

HOUSE RESEARCH

920598

October 1992

Information Brief

Randall Chun, Legislative Analyst
296-8639

MnCare (HealthRight)

MnCare provides subsidized health insurance coverage for Minnesotans using a sliding-scale for premiums. The plan expands eligibility and covered services for the existing Children's Health Plan in stages, beginning October 1, 1992, and will eventually replace that program.

MnCare is part of the HealthRight Act (Laws of Minnesota 1992, Chapter 549), a broader health care reform initiative that was the product of a unique bi-partisan effort involving members of the legislature and the governor's staff. When MnCare is fully implemented, Minnesota will likely be the first state to offer subsidized health insurance coverage on a statewide basis to persons ineligible for Medicaid.

Contents

Eligibility	2
Covered Services	5
Enrollee Fees and Premiums	8
Provider Availability and Reimbursement	9
Estimated Enrollment and Expenditures	10
Funding	10
Application Procedure	11

Applying for MnCare Applications for the plan, and additional information, can be obtained from the Department of Human Services by calling 1-800-657-3672 or 297-3862 (in the metro area).

Eligibility

In order to be eligible for MnCare, individuals must belong to an eligible group, meet income criteria, not be eligible for Medical Assistance, satisfy requirements related to lack of access to employer subsidized health insurance coverage and lack of prior coverage, and be permanent residents of Minnesota. Eligibility for MnCare will be expanded in stages. Table 1 outlines this expansion and lists eligibility criteria. The text that follows provides a more detailed explanation of some of the eligibility criteria referred to in the table.

Table 1 Expansion of Eligibility for MnCare				
Beginning Date	Groups Eligible	Income Limit	Other Eligibility Criteria	Cost to Enrollee
July 1, 1992	Children age one through 17	185% of the federal poverty guidelines	Not eligible for Medical Assistance (MA); not otherwise insured	Annual enrollment fee of \$25 per person (up to \$150 per family)
October 1, 1992	Children age one through 17; parents and dependent siblings	185% of the federal poverty guidelines	Not eligible for MA; no access to employer subsidized coverage for 18 months; permanent Minnesota resident	Adults pay premium based on sliding scale; children pay \$25 enrollment fee until July 1, 1993 ¹
January 1, 1993	Children under age 18; parents and dependent siblings	Approximately 275% of the 1993 federal poverty guidelines	Not eligible for MA; no access to employer subsidized coverage for 18 months; 4 months uninsured; permanent Minnesota resident	Premium based on sliding scale
July 1, 1994	Single adults, families with or without children	Approximately 275% of the 1993 federal poverty guidelines	Not eligible for MA; no access to employer subsidized coverage for 18 months; 4 months uninsured; permanent Minnesota resident	Premium based on sliding scale

¹This applies to children with incomes under 185 percent of the federal poverty guidelines applying for coverage through June 30, 1993, and is contingent upon the availability of appropriations. See text for a more complete discussion.

Expansion of Eligible Groups and Income Limit

Group eligibility and income limits for the plan are expanded over a two year period. In order to be eligible for coverage, applicants meeting group and income requirements must meet all other plan eligibility criteria.

- **Children at 185 percent of the federal poverty guidelines.** Prior to October 1, 1992, eligibility is limited to children currently eligible for the Children's Health Plan -- children age one through 17 with family incomes that do not exceed 185 percent of the federal poverty guidelines. Table 2 lists plan income limits for different family sizes.
- **Parents and dependent siblings.** Beginning October 1, 1992, eligibility is extended to parents and dependent siblings of these children. Dependent siblings are defined in the law as unmarried children under age 25 who are full-time students and financially dependent upon their parents. The income limit remains at 185 percent of the federal poverty guidelines.
- **Increase in the income limit.** Beginning January 1, 1993, the income limit is increased to the gross income limits specified in the legislation. These limits are set at approximately 275 percent of the federal poverty guidelines expected to be released in early 1993 (refer to Table 2). Also on this date, eligibility is extended to include all children under age 18 who meet this income limit, and their parents and dependent siblings (this is done to take advantage of the increase in the plan income limit; children under age one had not been eligible for MnCare using the lower income limit because they qualified for Medical Assistance).
- **Single adults and couples without children.** Beginning July 1, 1994, eligibility is extended to single adults and couples without children.

Persons with incomes higher than the income limits noted above cannot enroll in the plan. However, enrollees whose incomes rise above the income limits after initial enrollment may continue enrollment, but must pay the full, unsubsidized cost of the premium.

