

State Medicaid Buy-Ins: Key Questions to Consider

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STATE
Health & Value
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Welcome

All participant lines are muted. If at any time you would like to submit a question, please use the Q&A box at the bottom right of your screen.

After the webinar, the slides and a recording will be available at **www.shvs.org**.

About State Health and Value Strategies

State Health and Value Strategies (SHVS) assists states in their efforts to transform health and health care by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's Woodrow Wilson School of Public and International Affairs. The program connects states with experts and peers to undertake health care transformation initiatives. By engaging state officials, the program provides lessons learned, highlights successful strategies, and brings together states with experts in the field. Learn more at www.shvs.org.

Questions? Email Heather Howard at heatherh@Princeton.edu.

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About Manatt Health

Patricia Boozang, Chiquita Brooks-LaSure, and Kyla Ellis with Manatt, Phelps & Phillips, LLP prepared this presentation. Manatt Health, a division of Manatt, Phelps & Phillips, LLP, is an integrated legal and consulting practice with over 90 professionals in nine locations across the country. Manatt Health supports states, providers, and insurers with understanding and navigating the complex and rapidly evolving health care policy and regulatory landscape. Manatt Health brings deep subject matter expertise to its clients, helping them expand coverage, increase access, and create new ways of organizing, paying for, and delivering care. For more information, visit www.manatt.com/ManattHealth.aspx

Today's Objectives

- Evolving Definition of “Medicaid Buy-in”
- Key Buy-In Questions for State Consideration
- The State of Play

What is “Medicaid Buy-in”?

Definition of “Medicaid Buy-in”

The concept of Medicaid buy-in is evolving, encompassing the original Medicaid-based proposals and extending to other programs through which **states can leverage government bargaining power to offer a more affordable coverage option**, like state employee health plans or a Basic Health Program.



Evolving Buy-In Models

Off-Market Buy-in

The State makes coverage available to consumers who are not eligible for Medicaid as a state-sponsored buy-in plan that leverages the **Medicaid** program or **state employee health plan (SEHP)**; offered *outside* the individual market or Marketplace.

On Marketplace Buy-in

The State offers a state-sponsored qualified health plan (QHP) on the Marketplace leveraging Medicaid infrastructure; potentially in partnership with an existing managed care plan (if applicable).

Basic Health Program Buy-In

The State offers a Basic Health Program (BHP) to individuals with incomes below 200% of the federal poverty line (FPL) who are not Medicaid-eligible; and allows individuals with higher incomes to buy-in to the program.

Key Questions for State Consideration

Key Questions

Buy-in programs vary significantly depending on policy objective(s), the target population(s), and local market dynamics

These six key questions will help policymakers choose a buy-in model and design it for implementation

- 1 What problem(s) is the state trying to solve?
- 2 What are the potential sources of buy-in cost-savings in the state?
- 3 What are the potential impacts of the buy-in on other insurance markets in the state?
- 4 Does the state require, or would it be beneficial to pursue, a 1332 waiver for the buy-in?
- 5 Is the state well positioned to implement a buy-in?
- 6 What key steps should a state take to design and implement a buy-in?

#1: What problem(s) is the state trying to solve?

Buy-in models are not one-size-fits-all and the “right” model will depend on state goals or the problem(s) the state is solving

State Goals	Off-Market Buy-In or BHP Buy-In	On Marketplace Buy-In
Increasing Affordability: <i>Reduced Premiums</i>	Based on design	For unsubsidized (e.g., >400% FPL) <i>Possibly</i> for subsidized
Increasing Affordability: <i>Reduced Deductibles</i>	Based on design	<i>Possibly</i> , depending on design
Providing coverage access for the uninsured and those ineligible for tax credits	May be specifically targeted	Yes
Injecting greater competition into insurance markets	Outside of the market	<i>If</i> other insurers remain
Strengthening the Marketplace by improving participation and the health risk of the market	Outside of the market	By attracting new customers
Leveraging state purchasing power across programs	Under state negotiations	When linked to other programs
Promoting healthcare initiatives that improve health outcomes and result in long-term savings (e.g., social determinants, population health, delivery system reform)	As a stable, long-term issuer	Via contracting

 Model matches state goals
  Model *may* match state goals
  Model *does not* match state goals

#2: What are the potential sources of buy-in cost-savings in the state?

