Health Coverage Passport
Frequently Asked Questions

Questions about Changes to Medicaid and SCHIP

Q. How will Medicaid's coverage for poor Americans change?
A. For the first time, Medicaid will cover all adults with incomes at or below 100% of the federal poverty level (FPL)[1], including childless adults.

Q. Does this include undocumented immigrants?
A. No. Only immigrants with satisfactory immigration status are covered. However, the 5-year Medicaid waiting period for non-citizens with satisfactory immigration status is lifted.

Q. How will the proposal help uninsured Americans who already qualify for Medicaid and SCHIP but are not enrolled?
A. Most of them already receive other public benefits, such as reduced-price school lunches and food stamps. Through these programs, those eligible for Medicaid and SCHIP will be automatically enrolled.

Q. What happens to SCHIP under the proposal? Does it become an entitlement?
A. SCHIP remains a block grant and the cap on federal dollars is increased to cover the full cost of increased enrollment.

Q. What else changes?
A. Medicaid and SCHIP eligibility is granted for 12-month periods. This improves retention and reduces administrative cost of "churning" in enrollment. Also, re-enrollment is automatic, using government income data for Food Stamps, Social Security filings and from other programs.

Q. Will states face unfunded mandates?
A. No. The states' federal matching percentage for Medicaid is increased to cover the full cost of increased enrollment.

Questions About Health Coverage Passports (HCPs)

Q. Who qualifies for Health Coverage Passports (HCPs)?
A. People qualify for HCPs if they are not eligible for Medicaid or SCHIP and their income is less than 400% of FPL. Typically adults below 100% of FPL and kids below 200% of FPL would qualify for Medicaid or SCHIP.

[1] The federal poverty level is: $9,800 for single individuals $20,300 for family of four

Q. How do people qualify for HCPs?
A. They are found eligible based on government data, including income data reported to Social Security, the income tax, state agencies and the National New Hires database.

Q. What if the government data are wrong or out of date?
A. At Social Security offices, families can correct errors. They can also qualify for higher HCPs by showing their income has dropped.

Q. How much is an HCP worth?
A. If your income is under 150% of FPL, the HCP is equal to the full premium up to the cap, which is equal to the average cost of employer-based coverage in the state. Above that, coverage is based on a sliding scale:

Examples of HCP Amounts at Various Income Levels for Individual Plans a/

Income	HCP as Percent of Premium	Monthly Premium	HCP Amount	Monthly Cost to Consumer
Plan A: Plan with Premium Below Cap				
150% FPL	All of Premium	$250	$250	$0
275% FPL	63% of Premium		$158	$92
400% FPL	25% of premium		$63	$187
Plan B: Plan with Premium Equal to Cap				
150% FPL	All of Premium	$349	$349	$0
275% FPL	63% of Premium		$220	$129
400% FPL	25% of premium		$87	$262
Plan C: Plan with Premium Greater than Cap				
150% FPL	All of Premium	$450	$349	$101
275% FPL	63% of Premium		$220	$230
400% FPL	25% of premium		$87	$363

a/ The cap is equal to the average cost of employer-based coverage in the state.

Q. What's an example of how that would work, in practice?
A. Suppose the employer pays $400 a month for coverage, and the worker's share is $100 a month. An HCP that pays 65% of premiums would pay $65, cutting the worker's cost to $35.

Q. Can employers just lower the percentage of premiums they pay, knowing that HCPs will pick up the difference?
A. No. HCPs can be used for employer coverage only if the firm's payments per enrollee do not fall below prior levels, updated in future years based on changes to CPI plus 1.25 percentage points per year (i.e., a qualified employer plan).

Q. Suppose an employer offers me qualified coverage. Where do I use my HCP?
A. In that case, you can use the HCP only to pay your share of employer coverage.

Q. Where can I use my HCP if my employer does not offer a qualified employer plan?
A. People without access to qualified employer-based insurance can use HCPs in their state's individual insurance market, which will be reformed to ensure access.

Q. When someone buys individual coverage, does the HCP apply in full, no matter how generous and costly the plan?
A. No. It applies in full to plans that are no more costly than the average employer-based coverage in the state. Above that cap, consumers pay the extra premium cost themselves.

