INFORMATION BRIEF
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Eligibility for Subsidized Health Coverage in Minnesota: 2013 Session Changes

The 2013 Legislature made significant changes to Medical Assistance (MA) and MinnesotaCare income limits and other eligibility criteria, effective January 1, 2014. Subsidized health coverage through MNsure, the state-based health insurance exchange, will also be available beginning on that date. This information brief summarizes changes to eligibility for MA and MinnesotaCare made during the 2013 session and provides an overview of eligibility for subsidized coverage that will be available to Minnesotans through MA, MinnesotaCare, and MNsure, beginning January 1, 2014.

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Medical Assistance

The 2013 Legislature increased the MA income limit for adults without children, parents and caretakers, and children ages 19 and 20, as permitted under the federal Affordable Care Act (ACA). In addition, the legislature also expanded MA income limits for children under age 19 and reduced the income limits for the MinnesotaCare program. (Laws 2013, ch. 108) The changes will result in a shift of children and pregnant women from MinnesotaCare to MA. The increases in MA income limits are accompanied by an increase in the spenddown standard for certain eligibility groups. The legislature also made changes in MA income methodology and eliminated certain MA asset limits; these changes are required by the ACA, whether or not a state expands MA coverage. (Laws 2013, ch. 1)

Income limit increase and enhanced federal match. Effective January 1, 2014, the MA income limit for adults without children is increased from 75 percent to 133 percent of the federal poverty guidelines (FPG), and the MA income limit for parents and caretakers, and children ages 19 and 20, is increased from 100 percent to 133 percent of FPG.

This expansion is a state option under the ACA. States will receive an enhanced federal match for individuals covered under the expansion who are newly eligible. In Minnesota, the newly eligible group is composed of adults without children; Minnesota will receive the regular federal Medicaid match for persons in groups not considered to be newly eligible.[1] The enhanced federal match is 100 percent of MA costs for 2014 through 2016, 95 percent in 2017, 94 percent in 2018, 93 percent in 2019, and 90 percent of costs from 2020 on.

Increase in income limit for children. Effective January 1, 2014, the MA income limit for children under age 19 is increased from 150 percent of FPG (the current law limit for most groups of children) to 275 percent of FPG. This change allows the state to comply with federal maintenance of effort requirements related to state health care program eligibility for children.[2]

Increase in spenddown standard. Effective January 1, 2014, the spenddown standard for parents and caretakers, pregnant women, infants, and children ages two through 20 is increased from 100 percent to 133 percent of FPG. Under a spenddown, a person with excess income can qualify for MA by incurring medical bills in amounts that are equal to or greater than the amount by which his or her income exceeds the spenddown standard for a specified time period. This change does not affect the spenddown for other MA eligibility groups—the spenddown standard

[1] Under the ACA, persons are newly eligible if they would not have been eligible under the MA state plan or a waiver, as of December 1, 2009. In Minnesota, parents and children ages 19 and 20 are not considered newly eligible, because they were eligible for coverage and a federal match under the MinnesotaCare program (which operated under a federal waiver) as of that date. Persons who are elderly or certified as disabled are also not considered newly eligible because they were eligible for coverage and a federal match under the MA state plan as of that date.

[2] The federal maintenance of effort requirement in the ACA provides that a state's eligibility standards, methodologies, or procedures under MA, an MA waiver, or the Children's Health Insurance Program cannot be more restrictive than those in effect on March 23, 2010. The MOE requirement applies to adults until a health insurance exchange is operational (expected date of January 1, 2014) and applies to children through September 30, 2019.

for persons who are aged, blind, or disabled will remain at 75 percent of FPG and adults without children do not have the option to qualify for MA through a spenddown.

Other eligibility changes. The legislature made changes in MA eligibility for certain groups related to income methodology, asset limits, and use of a standard income disregard. These changes are requirements of the ACA and apply regardless of whether a state has chosen to implement the ACA option to expand income limits for certain groups.

Beginning January 1, 2014, DHS will be required to the use **modified adjusted gross income** (MAGI)[3] when determining MA income eligibility for children, parents and caretakers, pregnant women, and adults without children. Under current law, the MA income methodology for families and children is based on that used by the state's AFDC plan as of July 16, 1996.

