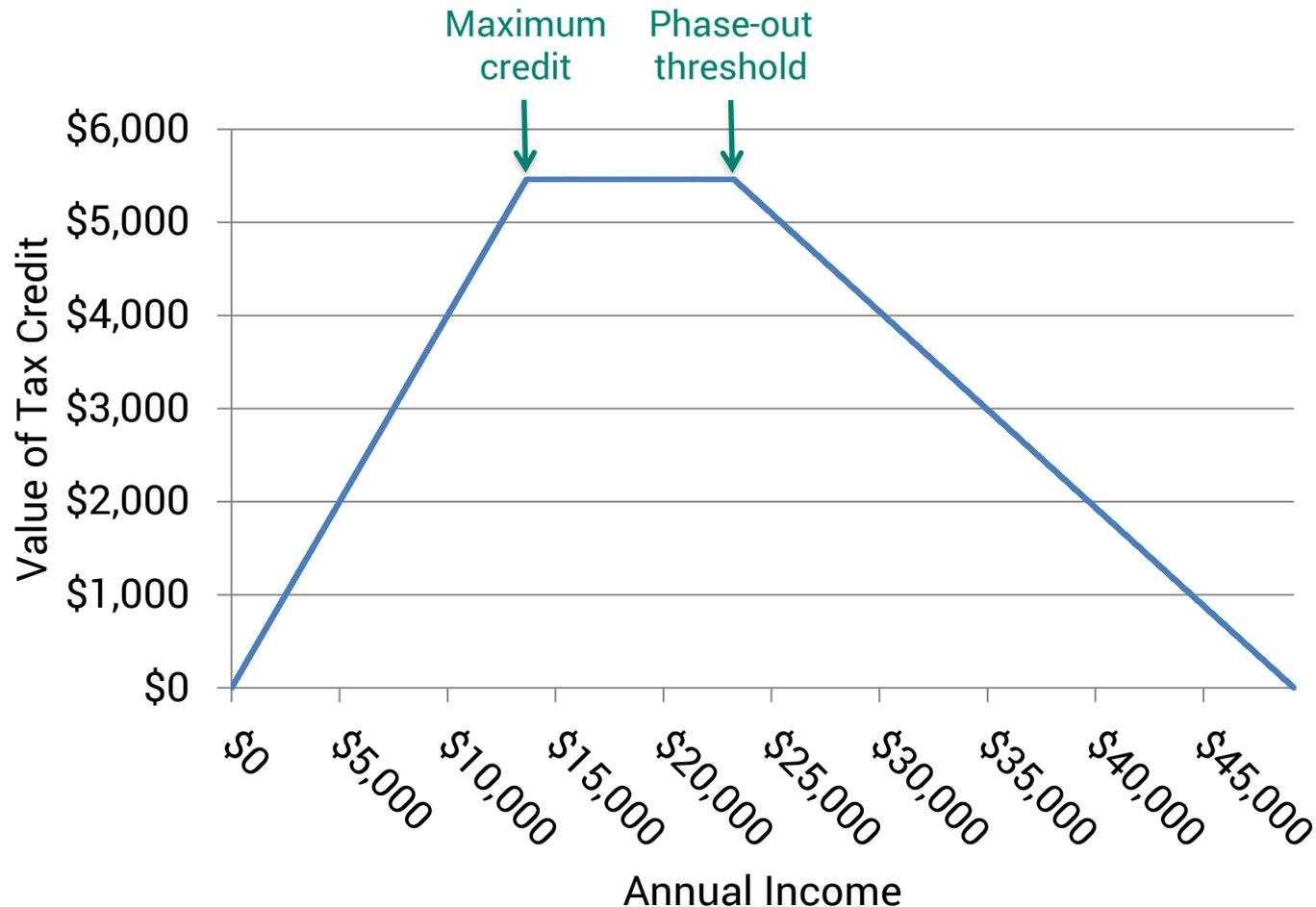
Supplemental Nutrition Assistance Program Allotment, Family of Four, FY 2015



