



The Benefits of the Affordable Care Act for Children

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Introduction and Executive Summary

The Patient Protection and Affordable Care Act (the Affordable Care Act or ACA) is expected to have a number of positive impacts on the lives and health of children in the United States and New Mexico. This paper discusses the major benefits for children and includes citations to the appropriate sections of the ACA. Here are is a list of those major benefits:

1. Health insurance coverage of children should greatly increase, in large part because children are expected to be enrolled when their parents enroll due to the new availability of affordable insurance to lower-income adults and the mandate for coverage.
2. States are required to maintain their Medicaid and Children's Health Insurance Program (CHIP) eligibility levels (in the case of children, until 2019) and states cannot make enrollment or renewal more difficult.
3. The ACA provides for new outreach grants to states to enroll more children in Medicaid and requires simplified enrollment in either Medicaid or insurance under the new health insurance exchange.
4. Medicaid rates will rise to Medicare levels for primary care doctors, including pediatricians, with 100 percent financing from the federal government during 2013 and 2014.
5. Federal funding for CHIP is extended to 2015 and the ACA, which assumes CHIP will be extended, provides for a big boost in the federal matching rate between 2016 and 2019 (to 100 percent for New Mexico).
6. Former foster care children who have "aged out" of Medicaid coverage will be covered until they are 26.
7. Children in families with incomes of less than 400 percent of the Federal Poverty Level (FPL) who are above the eligibility limit for Medicaid will be more likely to be insured as their families will qualify for tax credit subsidies.
8. The exchange insurance plans and other new health plans are now required to cover basic pediatric services, including oral and vision care, and to provide free preventive care and screenings for services that are recommended for children.

9. Private health care plans will no longer be able to set lifetime limits on benefits, they are prohibited from setting “unreasonable” annual limits, and they cannot exclude or delay coverage for particular services for children with pre-existing health conditions.

Discussion

1. Expanding Children’s Health Insurance Coverage

According to the Kaiser Family Foundation, about 15 percent of New Mexico children, some 85,000, have no health insurance. This gives New Mexico one of the highest rates in the nation.¹ The New Mexico Human Services Department (NM HSD) has estimated that about 62,000 of those children are eligible for Medicaid.² Kaiser estimates that 65,000 of the 301,000 New Mexico children in families below 200 percent FPL are uninsured—22 percent—all of whom would be eligible for Medicaid or CHIP.³ Increasing enrollment of children who are already eligible for Medicaid may be the biggest single contributor of the ACA to children’s health.

Studies show that when parents are insured, the entire family is more likely to have health insurance and a stable source of health care. This means children are more likely to receive health care. As more parents become insured, children’s coverage and access to health care will improve. Currently, more than 40 percent of poor parents and 33 percent of near poor parents in the country are uninsured.⁴ Undoubtedly these numbers are worse in New Mexico. The Medicaid eligibility in New Mexico for parents is extremely limited (to 33 or 67 percent of FPL, depending on whether they are working), and the rolls of the State Coverage Insurance (SCI) program for low-income adults have been closed.

The ACA provides the opportunity for most of these parents to get health insurance, beginning in 2014. First, it expands Medicaid to all non-elderly Americans with incomes below 133 percent of poverty (138 percent when income disregards are considered), beginning in 2014 (ACA section 2001). Most of these individuals will be adults, obviously including currently uninsured parents. Second, the ACA will also help more families gain coverage by making premium subsidies through tax credits available for families with incomes of less than 400 percent of the FPL to help them purchase coverage through the state exchanges (ACA section 1401). It also protects these lower-income families from having to pay excessive medical costs, as compared to their incomes, by providing cost-sharing subsidies as well (ACA section 1402). Finally, everyone will be legally required to have health insurance coverage, which means parents will be enrolling both themselves and their children (ACA section 1501). These measures will ensure that far more parents will have health coverage and will often enroll their children at the same time if they are not already enrolled.

Based on these considerations NM HSD estimates that, by 2020, between 25,000 and 45,000 more children will enroll in Medicaid than would enroll in the absence of health care reform.⁵ This will be the result of the new requirement to have insurance and the newly available and affordable coverage for lower-income parents.