The **asset limit** for parents and caretakers will be eliminated January 1, 2014, except that the asset limit will still apply to persons who qualify for MA through a spenddown. Under current law, parents and caretakers are subject to an asset limit of $10,000 for households of one and $20,000 for households of two or more; children, pregnant women, and adults without children are not subject to an asset limit.

Also beginning January 1, 2014, DHS will be required to use a **standard 5 percent income disregard** when determining eligibility for children, parents and caretakers, pregnant women, and adults without children. This disregard will replace state-specific income disregards for these groups.

These changes will not apply to MA enrollees and applicants who are aged, blind, or disabled. The current MA income methodology (based on the methodology used by the federal Supplemental Security Income program), asset requirement ($3,000 for a household of one and $6,000 for households of two), and state-specific income disregards will continue to apply to persons who are aged, blind, or disabled.

For additional information on MA, refer to the House Research information brief *Medical Assistance*.

MinnesotaCare

The 2013 Legislature directed the Commissioner of Human Services to seek federal approval to operate the MinnesotaCare program as a basic health program under the ACA and made related changes to conform to ACA requirements. The legislature also limited MinnesotaCare eligibility to persons with incomes greater than 133 percent but not exceeding 200 percent of FPG and reduced MinnesotaCare premiums.

[3] MAGI is defined as adjusted gross income increased by: (1) foreign earned income excluded; (2) tax-exempt interest; and (3) an amount equal to the value of Social Security benefits not subject to tax. (I.R.C. § 36B)

MinnesotaCare as basic health program. Under the ACA, states have the option of operating a basic health program to provide health coverage to persons with incomes greater than 133 percent but not exceeding 200 percent of FPG, beginning January 1, 2015. States will receive 95 percent of the amount the federal government would otherwise have spent on premium tax credits and cost-sharing subsidies for these individuals under the insurance exchange.

The 2013 Legislature directed the Commissioner of Human Services to seek federal approval to operate the MinnesotaCare program as a basic health program. The legislature also authorized changes in MinnesotaCare eligibility, covered services, and service delivery that are consistent with federal requirements for a basic health program. Many of these MinnesotaCare changes are effective January 1, 2014. (Laws 2013, ch. 108/H.F. 1233, art. 1)

Two significant changes in covered services are the elimination, effective January 1, 2014, of the $10,000 annual limit and the 10 percent coinsurance requirement for inpatient hospital services. Through December 31, 2013, the annual inpatient limit applies to all adults without children and to parents and caretakers with incomes greater than 215 percent of FPG, and the 10 percent coinsurance requirement applies to adults without children.

Modifying the program income limit. The MinnesotaCare program will cover individuals with incomes greater than 133 percent but not exceeding 200 percent of FPG, effective January 1, 2014. This is the income limit specified in the ACA for a basic health program. Under current law, the MinnesotaCare program does not have an income floor and covers pregnant women, parents and caretakers, and children up to age 21, with incomes up to 275 percent of FPG and adults without children with incomes up to 250 percent of FPG. [4]

As noted above, the reduction in the MinnesotaCare income limit is accompanied by an increase in the MA income limit for children to 275 percent of FPG. These income limit changes, when combined with the prohibition on MinnesotaCare coverage for persons who are eligible for MA (described below), will have the effect of shifting the vast majority of children age 18 and under and pregnant women from MinnesotaCare to MA. Table 1 summarizes the MA and MinnesotaCare income limit changes (see also Table 4, which includes MNsure coverage).

[4] Adults without children with incomes equal to or greater than 200 percent but not exceeding 250 percent of FPG are covered under the MinnesotaCare defined contribution program. The 2013 Legislature repealed the defined contribution program effective January 1, 2014. Children with incomes greater than 275 percent of FPG have been eligible for MinnesotaCare since July 1, 2012, if all other requirements are met, but must pay the maximum (unsubsidized) premium.

Table 1
MA and MinnesotaCare Income Limits
(Current law and January 1, 2014; as percentage of federal poverty guidelines)

	MA Current Law	MA 1-1-14	MnCare Current Law	MnCare 1-1-14
Children under 2	280%	280%	275%	N/A*
Children 2 through 18	150	275	275	N/A*
Children 19 and 20	100	133	275	>133 and ≤ 200
Parents	100	133	275	>133 and ≤ 200
Pregnant women	275	275	275	N/A*
Adults without children	75	133	250	>133 and ≤ 200

Note: Percentages for 2014 may change slightly as part of the conversion to MAGI and a standard income disregard.
* This table assumes that the vast majority of children and pregnant women are MA eligible and therefore are required to enroll in MA.