Buy-in model selection and design should play to the state's strengths and potential for buy-in savings, balanced against potential stakeholder impact

Savings sources may include:



Provider payment rates



Administrative efficiencies



State purchasing power



Long-term savings through investments in population health and delivery systems

#3: What are the potential impacts of the buy-in on other insurance markets in the state?

The impact of the buy-in on other markets depends on the model selected, the risk profile of enrollees who choose to enroll in the buy-in, and existing insurer responses to the new entrant



Market Competition. Current competition in the state will impact how other insurers react to the entrance of a buy-in. Whether insurers can offer the buy-in product and/or whether insurers perceive a “level-playing field” will also influence their responses



Enrollees. Who chooses to enroll in the buy-in program (e.g., currently uninsured vs. insured) and their health risk will have significant market impact, especially for models offered in a separate risk pool, like the off-market buy-in

#3: What are the potential impacts of the buy-in on other insurance markets in the state?

A buy-in model can be designed to segment or expand the existing risk pool. This decision is largely dependent on a state's buy-in goals—whether to offer the lowest possible cost product or to stabilize the existing ACA market

	Segmenting Risk Pools	Expanding the Existing Risk Pool
	Offering a buy-in in a new pool and/or outside the individual market <i>(Off-Market Buy-In or BHP Buy-In)</i>	Offering a buy-in inside the individual market <i>(On Marketplace Buy-In)</i>
	Could result in a lower-cost buy-in product with greater state control over design, thereby expanding coverage	Could improve coverage and affordability for all individual market enrollees by attracting healthy risk and lowering cost
	Could move enrollees out of the individual market, altering that risk pool and potentially raising premiums for enrollees who remain	Limits state control over design and may not result in a significantly more affordable option

#4: Does the state require, or would it be beneficial to pursue, a 1332 waiver for the buy-in?

The decision to pursue a 1332 waiver will largely depend on how the state intends to finance the buy-in

Buy-in financing can be:



Self-sustaining (financed only through enrollee premium contributions)



Subsidized with state dollars



Funded through federal savings obtained under a 1332 waiver



Some combination of these three funding sources

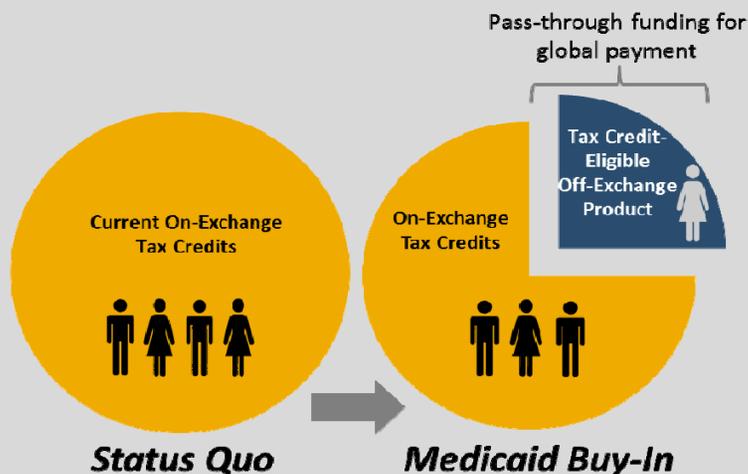
#4: Does the state require, or would it be beneficial to pursue, a 1332 waiver for the buy-in?

