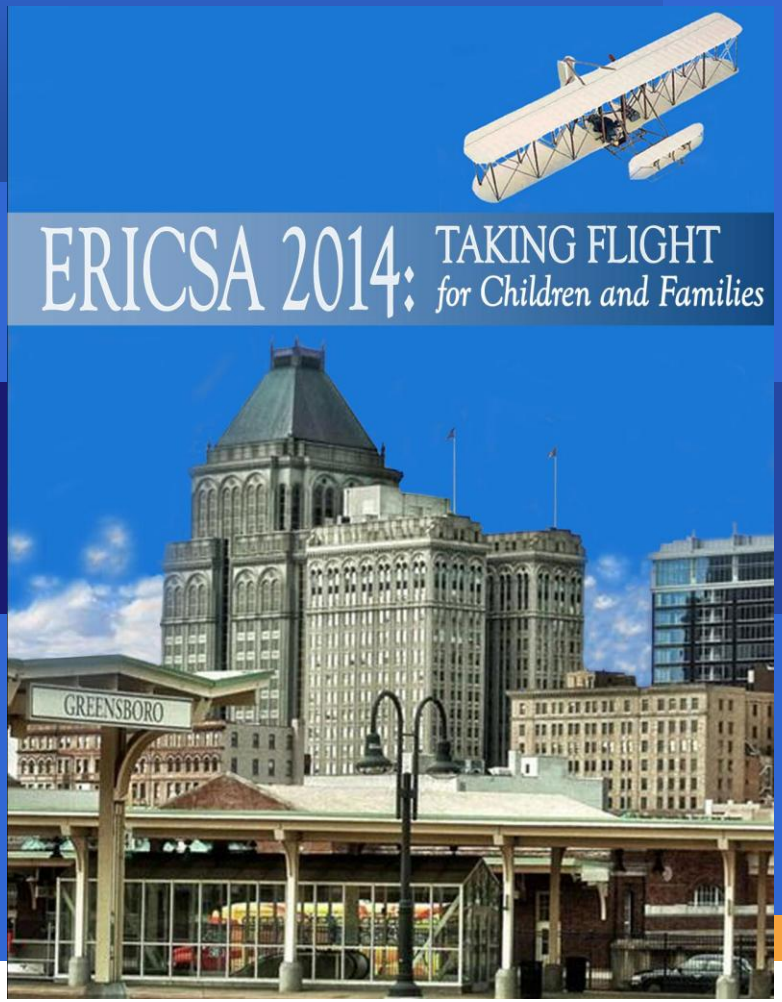

Time to Re-Think Medical Support: Impact of the ACA on Child Support

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Introduction

- ACA has major implications for medical support that require attention by IV-D programs
  - IRS enforcement role conflicts with traditional medical support approach
  - IRS penalties for non-coverage triggered by dependent deduction – usually claimed by CP
  - CP access to Marketplace not available if children claimed by NCP
  - Expanded insurance options available for children and parents

Introduction (continued)

- Post-ACA medical support can yield significant benefits
  - Improved coverage for children and parents
  - Fewer program resources devoted to medical support
  - More cooperation from NCPs
  - Reduced burden for employers
- Agencies should re-structure medical support to reflect new requirements and possibilities emanating from ACA

IRS: The New Sheriff in Town

- ACA requires every citizen (with exceptions) to carry health insurance
- Family membership based on “tax household”
- Child belongs to household claiming dependent deduction
- IRS will enforce coverage requirement based on child’s tax household

IRS Role Will Conflict with IV-D

- Current IV-D medical support focused on NCP
- But IRS enforcement will follow dependent deduction, most commonly to CP
- CP subject to penalties if CP claims tax deduction but insurance not provided by NCP
- Conflicting requirements can create courtroom confusion
- Flurry of CP penalty letters likely issued in 2015

Penalties for Failure to Insure Family Members

Tax Year	Penalty
2014	1% of annual income or $95, whichever is higher $47.50 per uninsured child Maximum = $285
2015	2% of annual income or $325, whichever is higher $162.50 per uninsured child Maximum = $975
2016 & thereafter	2.5% of annual income or $695, whichever is higher $347.50 per uninsured child Maximum = $2,085

CP Hardship Exemption Not Readily Available

- CP can obtain hardship exemption, but not easily
- Hardship exemption requires application to Federally-Facilitated Marketplace (FFM)
  - Court order must be in place
  - CP must have applied for Medicaid and CHIP for child and been denied for each period requested for hardship exemption