Prohibition on MinnesotaCare enrollment for MA eligibles. Persons eligible for MA will not be allowed to enroll in MinnesotaCare, effective January 1, 2014. Under current law, most persons eligible for both MA and MinnesotaCare can choose to enroll in either program.

Modifying the MinnesotaCare insurance barriers. Under current law, persons with access to employer-subsidized insurance, and persons with current health coverage or who have health coverage in the four months prior to application or renewal, are not eligible for MinnesotaCare. These "insurance barriers" were modified by the 2013 Legislature, with the changes effective January 1, 2014.

Specifically, the requirement that a family or individual not have access to employer-subsidized coverage, and not have had access to employer-subsidized coverage through a current employer for the 18 months prior to application or renewal, is replaced by a requirement that they not have access to subsidized coverage that is affordable (coverage for which the family or individual does not pay more than 9.5 percent of income) and that provides minimum value (the policy covers at least 60 percent of medical expenses on average).

The requirement that a family or individual not have health coverage when enrolled, or for four months prior to application or renewal, is replaced by a requirement that they not have minimum essential health coverage.[5]

[5] Minimum essential health coverage is coverage that an individual must maintain in order to avoid a financial penalty under the ACA. The term includes coverage through government programs, employer-sponsored coverage, individual market coverage, grandfathered coverage, and other coverage recognized by the federal government.

Elimination of asset limit. Effective January 1, 2014, no asset limit will apply under the MinnesotaCare program. Under current law, adults without children and parents and caretakers who are not pregnant are subject to an asset limit of $10,000 in nonexempt assets for households of one and $20,000 in nonexempt assets for households of two or more.

Reduction in premiums. Effective January 1, 2014, a new MinnesotaCare premium scale will apply, under which persons age 21 and older will pay per-person premiums, based on a sliding scale tied to the federal poverty guidelines (see Laws 2013, chapter 108, article 1, section 63). Under current law, a covered household pays a percentage of household income based on a sliding scale and the number of persons covered, with no premiums charged to children in households with incomes that do not exceed 200 percent of FPG. The new premium scale is designed to reduce premiums by about one-third averaged across all eligibility groups, with different eligibility groups experiencing different levels of premium reduction.

For additional information on MinnesotaCare, refer to the House Research information brief *MinnesotaCare*.

MNsure – Minnesota's Health Insurance Exchange

Individuals who are not eligible for MA or MinnesotaCare, with incomes that do not exceed 400 percent of FPG, may be eligible for premium tax credits and cost-sharing subsidies to purchase coverage on a subsidized basis through MNsure, beginning January 1, 2014. MNsure is the health insurance exchange authorized by the 2013 Legislature as part of implementation of the ACA (see Laws 2013, chapter 9). The ACA requires health insurance exchanges to facilitate access to individual and small group coverage through the offering of standard benefit and cost-sharing packages, to determine eligibility for premium tax credits and cost-sharing subsidies, and to determine eligibility for state public health care programs. If a state does not establish an exchange, the ACA requires the federal government to establish and administer an exchange in that state.

Eligibility for premium tax credits. In order to be eligible for a premium tax credit through MNsure, an individual must:

(1) meet the general criteria for coverage through MNsure, whether coverage is subsidized or unsubsidized: be a citizen or legal noncitizen, meet state residency standards, and not be incarcerated;

(2) have income that is at or above 100 percent but does not exceed 400 percent of FPG;[6]

(3) not be eligible for other health coverage, including but not limited to, coverage through Medicaid, MinnesotaCare, or another government program and employer-sponsored coverage, except that persons may be eligible for subsidies if they have: (i)

[6] Legal noncitizens who are not eligible for Medicaid due to immigration status will be eligible for subsidized coverage through MNsure, even if their incomes are less than 100 percent of FPG.

individual coverage; or (ii) employer-sponsored coverage that is unaffordable (premiums for the employee cost more than 9.5 percent of income[7]) or does not provide minimum value (the plan covers less than 60 percent of total average health care costs); and

(4) be part of a tax-filing unit.

Amount of premium tax credit. The premium tax credit available for eligible persons who purchase coverage through MNsure is advanceable (the credit is provided before the end of the tax year) and refundable (the credit is available to persons with little or no income tax liability).

