Frequently Asked Questions about State Premium Assistance Programs authorized under the Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA)

What is a premium assistance program?
A premium assistance program is a special program a state can create to work alongside Medicaid and the Children’s Health Insurance Program (CHIP) to help more qualified children afford health insurance coverage. The new federal CHIP legislation, which passed the Congress on a bipartisan basis and was signed by President Obama, specifically allows states to create premium assistance programs. With a premium assistance program, if a child who qualifies for Medicaid or CHIP also has a parent with access to qualified health insurance coverage through his or her job, the premium assistance program could help the parent of that qualified child pay for employer-sponsored coverage for his or her child.

Is the premium assistance program mandatory for employers or beneficiaries?
No, participating in the premium assistance program would be voluntary both for beneficiaries and for employers. Any state legislation proposed should specifically mandate that both parents and employers can choose whether or not they want to participate in premium assistance. Also, if either a parent or a parent’s employer decides not to participate, a qualified child is still entitled to traditional Medicaid or CHIP benefits. The new federal CHIP legislation allows the states to create premium assistance programs on the condition that they are voluntary.

What benefits are covered under premium assistance?
Families who participate in premium assistance have access to all of the benefits covered under their employer’s health insurance policy. That includes access to any benefits or providers covered by the employer plan that Medicaid or CHIP might not cover. In addition, if the employer plan doesn’t include benefits that traditional Medicaid or CHIP does cover, then eligible children will have access to Medicaid or CHIP coverage for those benefits. So for example, if a parent’s employer-sponsored plan doesn’t include dental coverage, then the eligible children would be able to access dental care through Medicaid or CHIP.

Do premium assistance participants need to pay deductibles and co-payments associated with their employer-sponsored coverage?
It depends on their family incomes. Families who participate in premium assistance are enrolled in their employer’s health plan, and co-payments and deductibles generally apply to those plans. However, the federal CHIP legislation sets up rules to limit how much a family has to pay for coverage based on family income levels. Under premium assistance, the state will be able to pay the deductibles and co-payments for premium assistance participants based on their overall family income.
What kind of employer coverage can qualify for premium assistance?
The Federal CHIP legislation set standards as to what kind of employer-sponsored health insurance plans qualify for premium assistance. The health coverage needs to be comprehensive and the employer must pay for at least 40 percent of the parent’s coverage. Just a health flexible spending account (FSA) or a high-deductible health plan purchased in conjunction with a health savings account (HSA) is not considered qualified employer coverage. In addition, subsidizing the employer-sponsored coverage must be cost-effective for the state.

The state would provide supplemental coverage for each child enrolled in the employer plan for Medicaid or CHIP benefits and/or services that are not covered, or are only partially covered, by the employer plan, unless the employer plan is certified by the state as meeting federal benchmark coverage requirements (meaning that the employer plan already provides benefits that are essentially the same as those provided under Medicaid and CHIP).

How will premium assistance programs impact access to care for beneficiaries?
Premium assistance program beneficiaries should have improved access to care. Not only will they have access to all of the benefits of the traditional Medicaid and CHIP programs, they also will have access to any additional covered benefits their employer offers, like a wellness program. In addition, these children will have access to their employer plan’s network of doctors and hospitals, which are generally more extensive than the network of providers that accept Medicaid or CHIP coverage.

Will premium assistance hurt or help the state’s Medicaid/CHIP enrollment?
Premium assistance will likely help the state’s enrollment numbers. Premium assistance enrollees are considered to be a part of Medicaid/CHIP for enrollment total purposes, and we think that the existence of a new coverage option will encourage even more families to enroll their children. In addition, the federal CHIP legislation provides for special enrollment windows for children whose coverage options change. This will help parents obtain premium assistance coverage if they want it, or transition to traditional Medicaid or CHIP if premium assistance is not right for them or is no longer available. These provisions will make sure there are no breaks in people’s coverage.

How is premium assistance funded?
Funding for a state premium assistance program works the exact same way that funding for traditional Medicaid and CHIP works. There is a federally determined funding formula, and the federal government pays the majority of the cost for each child with the state paying for the remainder.

Does the existence of a premium assistance program impact general CHIP or Medicaid funding?
Not at all. Premium assistance enrollees would be treated exactly the same as traditional Medicaid/CHIP enrollees for state and federal funding purposes. Premium assistance beneficiaries would be included in the state’s overall program enrollment numbers. In fact, under the new CHIP legislation, states can receive bonus payments for enrolling
eligible children who previously were not covered. Since the availability of premium assistance as a new coverage option may spur the enrollment of new children, the premium assistance program could actually help states receive more federal funds.

**How will premium assistance programs impact provider reimbursements?**

Doctors and hospitals that treat Medicaid and CHIP recipients are paid based on a federal reimbursement formula. This means that they are required to give the state deep discounts for their services and that is why many providers don’t take Medicaid or CHIP. Employer-sponsored plans generally pay providers much more for services, so more doctors and hospitals accept those plans. Children participating in premium assistance will have their parent’s employer-sponsored coverage as their primary coverage, they will have access to all of the doctors and hospitals the employer-plan covers, and the providers they use will be paid at the employer-sponsored plan rate. If there are any services or benefits the employer-sponsored plan does not cover that Medicaid or CHIP does, then eligible children will have access to Medicaid or CHIP for those services. They will have to go to Medicaid or CHIP providers for those services and the providers will be paid the Medicaid/CHIP discount rate for those services only.