Q. Can HCPs be used to buy any plan offered in such a market?
A. No. To qualify for HCPs, a plan must be certified by the state to have an actuarial value not less than that of the state's SCHIP plan, typically equivalent to the FEHBP standard option plan.[2]

Questions About the New Federal Income Tax Deduction for Individual Coverage

Q. How does the deduction work?
A. You can deduct from your taxable income, premiums you pay for coverage in your state's reformed individual insurance market.

Q. How valuable is the deduction?
A. It depends on your tax bracket. Suppose you spend $1,000 on individual insurance; you can deduct $1,000 from your taxable income. If you're in the 25% tax bracket, your taxes drop by $250. If you're in the 40% tax bracket, you save $400 in taxes.

Q. Do all individual plans qualify for the deduction?
A. No. To qualify, the plan must be certified to have an actuarial value of at least 85% of the value of the state's SCHIP plan.

Q. Can you combine the deduction and the HCP in buying insurance?
A. No. If you qualify for both, you must choose between them.

Q. As a practical matter, who will use HCPs and who will use the deduction?
A. Higher-income taxpayers will tend to be better off with the deduction. However, the point at which the deduction becomes more valuable than the HCP varies with filing status, tax bracket, and whether the state income tax reflects federal law changes.

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[2] "Actuarial value" reflects average claims costs from specified benefits and out-of-pocket cost-sharing for a standard representative population of covered individuals.

Q. Is the deduction capped?
A. Yes. It applies in full to plans with an actuarial value at or below average employer coverage in the region. Above that level, the corresponding portion of the premium cannot be deducted.

Q. What happens to the self-employed?
A. They can choose between the deduction, HCPs (if their income is low enough), or current law tax subsidies for health coverage.

Questions About Individual Responsibility

Q. What kind of health coverage must each person have?
A. The individual responsibility requirement can be satisfied with either qualified employer-based coverage; public coverage programs like Medicare, Medicaid, and SCHIP; or individual coverage that qualifies for HCPs or a federal income tax deduction.

Q. What happens if someone is uninsured?
A. The uninsured will be identified and enrolled at two junctures: when income tax forms are filed and when they seek health care.

Q. In what plan will they be enrolled?
A. Medicaid or SCHIP if eligible. Otherwise they will be enrolled in an individual HCP-qualified plan chosen by the state's default enrollment rules.

Q. How will the state decide which plan to use for default enrollment?
A. The state will take into account the plan's premiums, prior service to default enrollees, and other pertinent factors.

Q. How (if at all) will such enrollees benefit from HCPs?
A. Their eligibility for HCPs will be determined automatically based on government income records, and their premium costs will be adjusted accordingly.

Q. Couldn't a non-insuring employer just offer poor coverage at low cost so workers can meet their individual responsibility requirement with inadequate coverage?
A. No. Employers offering insurance for the first time within a state can meet their workers' coverage responsibility only by providing insurance with an actuarial value no less than that for average employer-based insurance in the state. And, to remain a qualified plan, the employer payment per enrollee must annually increase by at least the Consumer Price Index plus 1.25 percentage points.

Q. Are parents responsible for their children's health insurance?
A. Yes. If a child is a dependent for tax purposes, the parent can buy the child's insurance with an HCP if the parent is income-eligible, or claim a deduction.

Questions About Proposed Reforms to Individual Health Insurance Market

Q. To qualify plans for HCPs and the tax deduction, a state must reform its individual insurance market. What changes are required?

A. Qualified insurers must provide guarantee issue coverage—meaning no one can be turned down based on their health status. Health insurance premiums must be based on an individual's choice of plan, not the individual's age, gender, or health status.

Q. Are discounts allowed for healthy behaviors like smoking cessation and exercise?

A. Yes, such discounts are permitted.

Q. What else must a state do?

A. It must certify each plan's actuarial value. In addition, it must operate a system for enrolling people by default, as explained above.

Q. Does this impose unfunded mandates on states?

A. No. Federal grants pay each state's administrative costs.

Q. What happens if a state doesn't reform its market?

A. If the state doesn't act by a specified date, the federal government will operate a reformed individual insurance market on the state's behalf, using the state's grant allotment to pay administrative costs.

Q. Won't healthy people use deductions to buy less generous (hence less costly) coverage, leaving HCP plans with a higher-cost group of remaining enrollees and forcing premium increases that could destabilize the more generous segment of the individual insurance market?

A. No. States will be required to prevent that kind of harmful risk selection through such measures as risk-adjustment, reinsurance and annual open enrollment periods.