Table 2 Annual Income Limits for MnCare		
Household Size	185% of 1992 Federal Poverty Guidelines	275% of 1993 Federal Poverty Guidelines (Approximate)
1	\$12,599	\$19,200
2	17,002	25,920
3	21,405	32,640
4	25,808	39,360
5	30,211	46,080
6 or more*	34,614	52,800
*At the 185 percent level, \$4,403 is added for each additional person. For purposes of MnCare eligibility at the 275 percent level, the maximum family income is \$52,800, regardless of family size.		

No Access to Subsidized Coverage

Beginning October 1, 1992, plan enrollees must **not** have been offered employer subsidized health care coverage for the 18 months prior to application. Employer subsidized coverage is defined as health insurance coverage for which an employer pays 50 percent or more of the premium costs. This requirement applies to each individual. For example, if an employer offers subsidized coverage to an employee but not to the employee's dependents, the employee is not eligible for MnCare but the employee's dependents are eligible. Exceptions to this requirement are made for layoffs not due to employee misconduct, and for other limited situations.

Four Months Uninsured

Beginning January 1, 1993, plan enrollees must **not** have had health insurance coverage for the four months prior to application. This requirement does not apply to persons applying for MnCare coverage upon termination from Medical Assistance, General Assistance Medical Care, and specified plans providing coverage to the uninsured.

Residency Requirement

Beginning October 1, 1992, plan enrollees must be permanent residents of Minnesota. Permanent residency is demonstrated by maintaining a residence at a verified address, residing in the state for 180 days prior to application, and signing an affidavit relating to permanent residency.

Covered Services

Covered services will likewise be expanded in stages. Table 3 contains the expansion schedule for services covered by MnCare.

Services Initially Covered

Beginning July 1, 1992, covered services will consist of the Children's Health Plan benefit set (primarily preventive and outpatient services) with an increase in the dollar limitation for outpatient mental health services. Covered services are defined in law as health services reimbursed under MA, but excluding specific services. Covered services include:

- Physician and health clinic visits
- Dentist visits, excluding orthodontics
- Vision care, including prescription glasses
- Diagnostic, screening and preventive services, including immunizations
- Most prescription drugs
- Chiropractic and therapy services
- Outpatient laboratory and x-ray services
- Certain outpatient mental health services
- Certain home care services
- Outpatient surgery and emergency room services

Excluded Services

The following services are specifically excluded:

- Inpatient hospital services (coverage begins July 1, 1993)
- Chemical dependency services (coverage begins October 1, 1992)
- Special education services
- Private duty nursing services
- Orthodontic services
- Medical transportation services (emergency medical transportation is covered beginning July 1, 1993)
- Personal care attendant and case management services
- Hospice care services
- Nursing home or intermediate care facility services
- Inpatient mental health services (coverage begins July 1, 1993)

Expansion of Covered Services

Covered services will be expanded over the next year to include:

- Outpatient treatment for alcohol and drug dependency (annual limit of ten hours per person)
- Inpatient hospital services, including inpatient mental health services (\$10,000 annual benefit limit for adults)
- Emergency medical transportation services

Copayments and Coinsurance

All services will be covered in the same way they are covered under the Medical Assistance program, except that copayment and coinsurance requirements will apply to selected services for adults. No copayments or coinsurance requirements will apply to services for children.

Table 3
Expansion of Covered Services for MnCare

Beginning Date	Covered Service	Coinsurance or Copayment
July 1, 1992	Physician and clinic visits	
	Dentist visits, excluding orthodontics	50% for adult, non-preventive services
	Vision care, including prescription glasses	\$25 per pair of eyeglasses for adults
	Diagnostic, screening, and preventive services, including immunizations	
	Most prescription drugs	\$3 per prescription for adults
	Chiropractic and therapy services	
	Outpatient laboratory and x-ray services	
	Certain outpatient mental health services; annual limit of \$2,500 per child; annual limit of \$1,000 per adult beginning October 1, 1992	
	Home care services, excluding private duty nursing and personal care attendant services	
	Outpatient surgery and emergency room services	
October 1, 1992	Outpatient treatment for alcohol or drug dependency (annual limit of 10 hours per person)	
July 1, 1993	Inpatient hospital services, including inpatient mental health; annual benefit limit of \$10,000 for adults (limit does not apply to children)	10% for adult enrollees, subject to annual out-of-pocket maximums of \$2,000 per individual and \$3,000 per family
	Emergency medical transportation	

Enrollee Fees and Premiums

Enrollment Fee

Children enrolling in MnCare prior to October 1, 1992 will continue to pay the \$25.00 per person annual fee charged for the Children's Health Plan. This fee will be good for coverage through June 30, 1993. Beginning July 1, 1993, the subsidized premium described in the next section will need to be paid.