Recommendations: The state of New Mexico should fully implement the ACA's expansion of Medicaid and new health insurance exchange with its insurance subsidies for lower-income individuals and families. Increasing the number of parents with health insurance will greatly increase the number of children with health insurance. The great majority of these currently uninsured families are of modest incomes, and it will make a tremendous difference in health equity to extend health insurance to these families. It will give them the opportunity to have a regular health care provider, get preventive care, and have appropriate follow-up. They will no longer be reliant on the emergency room for most of their health care.

To maximize these expanded coverage opportunities, NM HSD, other governmental agencies, and the new exchange will have to adopt aggressive outreach to uninsured families and streamlined enrollment techniques. (See item 3, below.)

2. Stabilizing Medicaid and CHIP Eligibility Requirements

The maintenance of effort requirements for state Medicaid programs require that states continue to cover children in Medicaid through 2019 at the eligibility level in effect when the law was enacted (ACA section 2001). This requirement applies to children in both Medicaid and CHIP. In New Mexico, Medicaid covers children up to 185 percent FPL and CHIP between 186 and 235 percent of FPL. Not only must these eligibility levels be maintained until 2019, states may not adopt rules that would make it more difficult for children to enroll or be retained during this period.

3. New Outreach Grants and Simplified Enrollment

The ACA increases funding for state outreach grants by \$40 million, in addition to the \$80 million for outreach grants that was provided by the CHIP Reauthorization Act (CHIPRA) two years ago (ACA section 2101). States can use these outreach grants for state-level and local efforts to promote enrollment and retention of low-income children in Medicaid and CHIP. This funding is critical for efforts to enroll the estimated 5 million uninsured children nationwide who are eligible for Medicaid or CHIP.

The law also requires states to streamline their enrollment processes, which will make enrollment easier for the states to administer and for consumers to navigate. A "no wrong door" policy will help make sure that children get the right coverage regardless of whether they apply for coverage through Medicaid, CHIP, or the state exchange (ACA sections 1413 and 2201).

New Mexico just received one of these grants under CHIPRA, in the amount of \$2.4 million. The grant will help modernize the state's Medicaid application, enrollment, and renewal process using web-based technology to reduce paperwork, speed processing, and increase overall efficiency. The grant will also help NM HSD improve the State's Presumptive Eligibility/Medicaid On-Site Application Assistance process (PE/MOSAA).

Recommendation: It is critical to the health of New Mexico's children that every effort be made to reach out to their families in a variety of ways and ensure that eligible children are enrolled in Medicaid. When the new exchange is operating, it will also be important to reach out

and let families know of their opportunities for subsidized private health insurance as well. Medicaid and the exchange will have to be closely linked electronically so that families can be enrolled in the correct programs and moved in a seamless way between programs if their circumstances change. (See accompanying papers on Streamlining Enrollment.)

4. Medicaid Reimbursement Increases for Primary Care Providers

The ACA requires that Medicaid programs increase the reimbursement rates for primary care providers, including pediatricians, up to Medicare rates. Children in Medicaid will likely benefit from the increased reimbursement rates that go into effect in 2013 and 2014. This increase should improve access to primary care for children who are covered under Medicaid, although it is not clear how long the rate increases will be maintained given that they are only mandated with full federal funding through 2014.

5. Changes to the Children's Health Insurance Program

The ACA provides two additional years of federal funding for CHIP, through the end of federal fiscal year 2015 (September 30, 2015). The ACA also presumes that CHIP will continue to exist beyond 2015 (ACA section 2201). Although the program will need to be reauthorized to make federal funding available after 2015, the ACA calls for a 23 percentage point increase in each state's CHIP matching rate between 2016 and 2019 (ACA section 2201). This will bring the federal matching rate for CHIP in New Mexico up to 100 percent. In New Mexico, CHIP funding only covers children between 185 and 235 percent of poverty, but these children will be covered by 100 percent federal funding for four years and the state should maximize enrollment to take advantage of this funding opportunity.