Potential 1332 Pass-Through Funding Mechanisms

Tax Credit Transfer

For an **off-market buy-in**, under a 1332, the state could receive a global payment for the federal tax credits eligible enrollees would have received had they enrolled in coverage on the Marketplace

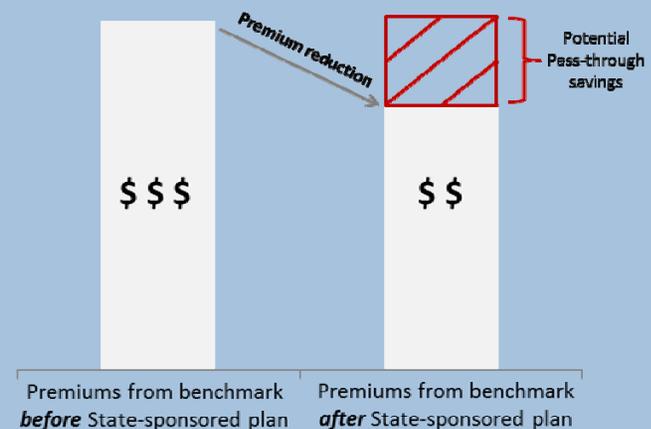
If the cost of the buy-in product is less than Marketplace plans, the value of the global payment would pay for a larger share of the total buy-in costs



Marketplace Savings

If an **on Marketplace buy-in** has a lower premium than current plans, it would reduce the benchmark for tax credit subsidies, thus reducing federal costs

Under a 1332 waiver, the state could receive tax credit subsidies for each individual who enrolls in the state-sponsored product, as well as “pass-through” funding that reflects the value of federal savings associated with lowering the benchmark for subsidies



#4: Does the state require, or would it be beneficial to pursue, a 1332 waiver for the buy-in?

State **Should** Consider A 1332 Waiver *If...*

- ✓ There is significant pass-through funding potential based on rates or administrative efficiencies; and/or the option will impact individuals with subsidies (under 400% FPL)
- ✓ The state would like to pursue an off-market buy-in, but wants to allow enrollees to use federal tax credits
- ✓ The state is considering a buy-in option alongside other market and affordability initiatives that may require a waiver: for example, a reinsurance program

State **Should Not** Consider A 1332 Waiver *If...*

- ✗ A waiver is not required for a plan offered as a Marketplace QHP
- ✗ The state will administer an off-market buy-in without tax credits (state-only funding) and has limited capacity to negotiate a waiver for additional pass-through funding