The amount of the credit is equal to the difference between the cost of the second lowest cost silver plan in the enrollee's geographic area and the required percentage of income that must be spent on premiums (based on a sliding scale). A silver plan is one that has an actuarial value of 70 percent (i.e., covers on average at least 70 percent of medical expenses).[8]

Table 2 specifies the percentage of income that must be spent as premiums for different income levels, based on the federal poverty guidelines.

Table 2
Sliding Scale for Premium Tax Credits

% FPG	Maximum % of Income That Must be Spent on Premiums
100	2.0
133	2.0
133.01	3.0
150	4.0
200	6.3
250	8.05
300	9.5
350	9.5
400	9.5

For example, an individual with income at 150 percent of FPG is required to spend 4.0 percent of income before a premium credit applies. The premium credit would be the difference between the cost of the second lowest cost silver plan and the contribution of 4.0 percent of income.

Persons who choose a higher cost silver plan or choose a higher level of coverage (e.g., coverage at the gold or platinum metal levels) must pay any additional premium cost out-of-pocket.

[7] The IRS final rule on eligibility for premium tax credits determines affordability for related individuals (i.e., family members) based on the cost of the employee premium for self-only coverage. If the affordability percentage is met for this employee self-only coverage, both the employee and family members are ineligible for premium tax credits, regardless of the cost of dependent or family health coverage. (I.R.C. § 1.36B-2)

[8] Qualified health plans offered through the exchange must provide coverage at one of the following metal levels, that vary with the actuarial value of the benefits covered, as follows: bronze (60 percent actuarial value), silver (70 percent), gold (80 percent), and platinum (90 percent).

Cost-sharing subsidies. Individuals purchasing coverage through the exchange will be subject to deductibles and cost-sharing requirements that will vary with the actual health plan purchased, subject to certain limits.[9] Persons who receive premium tax credits and who are covered under a silver plan are eligible for cost-sharing subsidies that vary with income. These subsidies reduce a plan's out-of-pocket limit and allow persons to enroll in plans with higher actuarial values, as specified in table 3.

Table 3
Cost-Sharing Subsidies by Federal Poverty Guidelines

% of FPG	Reduction in Out-of-Pocket Limit	Actuarial Value (% of Health Care Expenses that Must be Covered by Plan)
Up to 150	Two-thirds	94
151-200	Two-thirds	87
201-250	One-half	73
251-300	One-half	70 (no change)
310-400	One-third	70 (no change)

Overview of Subsidized Coverage in 2014

The changes in income limits for MA and MinnesotaCare, along with the availability of premium tax credits and cost-sharing subsidies through MNsure, will significantly expand the availability of subsidized health coverage in Minnesota beginning January 1, 2014.

Table 4 displays eligibility for subsidized coverage under current law and under the changes to take effect January 1, 2014 (see also Table 1). Table 4 shows that beginning January 1, 2014, persons with incomes up to 400 percent of FPG will potentially have access to some form of subsidized coverage, through MA, MinnesotaCare, or MNsure.

Note that this table focuses only on income eligibility and does not address other eligibility criteria. There are also differences between the coverage programs in enrollee cost-sharing and premiums, and covered health services. These factors will influence the extent to which available coverage is affordable and sufficient to meet the health needs of the enrollee.

The 2013 Legislature directed the Commissioner of Human Services to seek federal authority to operate a single, streamlined health coverage program for Minnesotans with incomes up to 275 percent of FPG. If approved by the federal government and implemented, a streamlined program could be designed to reduce or eliminate differences in premiums, cost-sharing, and covered services that cause persons to drop or fail to continue coverage when transitioning between separate programs. The proposal is to seek all federal funding available, including funding from

