

How Proposed HUSKY Cuts Will Harm Low-Income Families



Connecticut Health
FOUNDATION

FINDINGS

- 34,000 low-income parents could lose eligibility for HUSKY A, Connecticut's Medicaid program.
- Though Access Health CT offers subsidized coverage for these parents, their costs will increase by an average of \$1,900/year for less comprehensive coverage than that provided by HUSKY A.
- Because of the high cost of health insurance even with subsidies, 7,000-10,000 parents will likely become uninsured.
- For those parents who do purchase insurance, some will likely delay needed health care due to higher out-of-pocket cost sharing obligations (e.g., co-pays, deductibles) and less comprehensive coverage.
- Pregnant women are among those who would lose HUSKY A coverage. Reduced access to care could lead to life-long health effects for their children, and higher health care costs down the road.
- Child coverage would likely drop. Lower-income children are less likely to have health insurance coverage if their parents are uninsured, even when children remain eligible. Other states experienced drops in coverage for eligible children after cutting Medicaid for adults.
- Subsidized coverage through Access Health CT offers much thinner mental health and substance abuse benefits. Dental coverage would have to be purchased through an additional stand-alone plan.

OVERVIEW

In February 2015, Governor Dannel Malloy proposed a 2016-2017 biennial budget that includes reduced eligibility for parents in HUSKY A, the state's Medicaid program. These cuts would affect an estimated 34,000 working parents, potentially leaving many thousands with no health insurance, increased financial vulnerability, and limited access to care.

The proposed budget eliminates HUSKY coverage for:

- **parents** who have children also enrolled in HUSKY and have family incomes between 138-201 percent of the federal poverty level (FPL) (about \$28,000-\$40,000 for a family of three); and
- **pregnant women** with family incomes at 138-263 percent of FPL (about \$28,000 - \$52,000 for a family of three).

The Governor's proposal suggests that these parents can find affordable coverage by purchasing subsidized health insurance through Access Health CT, the state's health insurance marketplace. This analysis presents likely consequences if this proposal is enacted.



EFFECTS ON FAMILIES

Low-income parents will face higher health care costs

- The state will save approximately \$2,400 per HUSKY enrollee, but each enrollee will pay on average \$1,900 more if they enroll in health insurance through Access Health CT.ⁱ This is because, though federal funding will increase for a person enrolled in Access Health CT coverage, it will not make up for decreased state funding and increased overall medical costs. See Table 1.
- Out-of-pocket costs will be greater for people with chronic conditions and high medical expenses.ⁱⁱ See Table 2 for the effects on four hypothetical families.
- Subsidized coverage through Access Health CT offers much thinner mental health and substance abuse services. Adult dental coverage is not part of health plans offered by Access Health CT, and would have to be purchased separately. Nationally, annual expenditures on dental care average approximately \$350 per person, and mental health and substance abuse expenditures average \$550 per person.ⁱⁱⁱ
- Some affected parents will not even be eligible for subsidies through Access Health CT because of the Affordable Care Act’s “family glitch”: if one family member has access to affordable employee-only employer sponsored insurance, other family members (e.g., a spouse) may not be eligible for subsidized insurance through Access Health CT.

Table 1: Estimated Average Annual Cost and Revenue Sources per Member for HUSKY Parents’ Health Coverage Through HUSKY and Access Health CT in 2016^{iv}

Revenue Source	HUSKY	Access Health CT	Change
State funds	\$2,400	\$0	(\$2,400)
Federal funds	\$2,400	\$3,400	\$1,000
Parent’s out-of-pocket cost	\$0	\$1,900	\$1,900
Health coverage total cost	\$4,800	\$5,300	\$500

Table 2: Increased Health Care Costs for Hypothetical Families after HUSKY Cuts^v

	HUSKY (Medicaid)	Chandra	Anne	Maria	Jenny (pregnant)
Family size		2	2	2	1
Income/FPL		201%	180%	146%	250%
Family income		\$32,019	\$28,674	\$23,258	\$29,425
Annual medical expenses		high \$12,000	low \$300	moderate \$1,000	high \$10,000
Annual premium	\$0	\$2,028	\$1,543	\$875	\$2,369
Annual cost-sharing	\$0	\$3,240	\$39	\$60	\$3,000
Total costs	\$0	\$5,268	\$1,582	\$935	\$5,369
% of total income	0%	16%	6%	4%	18%