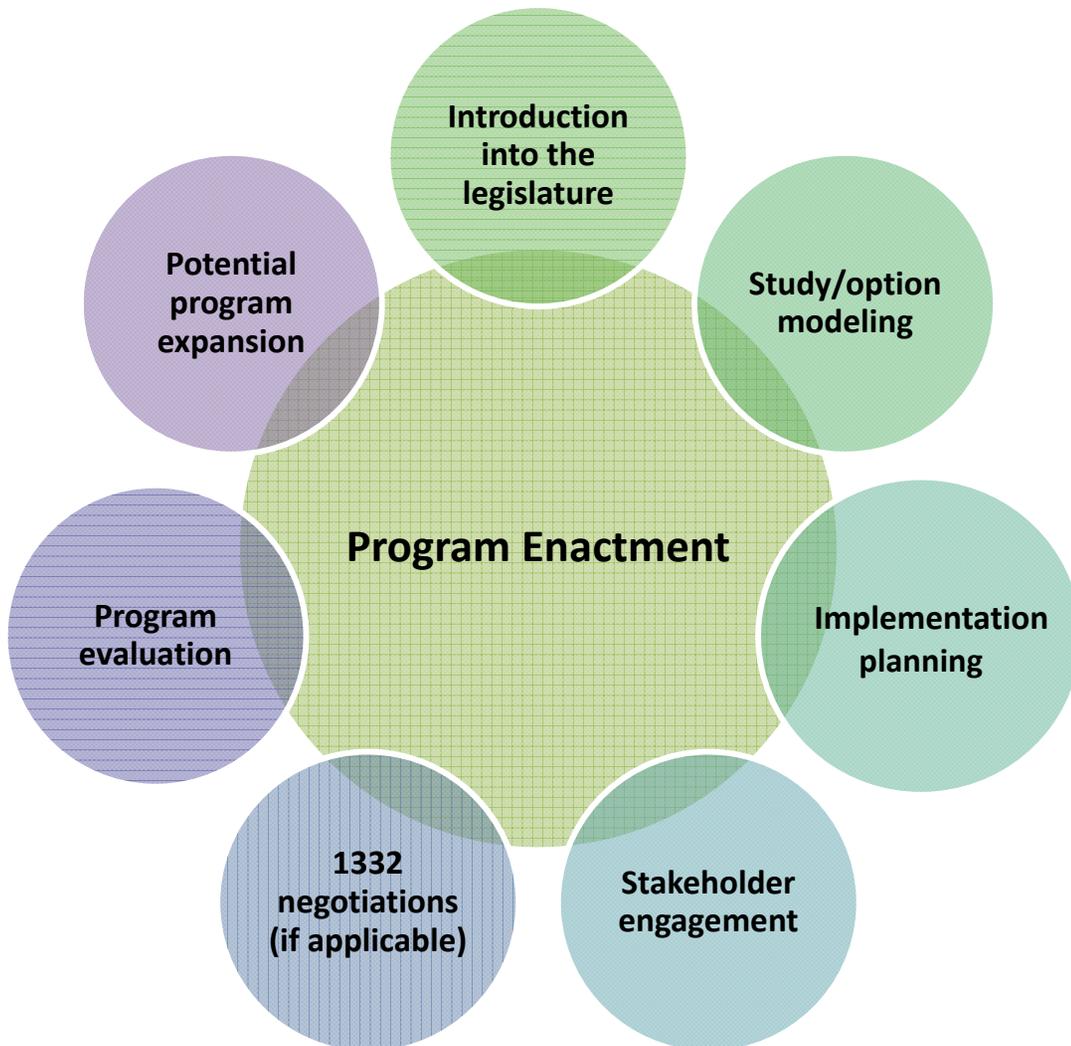
#5: Is the state well positioned to implement a buy-in?

The state will need to determine agency capacity to administer a buy-in and the state's ability to assume financial risk to decide whether to proceed and which buy-in model to pursue

Key State Implementation Considerations		
	Off-Market or BHP Buy-In	On Marketplace Buy-in
Funding	<p>Position to subsidize the program above enrollee premium contributions</p> <p>Dependency on federal pass-through funding</p> <p>(Note: BHP offers some guarantee of federal funding)</p>	<p>Ability to leverage purchasing power for negotiating rates</p>
Risk Tolerance	<p>Ability and/or political willingness to take on risk for enrollees with unexpected health profiles</p>	<p>Limited risk if partnered with existing insurer</p>
Administration	<p>Internal expertise to directly administer the product; or existing insurer/MCO relationships</p> <p>Capacity within a state agency to oversee the program</p>	<p>Type of Marketplace or ability to negotiate with Healthcare.gov; a state-based Marketplace will have more flexibility and control</p> <p>Capacity within a state agency to oversee the program</p>
	High	Low

State Risk and State Control

#6: What key steps should a state take to design and implement a buy-in?



