CHILDREN'S ACTION ALLIANCE

May 2014

# Without KidsCare, Low Income Arizona Families Face High Costs for Children's Health Coverage

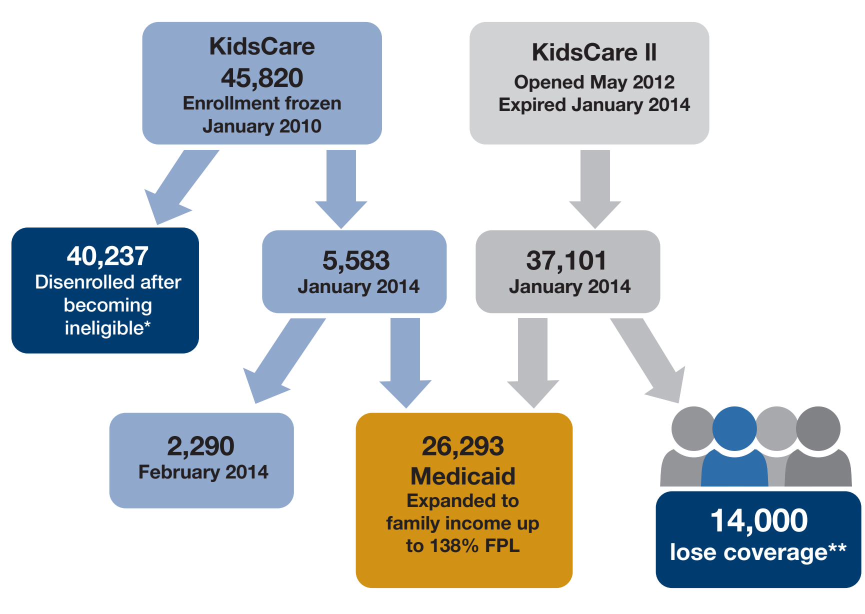
## Arizona is the Only State to Phase Out KidsCare

KidsCare is Arizona's health insurance program for children who don't qualify for Medicaid in working families with incomes up to 200% of the federal poverty level – a maximum of $47,700 for a family of four. As a budget cutting, strategy, Arizona froze enrollment in KidsCare effective January 2010. Arizona was allowed to continue the enrollment freeze because it did so before the signing of the Affordable Care Act. No other state has a freeze on their children's health insurance program and states are prohibited from diminishing children's health coverage that existed on March 23, 2010.

Governor Brewer and the Arizona legislature have decided to continue the freeze and to phase out KidsCare. In January 2014, children living in families with incomes below 138% of the federal poverty level were transferred from KidsCare and the temporary KidsCare II program into Medicaid coverage as required by the Affordable Care Act.

On February 1, 2014, only 2,290 children remained enrolled in KidsCare. They can remain covered until they turn 19 as long as their parents continue to pay monthly premiums and they continue to qualify based on their family income.

**History of Children Enrolled in KidsCare and KidsCare II**




*Children who aged out, became income ineligible, did not renew, did not pay premiums, or became eligible for Medicaid.

**These families may apply to the Marketplace.

In every other state, children in low income families can continue to apply and enroll in their children's health insurance program. In Arizona, children can no longer enroll in KidsCare.

## Low Income Families Expected to Apply Through the "ObamaCare" Marketplace

14,000 children in Arizona lost coverage when the temporary KidsCare II ended. These children – and all low income children who don't qualify for Medicaid – can apply for coverage through the health Marketplace. Arizona leaders have elected to have the Marketplace administered by the federal government; there are numerous Qualified Health Plans Arizona consumers can choose from during the open enrollment periods. The costs to families are determined by the plan they choose and by their income, which determines whether they qualify for tax credits and cost-sharing reductions. Cost sharing includes health costs incurred through copayments, deductibles, and coinsurance.

A new analysis conducted by Children's Action Alliance and the Georgetown University Center for Children and Families examines the costs to low income families in Arizona for enrolling children in Marketplace coverage (*Dismantling CHIP in Arizona: How Losing KidsCare Impacts a Child's Health Care Costs*, May 2014). The analysis uses real-life scenarios of three children and their actual use of health care services to determine what their costs would be if enrolled in three different qualified health plans with tax credits and cost-sharing reductions. The plans are from three different insurance carriers consistently offering the lowest cost plans across Arizona's 15 counties. The findings point to high costs that may make coverage unaffordable for many families. The findings also point to additional barriers to consistent health care coverage.