Better Coverage for Kids…
…and Their Parents

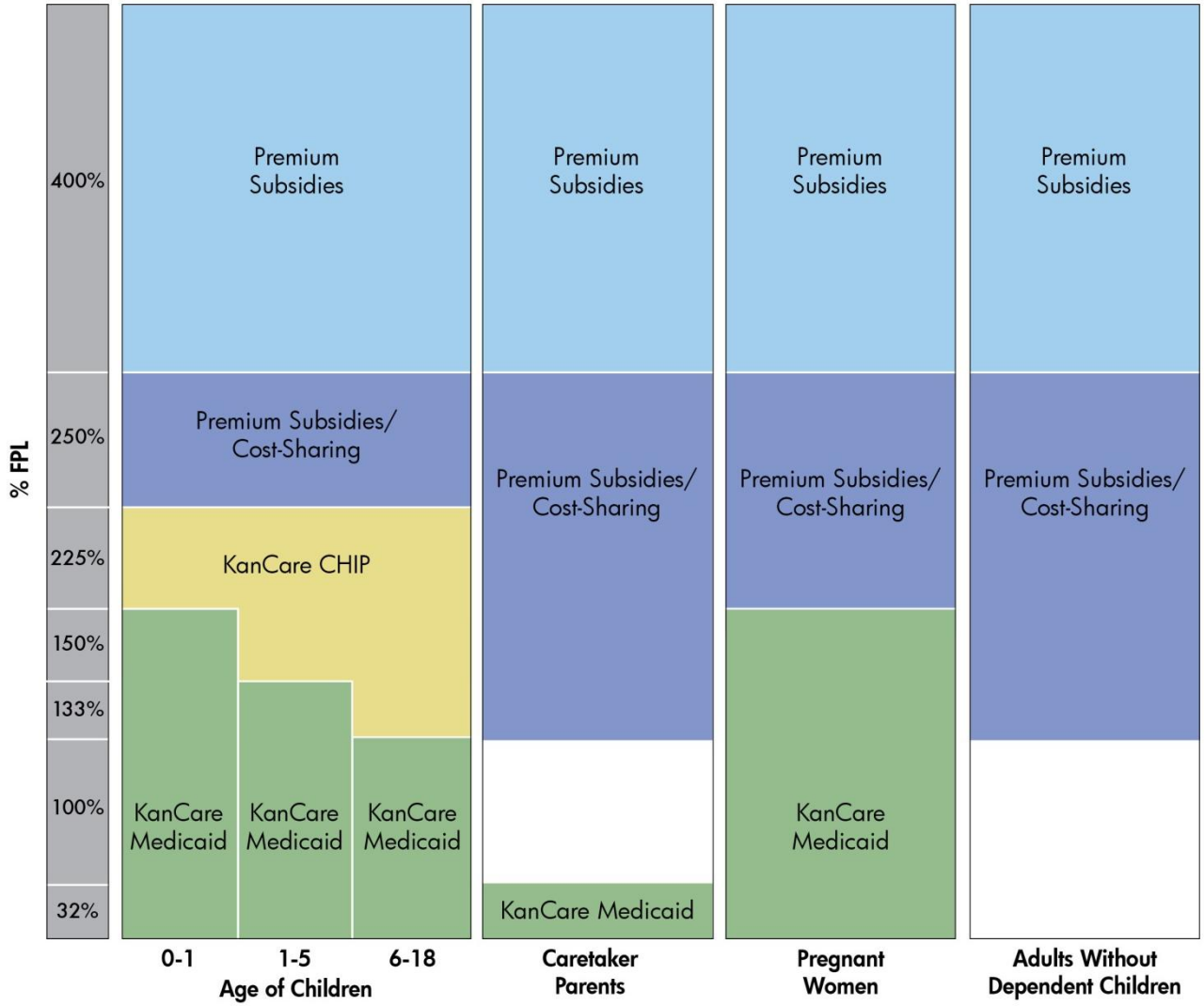
- ACA creates hierarchy of subsidized health care coverage
  - Screen for Medicaid first
  - Kids screened for CHIP if not Medicaid eligible
- Medicaid for kids – to approximately138% FPL
- SCHIP for lower middle-income children (varies --up to approximately 250% FPL)
- Premium tax credits for children above 250% FPL and adults above 100 % FPL (up to 400% FPL)
- Cost sharing reduction – reduced out-of-pocket costs for premium subsidies 100 – 250% FPL

Federal Poverty Levels by Family Size

HH Size	100%	133%	200%	250%	400%
1	$11,490	$15,282	$22,980	$28,725	$45,960
2	$15,510	$20,628	$31,020	$38,775	$62,040
3	$19,530	$25,975	$39,060	$48,825	$78,120
4	$23,550	$31,322	$47,100	$58,875	$94,200
5	$27,570	$36,668	$55,140	$68,925	$110,280