Many may forgo health insurance because of the cost

- Based on experience in other states and information from published studies, at least 7,000-10,000 (20-30 percent) of the 34,000 parents who lose HUSKY benefits will likely not enroll in another health insurance plan because of the additional cost.^{vi}
- One recent survey found that 40 percent of uninsured respondents would not be willing to pay \$2,000/year in premiums for a subsidized health plan.^{vii} Even with federal subsidies reducing Access Health CT premiums to less than \$2,000 on average, a sizable number of newly uninsured individuals will likely forgo coverage.
- Rhode Island recently eliminated Medicaid eligibility for a similar population of individuals (138-175 percent of FPL) who were eligible for federal subsidies on the state's exchange. Four months later, of those expected to lose Medicaid coverage, only 11 percent had enrolled in the state's exchange. Analysts believe that 30 percent were left uninsured, though some may have obtained insurance from other sources. Notably, 45 percent remained on Medicaid and 14 percent were awaiting Medicaid disability determinations.^{viii}



State and federal law will likely prevent Connecticut from cutting HUSKY for pregnant women between 138% and 185% of FPL. The remaining population of pregnant women, from 185% - 263% FPL, still faces a steep increase in health care costs, loss of dental and mental health care, and delayed access to prenatal and other care. Their newborn children will no longer automatically receive one year of coverage tied to their mothers' Medicaid eligibility.

Even parents enrolled in coverage through Access Health CT may delay needed health care

- When individuals face higher health care costs, many delay seeking health care, even for serious conditions.^{ix} Low-income individuals are most likely to delay seeking health care.^x Households with incomes between 100 and 250 percent FPL have median liquid assets (e.g. bank accounts and stocks) of \$766, making the possibility of large outlays for health care worrisome.^{xi} Higher deductibles and co-pays for coverage through Access Health CT will likely lead to delayed care for some HUSKY parents.
- Moving from coverage through HUSKY to Access Health CT results in reduction or loss of significant benefits such as mental health care, substance abuse services, dental care, and transportation to medical appointments.

Reduced access to care could lead to life-long health effects.

Pregnant women are included in these cuts

- Uninsured pregnant women may delay needed prenatal care.^{xii} Delayed prenatal care is associated with low birth weights and infant deaths.^{xiii}
- If an uninsured pregnant woman wants to purchase health insurance after she learns she is pregnant, she will likely not be able to enroll in a plan through Access Health CT until the open enrollment period.
- For a woman who receives prenatal care, other medical care may be needed to ensure the baby's health. Even among

pregnant women insured through Access Health CT who receive access to no-cost prenatal care, higher premiums and higher cost-sharing might lead to delays in seeking other needed health care.

- Dental coverage is not included in adult subsidized coverage offered through Access Health CT. The loss of dental coverage in particular has been linked to adverse outcomes, such as low birth weights and pre-term births.^{xiv}
- Delaying prenatal and other health care can have life-long effects on children and long-term costs for the state.

Jenny makes \$29,425/year (250% FPL) and is pregnant with her first child. Her job does not offer health insurance. Her medical expenses total about \$10,000 (currently covered by HUSKY). Jenny's costs would increase from \$0 to \$5,369 or 18 percent of her annual income if she loses HUSKY and purchases subsidized insurance through Access Health CT. She does not meet the ACA out-of-pocket maximum, nor is she likely to qualify for Medicaid spend-down. Her dental and mental health needs would no longer be fully met by her health insurance.

Children may lose access to care even if they remain eligible

- In 2013, Maine reduced the income eligibility standard for parents in MaineCare, its Medicaid program, from 200 percent to 100 percent of FPL, resulting in about 28,500 parents losing eligibility. In the seven months after this change took effect, there was a 13 percent decline in the number of children enrolled in CubCare, Maine's health insurance program for children in families with incomes between 150 percent and 200 percent of FPL.^{xv}
- Research produced between 2000 and 2006 showed that parental coverage in public insurance programs was associated with children's greater participation in public programs, less interrupted coverage of children, and better access to care.^{xvi} Researchers suggest that parents may

not be aware that their children are eligible, or may be thwarted by complicated enrollment and redetermination procedures. There is greater convenience and greater incentive for parents to enroll their children and keep them enrolled if a single visit or a single form leads to coverage for the entire family.^{xvii}

- A greater share of Medicaid-eligible children was enrolled in public coverage in states with HUSKY-like parent coverage expansions, compared to states without such expansions.^{xviii}
- Medicaid-eligible children in Oregon were significantly more likely to be uninsured if their parents were privately insured rather than publicly insured.^{xix}
- In Connecticut, a parent's access to dental care improves the likelihood that a child will receive dental care.^{xx}

CONCLUSION

Evidence suggests that if low-income parents and pregnant women lose HUSKY eligibility, many will not be able to remain insured. Those who do will face much higher costs for care, straining limited household budgets. The likely results of the loss of coverage and increased costs include reduced access to medical care, particularly for people with chronic conditions, delayed or forgone prenatal care, and an increase in uninsured children.