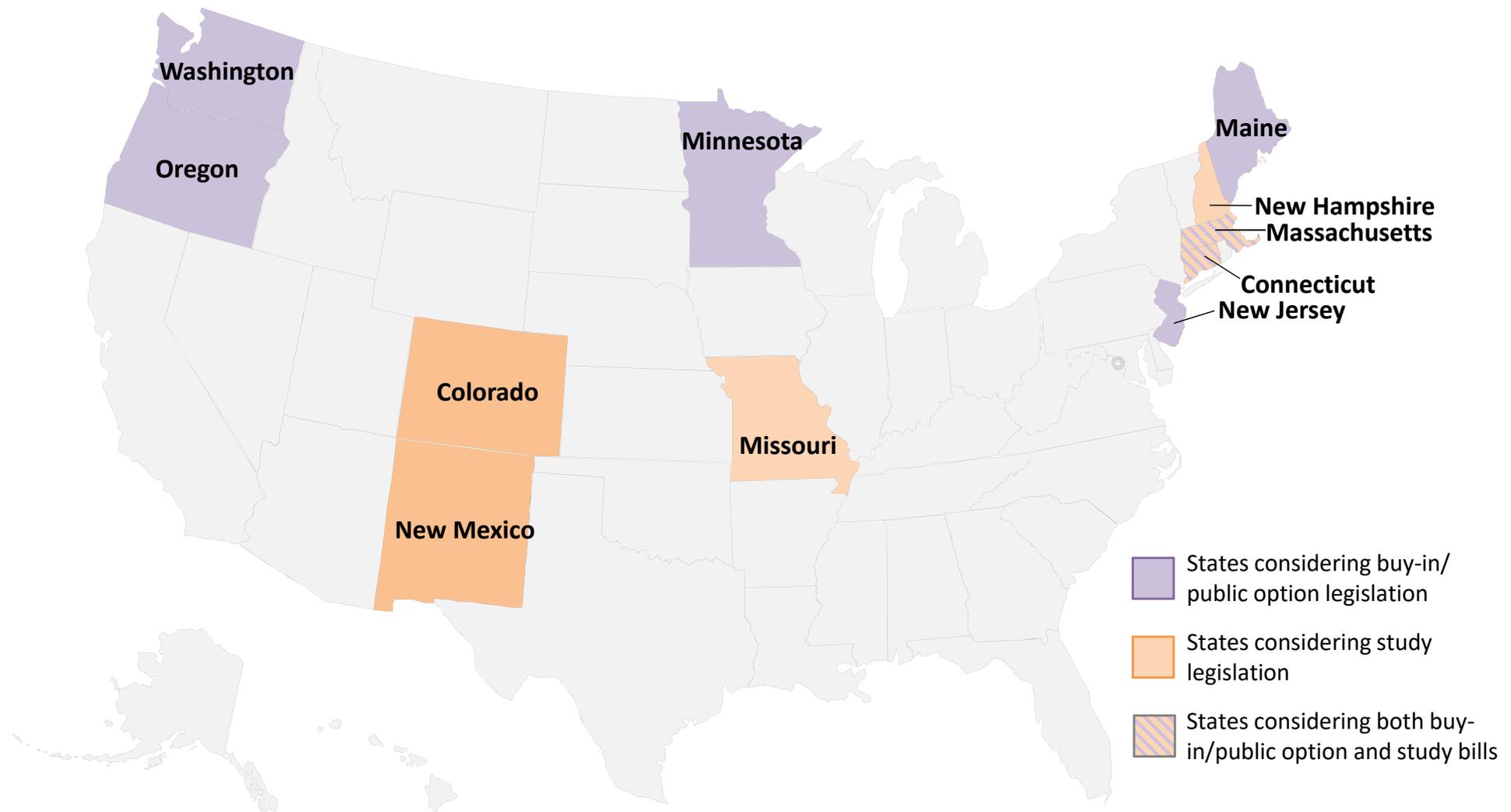
Engagement with stakeholders and the public will be essential throughout the process to ensure program success

States should consider:

