

Box  
3288  
002

4/6/93 12pm

IV. NEW SYSTEM COVERAGE--OPTION 2: KIDS-FIRST COVERAGE

A. DESCRIPTION

1. Eligibility

- All employers not covering children will be mandated to do so by January 1, 1995. States will be responsible for assuring the coverage of all children either not covered by employees, or currently covered under the State's Medicaid program.
- States would have the flexibility to enroll children currently enrolled in Medicaid and not covered under the employer mandate into the State operated plan (probably Medicaid). Most likely these children will include those covered by the Medicaid mandates enacted in the 1980's which required the coverage of certain poverty-level groups.
- Children who are not currently enrolled in Medicaid and not covered under the employer mandate would enroll in the State operated plan (probably Medicaid)--this will cover children in non-working families who are not currently eligible for Medicaid.
- SSI Medicaid beneficiaries would not be included in the new program. They would remain in Medicaid.

2. Financing

- Several funding streams including employers, government and families will finance the program and it will be administered by States.
- The employer mandate would mirror employer/employee

Box  
3288

2

premium contribution levels present at full enrollment (e.g. 80/20).

- Subsidies would be available for the employee portions of the premium.
- States will be held to a maintenance of effort for their current children's programs.

3. Program Administration

- States will have full administrative responsibility for implementation, operation and oversight of the program.
- States will be given maximum flexibility to design and develop a program that meets the needs and compliments the existing/future designs of their State health care program.
- States will have the flexibility to fold children into existing Medicaid programs or to develop other plans/purchasing cooperatives (PCs).
- By July 1997, States will be required to develop fully established PCs.

4. Timetable for the Phase-in of Other Groups

- July 1997: employer mandate for adults
- January 1998: individual mandate (self-employed)
- January 2000: Medicaid

B. BENEFIT COVERAGE

1. Standardized Benefit Package

Health Care  
Interdepartmental Working Group

Box  
3288

3

- On July 1994, all children 0-18 years of age will be covered by a standardized benefit package as defined by the Benefits Workgroup. Employees currently covering children will be required to bring plans up to the standard benefit package.
- Medicaid services not covered in the standard benefit package (e.g. long-term care, EPSDT, transportation) would not be included in the Kids-First Plan--even if the State elects to use Medicaid as the vehicle to cover currently uninsured children.
- 2. Supplemental Coverage - Addressed by Benefits Group, however, it would not be available until 1997 when the full employer mandate is implemented.
- 3. Mental Health - Addressed by Mental Health Group.
- 4. Long-Term Care - Addressed by Long Term Care Group, but not available in the Kids-First Plan.

B. SUBSIDIES

- Low-income working families will be eligible for subsidies to cover premium costs.
- Subsidies will be determined using a Federal formula on a national basis and States will use either the current welfare system or a new agency to determine individual eligibility.
- Deductibles would be waived, however coinsurance would be allowed.

Box  
3288

4

- Total family out-of-pocket expenditures for coverage under the Kids-First Plan would be capped at 2 percent of total family income.

1. Eligibility for Low-income Persons

- For workers, the payment would be waived or reduced for those below or at 100 percent of the FPL. (Plans would collect underpayments from the State/Federal government.)
- Nonworkers would receive coverage on a fully or partially subsidized basis. (see discussion below)
- Subsidies will be determined on the basis of total family income (asset and resource tests currently used in Medicaid will not be applied).

2. Subsidies for Firms

- No employer subsidies would be available for the Kids-First Plan.

C. EMPLOYER MANDATE

- Employers must pay 80% of kids coverage, employees will pay 20% (see Work Group 7 for description of premium payment mechanisms).
- Employer mandate for adults will be phased in by July 1997.
- Employees currently covering children would be required to bring plans up to the standard benefit package.

1. Definition of Employee - Working Families Group.

Box  
3288

5

2. Part-time workers, dual worker families - Working Families Group.
  3. Definition of dependents - Working Families Group.
- D. INDIVIDUAL MANDATE - Addressed by Working Families Group.
- E. MEDICAID INTERFACE
- Until the Medicaid program is phased in completely, legislation will be developed to provide States with additional flexibility to administer the Medicaid program so that it may complement the Kids-First Program and the smooth transition to the HIPC and managed competition structure.
    1. Services (long-term care, etc.)
      - To the extent that an employer mandate enrolls otherwise Medicaid-eligible children into private plans or these children are enrolled in a State Kids-First Program, these children would likely lose the comprehensive benefits they now receive under Medicaid, e.g. early and periodic screening, diagnosis, and treatment. Requiring employers to cover these services may be prohibitively expensive.
    2. Groups (spend-down, institutionalized kids, Medicare/Medicaid dual eligible).
      - Enrolling Medicaid-eligible children into the new system first or through employer-provided coverage could negatively impact the Medicaid eligibility of their parents because, presumably, their children would not be counted as part of the standard filing unit. If low-income children are enrolled through an interim expansion in Medicaid, however, then this would not be

Box  
3288

a problem.

- To alleviate these types of eligibility issues, States should be given the flexibility to develop new eligibility policies that would facilitate the implementation of the Kids-First Program and the subsequent development of the HIPC managed competition structure.
3. State Maintenance of Effort
- The Kids-First option could allow States to fold Medicaid children into a State children's program. If so, then the State's contribution into the HIPC system, if based in Medicaid spending during or after this transfer had taken place would reduce the State's maintenance of effort payments. Adjusting for this lowered Medicaid enrollment in the maintenance of effort calculation could be administratively complex.
  - If low-income children are enrolled first into Medicaid, as an easy way to provide them subsidized care in the short-term, this could also complicate the maintenance of effort standard by inflating State Medicaid spending. The extent of this difficulty depends on the base year for determining maintenance of effort.