

Appendix H. Examples of Individual State Premium Assistance Programs

Section 1906 The Health Insurance Premium Program in Iowa

Iowa has been operating a premium assistance program under Section 1906 of the Social Security Act since 1991. Every Medicaid enrollee is screened for eligibility in the Health Insurance Premium Payment (HIPP) program. In addition to the information gathered from the applicant and employer, the HIPP unit is responsible for obtaining further information regarding the benefits and cost of the employer-based plan. This information is used in a benefit-by-benefit comparison of the cost of buying into an employer-based plan versus purchasing the same services through Medicaid. A computer program performs the cost-effectiveness assessment to determine if buying private coverage is cost-effective, and if it is then both the applicant and the employer are notified and the employee will be enrolled in the employer's health insurance under the HIPP program.

In Iowa, HIPP beneficiaries receive subsidies directly from the state. The subsidy checks are issued for the same period during which the deductions from the employees' paychecks are taken. Thus, the subsidy checks are sent five to seven days before the deductions will be made to insure that enrollees do not have to wait before receiving their reimbursements.

Cases are reviewed once a year, and employers and employees are asked whether there have been any changes to the company health plan or contribution policy. There have been a few incidences where employees have dropped employer coverage, failed to inform the state, and continued to collect subsidy checks for a few months. However, this is infrequent.

A Combination Medicaid and SCHIP Premium Assistance Program in Massachusetts

To purchase employer-sponsored coverage under the MassHealth Family Assistance Program, Massachusetts uses a combination of Medicaid and SCHIP funding. Massachusetts has essentially created two premium subsidy programs that operate concurrently. One program has been implemented using a Medicaid Section 1115 waiver and the other program has been implemented using SCHIP. The Medicaid funds are used to insure families who already have health insurance while the SCHIP funds are used to cover those who do not have any health insurance. Coverage for children who do not meet SCHIP criteria is provided under the 1115 waiver or state-only funds.¹

To implement the premium assistance program, officials must determine if the applicant has access to employer-based coverage. The MassHealth program screens all applicants with incomes between 150 and 200 percent of the FPL for the availability of employer-based income by either asking the beneficiary for information or through an automated data match. If employer-based insurance is offered, the state contacts the employer to

obtain information regarding the employer's health plan including the employer's contribution, the benefits offered by the plan, and the cost of the premium. A follow-up letter is then sent to the employer explaining the Massachusetts Family Assistance Program. All information regarding the employer-based health insurance is entered into a database and analyzed to determine whether the health care coverage adheres to the following requirements:

- The employer must contribute at least 50 percent of the cost of family coverage.
- It must be no more costly to buy into the employer-based plan than it would be to cover the individual under the regular MassHealth program.
- The plan must meet the SCHIP benchmark benefit requirement (the benchmark in Massachusetts is the largest commercial HMO in the state).

During this investigation period, which typically lasts 60 days, children, but not their parents, can get coverage through a temporary fee-for-service arrangement.

The MassHealth Family Assistance Program employs two methods of paying subsidies. The state can either makes direct payments to the family or the state can employ intermediaries to remit subsidies to employers.

Providers must bill the state directly for any cost-sharing fees that they cannot collect directly from participants. For example, when a beneficiary receives services like well-child or well-baby visits for which they are not required to participate in any cost sharing, the beneficiary can present a billing form to the provider with instructions to bill the state. In order to make this process operate as smoothly as possible, the state trains providers about the cost-sharing process.

While most employers in Massachusetts have been cooperative and have provided information in a timely manner, only a relatively small number of employers participate in the program and only approximately 7,000 people have been covered through the program over its first two years. Additionally, the majority of the people covered by the state's premium assistance program have been covered using Medicaid funds because the administrative difficulty of providing coverage using SCHIP dollars has been too great.²

¹ Hearne, Jean, and Laura Tollen, *MassHealth Family Assistance Program: A Case Study of an Employer-Based Insurance Subsidy Program* (April 1999). Online. Available: <http://www.ihps.org/6-99Tol.htm>. Accessed: January 20, 2001.

² Karl Polzer, *Using SCHIP to Subsidize Employment-Based Coverage: How Far Can This Strategy Go?* (Washington, D.C.: National Health Policy Forum, The George Washington University, June 2000), p. 7.

