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States Experiment With Health Savings Accounts For Medicaid

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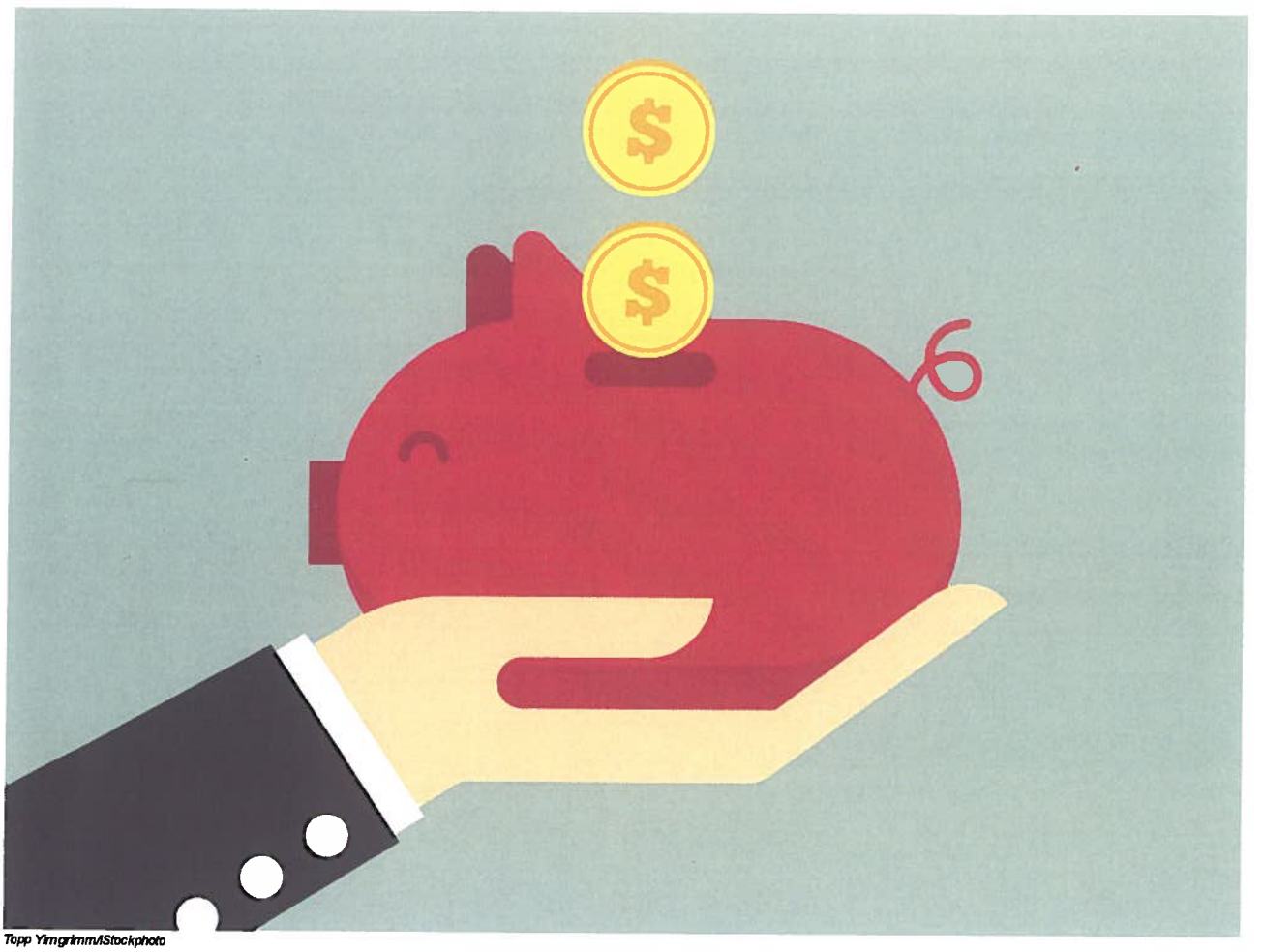

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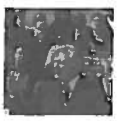
If all goes according to plan, next year many Arkansas Medicaid beneficiaries will be required to make monthly contributions to so-called Health Independence Accounts. Those who don't may have to pay more of the cost of their medical services, and in some cases may be refused services.

Supporters say it will help nudge Medicaid beneficiaries toward becoming more cost-conscious health care consumers. Patient advocates are skeptical, pointing to studies showing that such financial "skin-in-the-game" requirements discourage low-income people from getting care that they need.

The states of Michigan and Indiana have already implemented health savings accounts for their Medicaid programs, modeled after the accounts that are increasingly popular in the private market.

In Michigan and Indiana, people can use the funds, which may be supplemented by the state, to pay for services subject to the plan deductible, for example, or to cover the cost of other medical services.



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The program particulars in each state differ. But both states – and the Arkansas proposal — require beneficiaries to make monthly contributions into the accounts in order to reap certain benefits, such as avoiding cost sharing for medical services. Funds in the accounts may roll over from one year to the next, and participants may be able to use them to cover their medical costs if they leave the Medicaid program.

"We believe in consumerism," says John Selig, director of the Arkansas Department of Human Services. By requiring Medicaid beneficiaries to make a monthly contribution to a Health Independence Account, "we think they'll use care more appropriately and get a sense of how insurance works."

Under the health law, states can expand Medicaid coverage to adults with incomes up to 138 percent of the federal poverty level.

Arkansas is one of several states, including Iowa and Pennsylvania, that is experimenting with using Medicaid funds to enroll new Medicaid-eligible beneficiaries in private health insurance through the Affordable Care act marketplace.

For 2015, Arkansas wants to expand its experiment by introducing the Health Independence Accounts. Nearly all beneficiaries earning between 50 and 138 percent of the poverty level ($5,835 to $16,105 for an individual) would have to participate through monthly contributions of between $5 and $25, depending on their income, or face cost-sharing requirements capped at 5 percent of income by Medicaid rules.

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In addition, Medicaid enrollees with incomes over the poverty level could be refused services if they don't make their monthly contribution and don't make a copayment. (This year, those with incomes between 100 and 138 percent of poverty already have copays.)

Each month that a beneficiary would make a payment to his or her account, the state would contribute $15. Unused amounts would roll over from one year to the next up to a maximum of $200, which could be used by the beneficiary for health care costs if he or she leaves Medicaid for private coverage.

At least 40 states charge premiums or cost sharing for at least some beneficiaries. These beneficiaries already have skin in the game, advocates say, and they question the value of these special accounts that add a whole new layer of complexity for people

who may not ever have had insurance before.

"We're creating these incredibly complicated administrative structures, and I don't think people will understand them," says Judith Solomon, vice president for health policy at the Center on Budget and Policy Priorities.

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