Children enrolling in MnCare between October 1, 1992 and June 30, 1993, with family incomes that do not exceed 185 percent of the federal poverty guidelines, will have the option of paying the \$25 annual enrollment fee as long as they meet Children's Health Plan eligibility criteria and the FY 1993 appropriation for the Children's Health Plan is not exhausted. The Department of Human Services (DHS) currently estimates that this appropriation should be sufficient to accept children until June 30, 1993. As was the case earlier, this fee is good for coverage through June 30, 1993. Beginning July 1, 1993, the subsidized premium described in the next section will need to be paid.

Subsidized Premium

Children enrolling in MnCare on or after October 1 who do not qualify for the enrollment fee described above, and adults enrolling in the program, will be charged a subsidized premium based on a sliding scale. Once coverage for inpatient hospital services is introduced, the premium charge will range from 1.5 to 8.8 percent of gross family income. Prior to this date (between October 1, 1992 and June 30, 1993), the premiums charged will be two-thirds of the above percentages.

Table 4 provides sample premiums for different income levels and family sizes. Complete premium tables are available from DHS.

Table 4 Monthly Enrollee Premiums for FY 1993 (prior to coverage of inpatient hospital services)					
	Family Size				
Gross Monthly Income	2	3	4	5	6 or more
\$250	\$3	\$2	\$3	\$2	\$3
\$500	5	5	5	5	5
\$1,000	21	15	12	12	10
\$1,500	48	38	31	23	23
\$2,000	117	79	51	41	42
\$2,500	N.E.	147	98	80	63
\$3,000	N.E.	N.E.	175	117	96
\$3,500	N.E.	N.E.	N.E.	205	137
\$4,000	N.E.	N.E.	N.E.	N.E.	235

NOTES: N.E. means **not eligible** to enroll in MnCare at this income level.

The full (unsubsidized) monthly cost of premiums is \$157 for a family of two and \$235 for families of three or more. Premiums will increase July 1, 1993 when coverage for inpatient hospital services begins.

Provider Availability and Reimbursement

Enrollees will be able to obtain health care services under MnCare from providers participating in the Minnesota Medical Assistance program. Providers will be paid for services provided to MnCare enrollees at Medical Assistance reimbursement rates, minus any applicable copayment amount for services to adult enrollees.

Estimated Enrollment and Expenditures

DHS estimates that MnCare enrollment will increase from an average of 40,700 enrollees in FY 1993 to an average of 158,200 enrollees in FY 1997. The enrollment figures for FY 1993 include 31,300 children in the Children's Health Plan, which will continue to operate through the end of FY 1993. DHS estimates that the state cost for premium subsidies will rise from \$6 million for FY 1993 to \$252 million in FY 1997 (the FY 1993 estimate does not include Children's Health Plan costs).

Funding Sources

Funding for MnCare premium subsidies, and for other initiatives of the HealthRight Act, is provided by:

- A five cent increase in the cigarette tax, effective July 1, 1992 (revenue from this tax will be transferred to the general fund beginning January 1, 1994).
- A two percent tax on gross revenues of hospitals and surgical centers, beginning January 1, 1993.
- A two percent tax on the gross revenues of other health care providers, and wholesale drug distributors, beginning January 1, 1994.
- A one percent premium tax on health maintenance organizations and non-profit health service corporations, beginning January 1, 1996.

Medicare, Medical Assistance, General Assistance Medical Care, and MnCare payments to providers are excluded from gross revenues. Nursing home services and other specified payments are also excluded from gross revenue.

The measures listed above will raise an estimated \$31.4 million in FY 1993; this will increase to \$314.4 million by FY 1997. In addition to these amounts, enrollee premium payments and enrollment fees are expected to total \$994,000 in FY 1993, increasing to \$49 million by FY 1997.

The Legislative Commission on Health Care Access, with the assistance of staff from the executive branch agencies, will study issues related to funding MnCare and other initiatives of the HealthRight Act. The commission will present a preliminary report to the legislature by January 15, 1993, and a final report by January 15, 1994.

Application Procedure

Application forms for MnCare, and additional information on the program, can be obtained from the Department of Human Services (DHS) by calling:

1-800-657-3672
or
297-3862 (in the metro area)

Application forms will also be available through:

- Health care provider offices
- Local human services agencies
- School districts
- Some public and private elementary schools
- Community health offices
- Women, Infants, and Children (WIC) sites

MnCare is administered by the DHS central office. DHS is responsible for processing applications and determining eligibility, reimbursing providers, monitoring spending for the plan, and developing administrative rules.