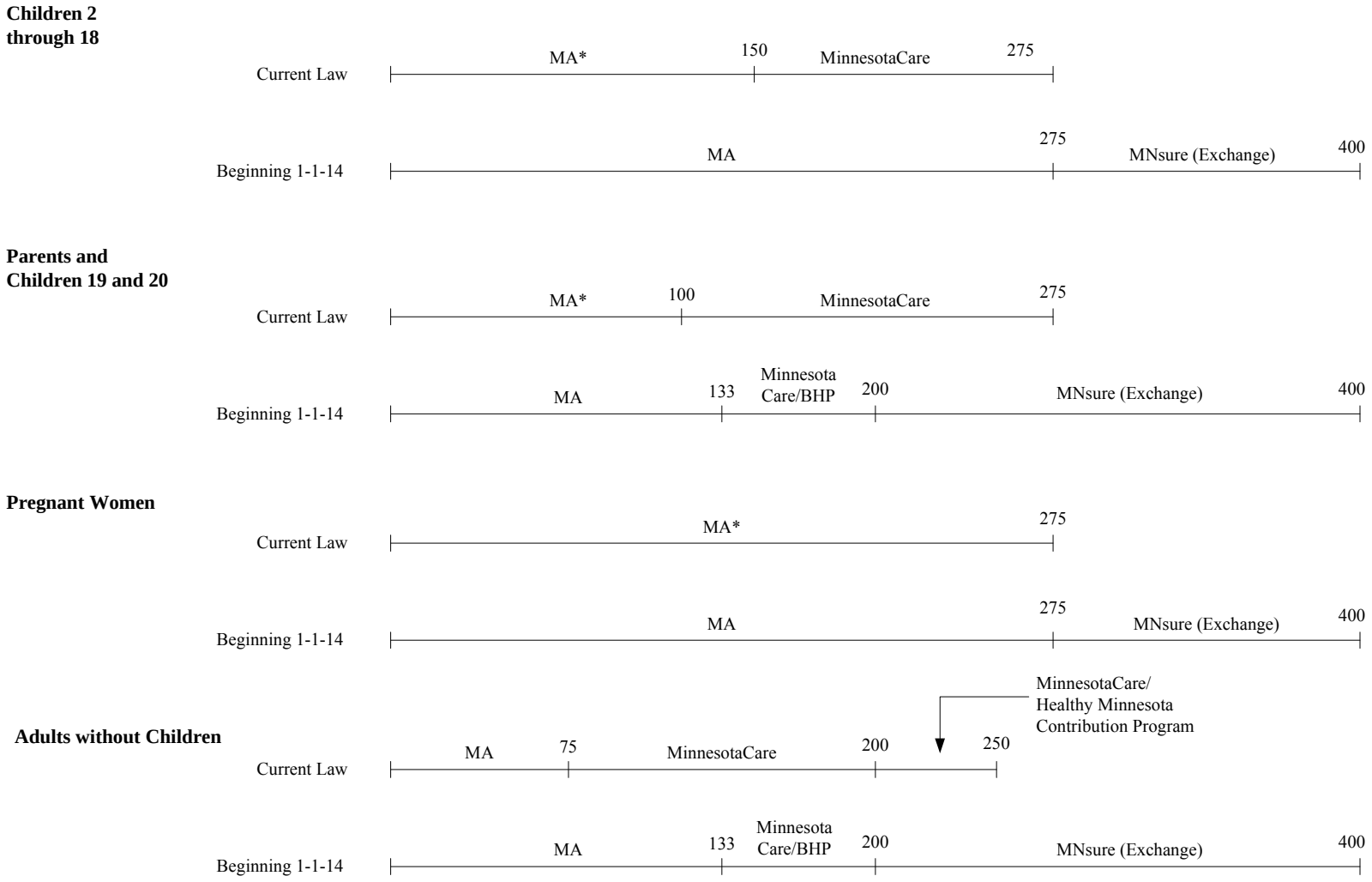
[9] Exchange plans cannot have an annual out-of-pocket limit higher than that which applies to health savings account (HSA) qualified high-deductible health plans (for 2014, $6,350 for self-only and $12,700 for other than self-only coverage). Small group plans offered through the exchange cannot impose a deductible higher than $2,000 for self-only and $4,000 for other coverage in 2014 (these amounts will be adjusted annually). Deductibles cannot be applied to preventive health services.

Medicaid and from premium tax credits and cost-sharing subsidies available under the ACA. The commissioner is to report progress in receiving a federal waiver and recommendations on necessary legislative changes, to the chairs and ranking minority members of the health and human services policy and finance committees, by January 15, 2015.

Table 4

Changes in Income Eligibility for Subsidized Health Care Programs

(As a Percentage of Federal Poverty Guidelines)



*Under current law, enrollees in this income group have the option of enrolling in MinnesotaCare or MA. Beginning January 1, 2014, persons eligible for MA are not eligible for MinnesotaCare. The MA income limit for children under age two is 280 percent of FPG.

For more information about health care programs, visit the health and human services area of our website, www.house.mn/hrd/.