6. Former Foster Care Children in Medicaid until Age 26

Former foster care children that have "aged out" of Medicaid coverage will be covered until they are 26 (ACA section 2004). This section makes the state option to cover former foster care children mandatory and takes effect at the beginning of 2014.

7. Subsidies for Private Health Insurance in the Exchange

Under the ACA, each state will have a health insurance exchange, where individuals and small employers can compare the plans and costs, and purchase insurance (ACA section 1311). The plans will all have to provide "essential health benefits." The essential health benefits must include pediatric care, including oral health and vision, and to provide free preventive care and screenings for services that are recommended for children.

Individuals and families who purchase insurance on the exchange will have incomes above the eligibility limit for Medicaid (effectively 138 percent FPL). However, if their family incomes are between 139 and 400 percent of the FPL, they will qualify for tax credit subsidies in the exchange after it opens at the beginning of 2014 (ACA section 1401). The credits will be figured on a sliding-scale based on family size and income. The appropriate tax credit amount will be paid by the federal government directly to the selected insurance company, which will then

reduce the premium due by the individual or family. Families with incomes below 400 percent FPL will also be entitled to assistance with co-pays and deductibles (ACA section 1402). This is a wonderful opportunity to increase the number of children who are covered by health insurance, especially children from lower-income families.

Recommendation: New Mexico should act expeditiously to establish a health insurance exchange. (If we do not, the ACA specifies that the federal government will set up one for us.) The exchange should be well-publicized and provide customer-friendly methods for individuals and families to determine the benefits for which they are qualified and to enroll in Medicaid or purchase a health insurance plan, with a tax credit subsidy if they are qualified.

8. Insurance Plans Must Offer Essential Health Benefits

Under Section 1001 of the ACA (adding a new section 2713 to the Public Health Service Act) all insurance plans must now provide free preventive care and screenings for services that are recommended for children. These are detailed in the guidelines called *Bright Futures* issued by the Health Resources and Services Administration (HRSA) and the American Academy of Pediatrics, as set forth in Section 1201 of the Act (adding section 2707 to the Public Health Service Act). Also, insurance plans offered on the exchange and other new health plans are required to cover “essential health benefits” as specified in the Act. They include basic pediatric services, including oral and vision care. The Secretary of HHS is to define the essential benefits in more detail, and is expected to issue her proposed definitions this fall. (See accompanying paper on Essential Health Benefits for Children.)

9. Other Insurance Plan Requirements

Private health care plans will no longer be able to set lifetime limits on benefits, they are prohibited from setting “unreasonable” annual limits, policies cannot be rescinded because of health care utilization, and companies cannot exclude or delay coverage for particular services because the applicant for insurance has pre-existing health conditions. This last provision has already gone into effect for children. The other provisions will be phased in by 2014 (ACA section 1001 [adding sections 2711 and 2712 to the PHS Act] and ACA section 1201 [adding sections 2703 and 2704 to the PHS Act]).

Conclusion

New Mexico children’s health will greatly benefit by the provisions of the ACA. We should see a significant increase in enrollment of children in Medicaid and in family plans purchased on the new exchange. Family health insurance is going to become much more available and affordable. We should move expeditiously to establish a health insurance exchange that meets the needs of New Mexicans. It will be very important for the state to aggressively reach out to children and their families to maximize the impact of these new benefits. New Mexico is a rural state and many citizens will only be vaguely familiar with what health care reform might mean to their families and their children. Reaching them with appropriate

information and making it easy for them to enroll in an appropriate plan will be a widespread responsibility.

Endnotes

¹ Kaiser Family Foundation, State Health Facts (estimate for 2009).

² Testimony of Katie Falls, NM HSD Secretary, to NM Legislative Finance Committee, April 23, 2010.

³ See note 1.

⁴ Urban Institute, “How Will the Patient Protection and Affordable Care Act of 2010 Affect Children” (July 2010).

⁵ NM HSD, “Medicaid under the Patient Protection and Affordable Care Act, by State Fiscal Year” (July 2011).