## Without KidsCare, Low Income Families Face Higher Out-of-Pocket Costs for Health Care

All families paid monthly premiums for enrollment in KidsCare. The premiums were limited to a maximum of $15, $60, and $70 per month depending on the income of the family. There is no cost sharing through copayments, deductibles or coinsurance in KidsCare plans. Because the Qualified Health Plans charge a premium and include cost sharing, costs to families will be higher.

- Even with the subsidies and tax credits that many low income families qualify for, costs in the Marketplace can be significantly higher than KidsCare.
- Families at the lowest income levels and families with more than one child are even more likely to face costs that are many times higher than KidsCare premiums.
- Children with special health care needs will face substantially higher costs and exhaust certain benefits that are essential to their health and well-being. In the scenario examined for Isabel, a child with cerebral palsy, out-of-pocket costs for Qualified Health Plans would exceed 15% of the family's income.
- In the scenarios examined, low income children with common health care needs saw health care costs increase between 2 to 8 times without KidsCare.

- Not all Marketplace plans include dental coverage; stand-alone dental plans charge premiums and copayments that are separate and additional to the health plan costs. This drives up total costs even higher.
- National estimates project that over half of low income children eligible for programs such as KidsCare might be locked out of tax credits or subsidies due to a feature of the Affordable Care Act known as the "family glitch." This feature means that children won't qualify for financial assistance if one parent has access to affordable coverage through their employer – even if the cost of family coverage would be out of reach. As a result, health coverage will be unaffordable for many families.

### Out-of-Pocket Costs for Max and Jacob
#### KidsCare Compared to Qualifed Health Plans

Max is a healthy 15-year-old who broke his wrist playing soccer and is being treated for acne.

Jacob is a healthy 7-year-old who gets treated for allergies, asthma, and dental cavities.

| Max | | Jacob |
|---|---|---|
| $120 | KidsCare Annual Premium | $120 |
| $451 | Plan A Cost Sharing | $992 |
| $262 | Plan B Cost Sharing | $525 |
| $624 | Plan C Cost Sharing | $757 |

These costs reflect families earning an annual income of 140% of the federal poverty level and qualifying for subsidies and tax credits. Cost sharing in the Marketplace is 2 to 8 times higher than KidsCare premiums.

Cost sharing includes copayments, deductibles, and coinsurance.

### Out-of-Pocket Costs for Isabel
#### KidsCare Compared to Qualifed Health Plans

Isabel was born prematurely and has cerebral palsy. She needs acute and ongoing habilitative services to function and learn at school.

| Isabel | 140% FPL | 190% FPL |
|---|---|---|
| KidsCare Annual Premium | $120 | $600 |
| Plan A Cost Sharing | $4,389 | $5,331 |
| Plan B Cost Sharing | $4,572 | $4,986 |
| Plan C Cost Sharing | $4,256 | $5,331 |

These costs reflect annual family income of 140% and 190% of the federal poverty level with qualifying subsidies and tax credits. Cost sharing in the Marketplace for Isabel is 8 to 38 times higher than her KidsCare premiums, even accounting for the out-of-pocket limit.

## Families Need Information and Guidance to Choose Marketplace Plans

- Cost sharing for the same services can vary markedly among qualified health plans in the Marketplace, depending on the drug formulary, use of coinsurance versus copayments, application of deductibles, and limits on out-of-pocket spending.
- Some plans may not meet children's health needs, because coverage of some pediatric services and access to pediatric specialists are limited. This makes shopping among plans extremely complex.

## Policy Opportunities

- Create an affordable coverage option for children with special health care needs living in low income families.
- Explore options to lower out-of-pocket costs for children in all low income families.
- Work with federal policymakers to fix the "family glitch" so that working low income families can qualify for federal tax credits and cost sharing reductions.
- Develop consumer education tools to help parents make informed choices about qualified health plans regarding out-of-pocket costs, networks of providers, and benefit limits.

**Visit azchildren.org to read the full report,**
***Dismantling CHIP in Arizona: How Losing KidsCare Impacts a Child's Health Care Costs.***

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