



## **New MinnesotaCare demonstration waiver**

### **Issue:**

Key aspects of the federal Affordable Care Act (ACA) taking effect in 2014 will significantly change the way people access health care coverage. Minnesota intends to expand the Medical Assistance program for low-income individuals and is developing a Health Insurance Exchange through which others who qualify may get help paying for health care coverage in the private market.

The state's MinnesotaCare waiver that provides federal funding for that program ends Dec. 31, 2013. As the ACA is implemented, it is unlikely that the waiver in its current form would be extended. The ACA includes a provision for states to receive federal funding through a Basic Health Plan option to serve people with incomes above 138 percent of federal poverty guidelines (FPG) who are covered by current state public health care programs and who will not be eligible for Medicaid after Jan. 1, 2014. This option allows states to receive payments equivalent to 95 percent of the cost of Advance Premium Tax Credits and cost-sharing reductions had those individuals been enrolled in the exchange. The Centers for Medicare & Medicaid Services (CMS) have not yet issued federal guidance on the Basic Health Plan, so as an alternative DHS anticipates that Minnesota may need to negotiate a waiver to establish such a plan.

### **Proposal:**

The governor's budget proposal recommends that the state pursue a demonstration waiver to provide coverage for people under age 65 with incomes between 138 percent of FPG and current MinnesotaCare income levels (275 percent of FPG for parents and 250 percent for adults without children) who are not eligible for Medicaid. The waiver would:

- Improve MinnesotaCare to include benefits equal to or better than exchange coverage, reduced enrollee cost sharing as compared to exchange coverage, and no health care tax liability for certain enrollees whose income fluctuates during the year.
- Change MinnesotaCare eligibility rules to comply with the ACA, including aligning the income calculation with the new Modified Adjusted Gross Income (MAGI) Medicaid income methodology, and the exchange's insurance affordability test, eliminating the current asset test and eliminating the current four-month insurance barrier.
- Set enrollee premiums on a sliding scale ranging from 3 percent to no more than 6.3 percent of income.
- Cover essential health benefits as defined by the state within ACA guidelines, and eliminate the \$10,000 limit and \$1,000 copay on inpatient hospital services.

Some aspects of the proposal described here may change when CMS provides additional detail on requirements for federal funding for Basic Health Plans.

**Impact:**

This proposal will:

- Maintain coverage for many people currently enrolled in MinnesotaCare who would otherwise struggle to afford private insurance even with subsidies offered through the exchange.
- Maximize federal funding for public health care programs.
- Provide seamless coverage options at a time when significant changes in how people access health care coverage will occur.

**Number of people affected (FY 2015):**

- An estimated 120,000 people with incomes between 138 and 200 percent of FPG could qualify for the program. This would include about 38,000 people covered by current programs.

**Fiscal impact (FY 2014-15):**

- The governor's budget sets aside \$300 million in the Health Care Access Fund in the 2014-15 biennium for the state share of this program. Actual cost will depend on what is negotiated with the federal government.

**Related information:**

- Minnesota Management & Budget website: <http://www.mmb.state.mn.us>
- 2013 Legislative Session Fast Facts: Expanding Medical Assistance eligibility
- Patient Protection and Affordable Care Act:  
<http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf>

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