For Tax Year 2014

Kansas Eligibility By Poverty Level
All Health Insurance programs



Subsidized Coverage Now Available for Most Children

- Estimated 90 percent of IV-D CPs/children below income limits for ACA insurance
- But gaps can occur due to affordability test for employer coverage
  - Coverage deemed affordable if single coverage less than 9.5% of income
  - Family coverage can be much higher than 9.5%, yet coverage deemed affordable
- Household not eligible for APTC/CSR if employer insurance deemed "affordable"

ACA Coverage Can Still Be Costly

- No out-of-pocket costs for Medicaid
- Minimal premiums for CHIP
- But significant out-of-pocket costs for ACA marketplace plans
- Expected APTC premium contribution above 250% FPL ranges from 6.3 – 9.5% of income; significant co-pays, deductibles
- Out-of-pocket costs need to be considered in guidelines calculations

Expanded Eligibility Can Help NCPs Too

Health Care Assistance: Single Adult Min. Wage (40 hrs/wk)

Note: not eligible for Medicaid if no expansion; assistance comes from APTC and cost-sharing as determined by FFM]

Income:	$15,080 per year $1,257 per month 131% FPL
APTC eligibility:	Premium cap – 2% of income Premium limited to $302/year/$25/mo

Cost-sharing eligibility: plan covers estimated 94 percent of health care costs

Current Medical Support Yields Limited Results

- Current med support reflexively pursues NCP
- Most medical support orders indeterminate on their face
- Availability through NCP has declined dramatically
  - Fewer employers provide health insurance
  - Cost renders insurance unaffordable
- Estimates suggest NCP-provided insurance in less than 20 percent of IV-D cases
  - 10 % private coverage only in CA; est 20% in WA
  - 6 % for combined IV-D and non-IV-D cases nationally

Most Family Coverage Not "Affordable"

- Average incremental cost of family coverage is $297
  - Average employee premium for single coverage: $83/mo
  - Average employee premium for family coverage: $380/month
- 10% affordability test requires $2,970/mo income
- 5% affordability test requires $5,940/mo income

Re-Thinking Medical Support Post-ACA

- CP will have access to subsidized insurance for children in most cases
- Medical support must be aligned with dependent deduction to avoid conflict with IRS enforcement
- Agencies should order CP to provide insurance in most cases (private or public)
- Guidelines calculation should reflect any increased CP costs
- Enforcement should default to IRS for most medical support

NCP Medical Support Orders Should be Limited

- NCPs should provide medical support only if accessible, affordable, adequate, and stable
- NCP should be assigned dependent deduction only if definitive order for medical support
- NCP should not have medical support ordered if no reliable, affordable source
  - Will expose CP to possible penalties if not provided
  - Will deny child(ren) access to Marketplace if not provided
- NMSNs should be issued only for definitive orders

Refer Children and Parents to Coverage Sources

- New IV-D role: help ensure coverage for children and their parents
- Be aware that CPs and children may receive coverage from different sources
- Caseworkers should be aware of CP and NCP coverage possibilities
- Assess coverage adequacy when establishing, modifying orders
- Work with Marketplace Navigators for information and enrollment

Recommended Changes Are Permitted by OCSE

- AT 10-02 allows states to suspend medical support requirements in conforming to ACA
- AT 10-10 allows states to count public health insurance as medical support
- But states must follow existing laws: i.e. must order one or both parents to provide medical support

Program Structural Changes May Be Needed

- Some States may require changes to medical support laws
- Guidelines need to align dependent deduction, cover CP costs
- Changes needed to petitions, orders
- Capability needed to send NMSNs selectively
- Connections needed to referral resources (e.g. navigators, facilitators, marketplaces)

Conclusion: Carpe Annum to Re-Think Medical Support

- Medical support must be restructured to avoid confusion, conflicts with IRS
- IV-D should order CP to provide medical support in most cases – default to IRS for enforcement
- Dependent deduction should be aligned with medical support responsibility
- NMSNs should be issued only for definitive NCP medical support orders

Conclusion (continued)

- Post-ACA medical support offers exciting benefits
  - Better coverage for children and parents
  - Redeployment of medical support resources to core functions or other services
  - Greater fairness for NCPs
  - Reduced employer burden
- States should seize the opportunity streamline program and improve services

Additional Resources

- Robert G. Williams, *Time to Re-Think Medical Support: Impact of the Affordable Care Act on Child Support*, www.veritas-hhs.com, or NCSEA *Communique*, February 2014.
- Robert G. Williams, *Eligibility Primer for Affordable Care Act Programs*, www.veritas-hhs.com, May 2012.
- HMS, *Child Support & Healthcare Reform Bill Analysis*, prepared for California Child Support Directors' Association, www.csdaca.org, July 2013.

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