



Health Policy Connection

Health Insurance Coverage

ISSUE BRIEF

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Should states integrate health insurance exchanges and Medicaid?

Takeaways:

- By fully integrating Medicaid with their health insurance exchanges, states can reap numerous cost efficiencies in administration, enrollment strategies, consumer outreach and infrastructure.
- Consumers will benefit from an integrated system, which will provide easier mobility and continuity of coverage across insurance options as incomes and eligibility fluctuate.
- Although states will have great flexibility in integrating Medicaid and their exchanges, they will need federal assistance with tracking individuals newly eligible for Medicaid and using federally managed data to make eligibility determinations.

Overview

Under the Affordable Care Act of 2010 (ACA), an estimated 32 million Americans will gain health insurance coverage by 2014 through: (1) expansion of Medicaid to people earning up to 133 percent of the federal poverty level; (2) premium subsidies for people earning between 134 percent and 400 percent of the federal poverty level; and (3) health insurance exchanges through which individuals and small businesses may compare coverage options and purchase insurance. The ACA requires these state-

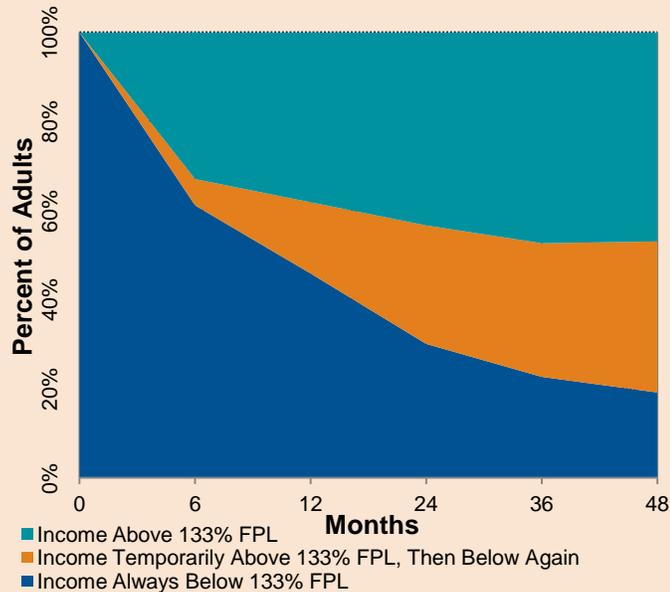
based exchanges to create one integrated process that determines consumer eligibility for the full range of subsidies (including Medicaid) and to facilitate enrollment across the spectrum. As states set out to design exchanges and determine how they will function, the question becomes: Once a person is deemed eligible for Medicaid, is he or she best enrolled through the exchange or through a separate Medicaid enrollment system?

BENEFITS OF AN INTEGRATED SYSTEM TO STATES

- **Considerable administrative and cost efficiencies will likely result from a single enrollment system.** Medicaid-eligible consumers need the same amount and quality of information about their health plan as consumers eligible for health insurance exchanges—with or without premium subsidies. If properly designed and operated, the exchanges can serve as a “one-stop shop” for educating and enrolling all uninsured consumers.
- **Integrating Medicaid will help support exchanges’ long-term sustainability.** Although up-front planning funds were provided by the federal government, exchanges must be self-sustaining by January 2015. Based on enrolled population, Medicaid is the single largest potential funder for an exchange.

Individuals Will Move Between Eligibility for Medicaid and Eligibility for Premium Subsidies

Income changes among adults with incomes initially below 133% FPL



Source: Copyrighted and published by Project HOPE/Health Affairs as Exhibit 1 from Sommers BD, Rosenbaum S Health Aff 2011;30:228-236. The published article is archived and available online at www.healthaffairs.org

BENEFITS OF AN INTEGRATED SYSTEM TO CONSUMERS

- **An integrated exchange/Medicaid system facilitates mobility across programs.** Because individual income and eligibility vary year to year, a single system familiar to all consumers has advantages. Allowing seamless enrollment across programs lets families select and enroll in coverage for *every* family member, regardless of the subsidy for which *each* person is eligible.
- **Continuity of coverage is better ensured under one system.** As individual income fluctuates—and thus eligibility for Medicaid versus subsidies changes—consumers are more likely to remain continuously covered if Medicaid and exchanges are part of a unified system. An integrated system lets consumers remain in the same plan, albeit with a different level of subsidy.

STATE GOVERNMENT ISSUES

- **States can use federally managed services even in a state-based fully integrated exchange.** The Department of Health and Human Services will create a federally-managed data hub to support information exchanges between states and federal agencies to determine eligibility for advance premium tax credits, cost sharing reductions and exemptions from the individual mandate—which requires individuals to have health insurance.
- **States will require guidance from the Department of Health and Human Services about medical support enforcement provisions.** Currently, states are compelled to ask Medicaid applicants for information regarding parents or spouses who may be legally responsible for providing medical support. The question is whether ACA's individual mandate and associated penalties relieve states of this obligation.
- **States will need an efficient way to determine newly eligible individuals and claim federal matching funds.** Although the ACA provides enhanced federal funding for those who become newly eligible as a result of the 2014 Medicaid expansion, states will need to work with the Centers for Medicare and Medicaid Services to develop a tracking system for identifying individuals and claiming the enhanced funds.

Adapted from the National Academy for State Health Policy's "Medicaid's Role in the Health Benefits Exchange: A Road Map for the States," a March 2011 report by Deborah Bachrach, Patricia Boozang and Melinda Dutton.

WANT TO KNOW MORE?

- [Medicaid's Role in the Health Benefits Exchange: A Road Map for States \(NASHP\)](#)
- [How Changes In Eligibility May Move Millions Back And Forth Between Medicaid And Insurance Exchanges \(Health Affairs\)](#)