



Prepare for Health Care Ping Pong

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Health Affairs has a new article suggesting that low-income workers are going to be moving back and forth between Medicaid and the exchanges at a disturbingly rapid pace (H/T John Goodman):

The Affordable Care Act will extend health insurance coverage by both expanding Medicaid eligibility and offering premium subsidies for the purchase of private health insurance through state health insurance exchanges. But by definition, eligibility for these programs is sensitive to income and can change over time with fluctuating income and changes in family composition. The law specifies no minimum enrollment period, and subsidy levels will also change as income rises and falls. Using national survey data, we estimate that within six months, more than 35 percent of all adults with family incomes below 200 percent of the federal poverty level will experience a shift in eligibility from Medicaid to an insurance exchange, or the reverse; within a year, 50 percent, or 28 million, will. To minimize the effect on continuity and quality of care, states and the federal government should adopt strategies to reduce the frequency of coverage transitions and to mitigate the disruptions caused by those transitions. Options include establishing a minimum guaranteed eligibility period and "dually certifying" some plans to serve both Medicaid and exchange enrollees.

We clearly haven't figured out a good way to going to handle the (fairly large) problem of intra-year variations in income. We just paid for the 2010 "doc fix" by requiring families who experience a mid-year boost to their incomes to repay at least some of the subsidy they received when they had lower incomes earlier in the year. Families who improve their job prospects will thus get to enjoy a privilege previously mostly reserved for freelancers: a surprise tax bill at the end of the year, when they were expecting a refund.

This is more than fiscally tricky (the sort of families that get subsidies are less likely to have thousands of dollars in the bank to repay them at year end). It means that lower-income workers will implicitly face a higher marginal tax rate on their wages, since getting a new job may mean a hefty tax bill at year end. For those even lower down the income scale, it means bouncing on

and off Medicaid--and while I presume the private option will be better than Medicaid, the uncertainty and hassle may encourage them to stay put at lower wage rates.

This is the problem with complex new programs that aim to do everything: it's hard to predict ahead of time how all the moving parts are going to work together. There are still a whole lot of kinks to be worked out before 2014.