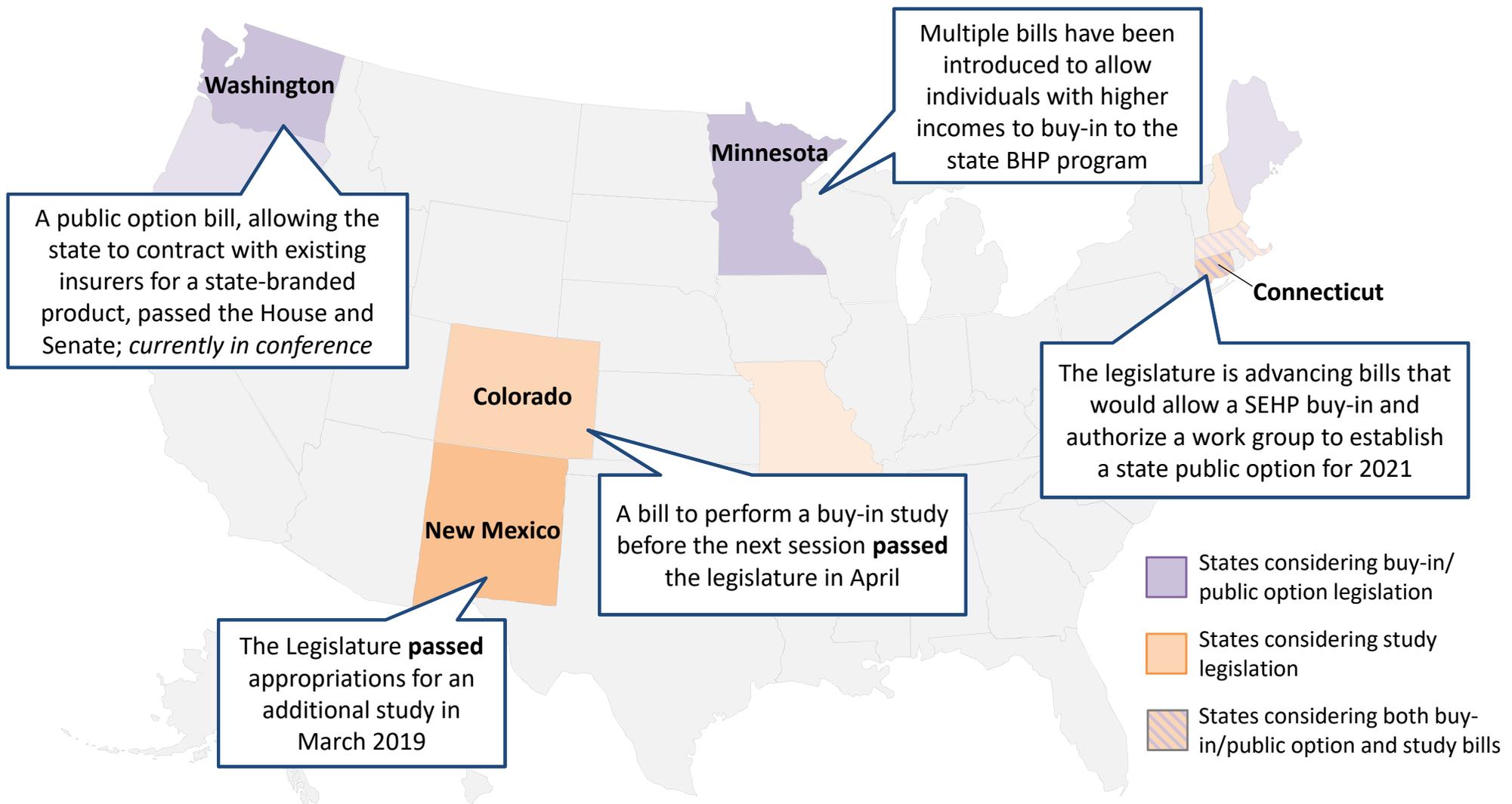
- Clearly articulating what the buy-in is trying to solve, and what it is not
- The timing and medium of communication by audience group
- Tailoring the buy-in terminology
- Proactively managing stakeholder concerns
- Articulating how the buy-in fits into the state's broader landscape of health reform

The State of Play

Nearly a Dozen States Are Considering Buy-In Programs This Session



Spotlight States



Discussion

The slides and a recording of the webinar will be available at www.shvs.org after the webinar



Thank You

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