Connecticut was a leader in expanding Medicaid and ensuring adequate health care coverage for its population. The proposed budget cuts to HUSKY A run counter to this tradition and could cause significant harm to thousands of low-income people.

APPENDIX

Calculation of Average Estimated Costs for Affected HUSKY Parents Who Enroll in Coverage Through Access Health CT

PMPM = per member per month

ACA = Affordable Care Act

FPL Range		133-150%	151-200%	Total
Premium Contribution				
L1	Mid-point	141.5%	175.0%	
L2	Average income per household (weighted average family size approx = 3.2)	\$29,679	\$37,410	
L3	Average premium contribution as a % of income (from ACA)	3.50%	5.15%	
L4	Average annual premium contribution per household (L2 x L3)	\$1,039	\$1,927	\$1,701
L5	Estimated # individuals	8,627	25,373	34,000
L6	Estimated # households (assumes half of HUSKY parents are married couples)	6,470	19,030	25,500
L7	Estimated total premium contribution in millions (L4 x L6 ÷ 1,000,000)	\$6.7	\$36.7	\$43.4
Cost Sharing				
L8	Silver Plan monthly premium (Benchmark plan from Wakely)	\$310	\$310	
L9	Actuarial value of silver plan (ACA)	70%	70%	
L10	Average total medical cost PMPM (L8 ÷ L9)	\$443	\$443	
L11	Reduced cost sharing (ACA)	6.0%	13.0%	
L12	Average cost sharing PMPM (L10 x L11)	\$27	\$58	
L13	Average annual cost sharing per member (L12 x 12)	\$319	\$691	
L14	Estimated # individuals	8,627	25,373	34,000
L15	Total cost sharing in millions (L13 x L14 ÷ 1,000,000)	\$2.8	\$17.5	\$20.3
L16	Total premium contribution and cost sharing in millions (L7 + L15)	\$9.5	\$54.2	\$63.7
L17	Total annual out-of-pocket cost, average per member (1,000,000 x L16 ÷ L14)	\$1,098	\$2,136	\$1,872

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- ii See Avalere, *Despite Subsidies, Chronically Ill Individuals Will be Underinsured in the Exchanges* (December 2013).
- iii Centers for Medicare and Medicaid Services, *National Health Expenditures 2013 Highlights*, accessed at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/highlights.pdf>; United States Substance Abuse and Mental Health Agency, *National Expenditures for Mental Health Services and Substance Abuse Treatment: 1986 - 2005*, accessed at <https://store.samhsa.gov/shin/content/SMA10-4612/SMA10-4612.pdf>. Mental health and substance abuse expenditures in 2005 were increased for health care inflation from 2005 through 2013.
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- v FPL is based on 2015 numbers. Annual premium is calculated per household by multiplying the premium percentage by household income. 26 USC 36B(b)(2); 26 USC s. 36B(b)(3)(A)(i). Cost-sharing was calculated by applying the cost-sharing limit to each person's medical expenses. The cost-sharing limit is 6% for 100-150% FPL; 13% for 150-200% FPL; and 27% for 200-2% FPL. ACA section 1402. We estimated Jenny's cost sharing to be 30%, since the silver plan covers about 70% of costs. None of the hypothetical families met their out-of-pocket maximum as calculated by the Kaiser Family Foundation Health Insurance Marketplace Calculator (2015). None of the hypothetical families incurred enough medical expenses to meet Medicaid spend-down. The Medicaid spend-down income was assumed to be half of the typical Medicaid income limit. In other words, parents would need to spend down to 69% of FPL (half of 138% FPL), and pregnant individuals would need to spend down to 92.5% FPL (half of 185% FPL assumed new limit under cuts). For the purposes of calculating Medicaid spend-down eligibility, medical costs were assumed to be evenly spread throughout the year.
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- viii Email communication with the Economic Progress Institute in Rhode Island.
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- xxi Calculations were made based on a population with income from 138%-200% FPL. Because parents at 201% FPL and pregnant women from 200-263% FPL receive less help paying for coverage on Access Health CT than those below 200%, this estimate is conservative.

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