Sources: MACPAC, USDA FY 2015 Minimum SNAP Allotment  
May 15, 2015

# Example of Gradually Reduced Subsidy

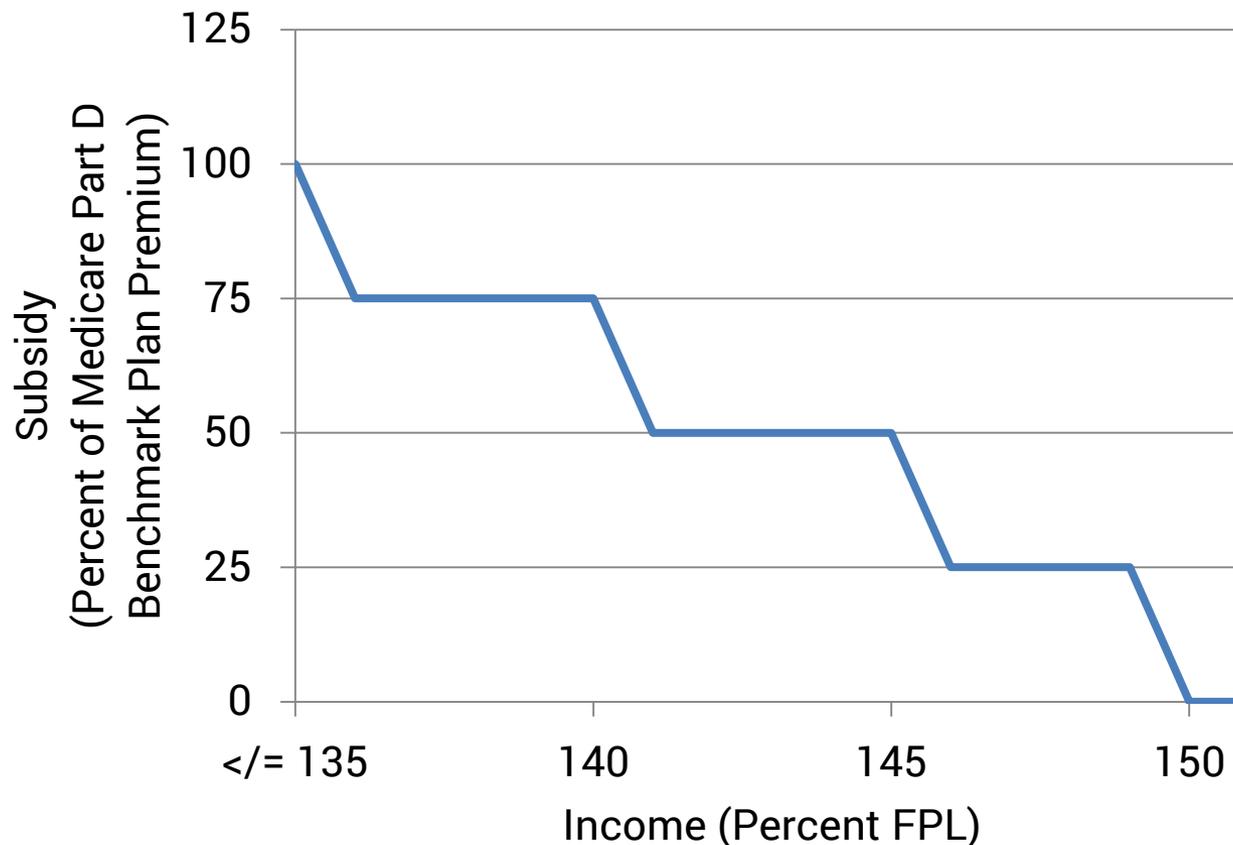
Earned Income Tax Credit, Married Tax-Filer, Two Children, Tax Year 2014



Sources: MACPAC and Falk 2014  
May 15, 2015

# Example of Tiered Reduction in Subsidy

## Medicare Part D Low-Income Subsidy Program Subsidies, 2015



# Design Considerations: Out-of-Pocket Costs for Children's Coverage

- How to balance families' out-of-pocket financial responsibilities for the cost of coverage and care with access to care?
- Do other federal programs offer guidance on approaches for smoother adjustments to family out-of-pocket costs as income increases?



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