# Churning Under the ACA and State Policy Options for Mitigation

## **Timely Analysis of Immediate Health Policy Issues**

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### In Summary

- The "churning" of people from one source of insurance coverage to another has long occurred in public programs like Medicaid and the Children's Health Insurance Program (CHIP), but its scope will increase greatly with the Patient Protection and Affordable Care Act's (ACA) Medicaid expansion and new subsidies for coverage offered in health insurance exchanges.
- An estimated 29.4 million people—equal to nearly a third
  of the 96 million people who will qualify for either Medicaid
  or exchange subsidies—will change eligibility from one
  year to the next. Two-thirds of churning will happen when
  people move between Medicaid and ineligibility for all
  subsidies because of income above Medicaid levels and
  access to employer-sponsored insurance (ESI).
- Subsidy eligibility in the exchange will be particularly volatile. More people will gain or lose subsidy eligibility from year to year than will retain such eligibility.
- To lessen churning's negative effects—including increased administrative costs, interrupted continuity of care, and coverage gaps—states could implement comprehensive initiatives that achieve two distinct objectives: lessening churning's extent and limiting churning's harm.

## **Background**

Many state and federal officials implementing the ACA are concerned about "churning"—people moving from one source of insurance coverage to another when eligibility for assistance changes. Churning makes programs more complicated and costly to administer and can interrupt continuity of care, create gaps in coverage, reduce health plans' incentive to invest in their members' long-term wellness, and interfere with the accurate and comprehensive measurement of health care quality. Earlier estimates of churning examined the effects of income fluctuation, but this analysis is the first that also estimates whether people receive affordable ESI offers. If so, they are ineligible for exchange subsidies and the Basic Health Program (BHP) option.

## **Churning Under the ACA**

Churning reflects people's movement across three categories: eligible for Medicaid, eligible for exchange subsidies, and not eligible for any insurance affordability program. The authors estimate that, unless measures are taken to reduce its scope, year-to-year churning will affect an estimated 6.9 million people who move from Medicaid to subsidized coverage in

an exchange or vice versa; 19.5 million people who move between Medicaid and ineligibility for all insurance subsidy programs; and 3.0 million people who move between subsidized exchange coverage and ineligibility for all programs. In total, 29.4 million people will change eligibility status each year. This number equals 31 percent, or nearly one-third, of the estimated 96 million who will qualify for either Medicaid or exchange subsidies.

## **State Policy Options**

States can take several steps to reduce consumers' forced movement between health plans when household circumstances change. Through BHP, states could place lowincome consumers into state-contracting plans rather than the exchange, shifting the transition point between Medicaid plans and the exchange from 138 percent of the federal poverty level (FPL) to 200 percent of FPL. That would reduce churning between the two systems by 16 percent, because ESI offers are more common at higher income levels. States can also reduce churn by encouraging, or even requiring, the same plans to serve Medicaid and the exchange and to participate in individual and small group markets both inside and outside the exchange. Finally, since 46 percent of people eligible for Medicaid or CHIP under the ACA will have an ESI offer in their families, encouraging them to obtain Medicaid in the form of premium assistance and "wrap-around" benefits could let more people stay in the same health plan when their incomes rise or fall across the Medicaid-eligibility threshold.

To lessen the harm that results from churning, states can provide consumers with intensive assistance to help them navigate through involuntary coverage transitions; implement policies that maintain continuity of care when consumers are forced to change health plans; and prevent coverage gaps by trimming the paperwork consumers must complete to retain coverage and by increasing the affordability and value of available health coverage at each end of eligibility transitions.

### Conclusion

The ACA retained multiple insurance markets and insurance affordability programs. As a result, some churning will be inevitable when household circumstances change, just as it is today. However, by systematically addressing each component of churn, states can reduce its scope. And states can take vigorous steps to reduce the damage that churning inflicts on families in transition. But churning will be a problem that must be managed rather than solved.



