

---

## Medicaid and CHIP FAQs: The Basic Health Program

*May 8, 2014*

### **General**

#### **Q1: What is the Basic Health Program (BHP)?**

**A1:** The Basic Health Program (BHP) is an optional health benefits coverage program for low-income individuals (defined as individuals with incomes between 133 and 200 percent of the Federal poverty level) who would otherwise be eligible to purchase coverage through the state's Health Insurance Marketplace (Marketplace). In states that establish a BHP, eligible individuals would instead have the opportunity to enroll in a standard health plan through the BHP. Coverage through a BHP standard health plan would complement and coordinate with enrollment in a qualified health plan (QHP) through the Marketplace, as well as with enrollment in Medicaid, and the Children's Health Insurance Program (CHIP).

#### **Q2: When will BHP become available as an option for states?**

**A2:** BHP will be available for states to implement effective January 1, 2015. This means that a state that elects to implement a BHP as of that date would accept applications during the 2015 open enrollment period, which will begin on November 15, 2014.

#### **Q3: Are there final regulations for BHP?**

**A3:** HHS published the BHP final rule on March 12, 2014 which can be found at <https://www.federalregister.gov/articles/2014/03/12/2014-05299/basic-health-program-state-administration-of-basic-health-programs-eligibility-and-enrollment-in>. HHS also published the final 2015 BHP payment notice on March 12, 2014, which can be found at <https://www.federalregister.gov/articles/2014/03/12/2014-05257/basic-health-program-federal-funding-methodology-for-program-year-2015>. The final 2015 payment notice provides the methodology that CMS will use to calculate the federal BHP payments for program year 2015; however, it does not contain actual payment rate information.

## **BHP Enrollees: Eligibility, Benefits and Cost Sharing**

### **Q4: Who is eligible for BHP?**

**A4:** Individuals are eligible for BHP coverage if they:

- Are state residents and either a citizen, or a lawfully present non-citizen;
- Have household income (Modified Adjusted Gross Income/MAGI) between 133 and 200 percent of the federal poverty level (FPL) or, in the case of individuals who are lawfully present non-citizens, are ineligible for Medicaid due to such non-citizen status, and have household income that does not exceed 200 percent of the FPL;
- Are 64 years of age or younger;
- Are not otherwise eligible for minimum essential coverage, including through Medicaid, CHIP or affordable employer sponsored insurance; and
- Are not incarcerated, other than during a period pending disposition of charges.

### **Q5: Will BHP enrollees receive a premium tax credit (PTC) and cost-sharing reductions (CSR)?**

**A5:** No, because individuals eligible for BHP in states that adopt it will not be eligible to purchase coverage in the Marketplace, BHP enrollees will not receive PTCs and CSRs.

### **Q6: Will BHP enrollment occur continuously, or during an open/special enrollment period?**

**A6:** States operating a BHP have flexibility to determine which enrollment strategy works best for their program. A state can enroll eligible individuals throughout the year – like Medicaid – or can limit enrollment of eligible individuals to open enrollment/special enrollment periods – like the Marketplace.

### **Q7: What is a standard health plan for purposes of BHP? What benefits are included?**

**A7:** A standard health plan is a health benefits plan in which an individual is enrolled through the BHP. States have flexibility in determining the benefits provided under a standard health plan; however, the standard health plan must, at a minimum, provide the essential health benefits. Standard health plans may provide other benefits in addition to the essential health benefits.

### **Q8: Will BHP enrollees be able to choose a standard health plan?**

**A8:** Yes, states must ensure that BHP enrollees have the option to select from at least two participating standard health plan offerors. In the event that a state is unable to assure this choice, a state can submit an exception request, which must include a justification as to why it cannot assure choice of standard health plan offerors and documentation that the state has taken all feasible steps to encourage competition.

**Q9: Will BHP enrollees have to pay premiums and cost sharing?**

**A9:** As with benefit design, states have considerable flexibility when establishing premiums and cost sharing during the negotiation process for the participating BHP standard health plans. As such, the premium and cost-sharing amounts may vary from state to state, and even between participating standard health plans. States can provide for premiums and cost-sharing on a sliding scale related to income or other circumstances. States must notify HHS and make publicly available the premium and cost-sharing amounts that BHP enrollees are responsible for.

**Q10: Will BHP premiums and cost sharing be higher than Marketplace premiums and cost sharing?**

**A10:** No. As directed in statute, BHP enrollees cannot have higher premiums or cost sharing than what they could have experienced if they had enrolled in a QHP (silver level) in the Marketplace.

**Q11: Will American Indian/Alaskan Natives (AI/ANs) have the same protections in BHP as in the Marketplace?**

**A11:** Yes. The BHP final rule applies the same enrollment and cost-sharing protections to the AI/AN population as those in the Marketplace, which are generally consistent with those found in Medicaid.

**States: Program Administration, Contracting and Financing**

**Q12: How can a state implement a Basic Health Program? What type of information does the BHP Blueprint contain?**

**A12:** In order to implement a Basic Health Program, the state must demonstrate to the Secretary, and the Secretary must certify, that the state's BHP meets certain requirements as specified in its BHP Blueprint. The BHP Blueprint lays out how the state will implement its BHP. Specifically, the BHP Blueprint will include assurances of compliance with statutory and regulatory requirements as well as operational descriptions of the following programmatic features:

- Eligibility and enrollment policies and procedures;
- Standard health plan coverage, contracting process and contract requirements;
- Methods to enhance the availability of standard health plan coverage and coordinate with other insurance affordability programs;
- Premium and cost-sharing information as well as disenrollment procedures and consequences of nonpayment of premiums;
- Fiscal policies and accountability procedures, including processes to select BHP trust fund trustees; and
- Program integrity

**Q13: Does a state need to solicit public input prior to submitting a BHP Blueprint?**

**A13:** Yes. A state must solicit public input when developing the BHP Blueprint prior to submitting it to HHS for certification. This also includes, if applicable to the state, consulting with its federally-recognized Indian tribes.

**Q14: Will there be a BHP Blueprint template for states to use?**

**A14:** Yes, we have a BHP Blueprint template under development and anticipate providing it to states shortly.

**Q15: What does the contracting process for BHP entail?**

**A15:** The statute directs that state must establish a competitive process when contracting for the provision of BHP standard health plans and sets out some elements that the state must either negotiate, or consider during this process. The final rule incorporates these required elements in its competitive process requirements. For example, a state must negotiate premiums, cost sharing and benefits as well as consider the use of managed care, access to providers and performance measures.

To help promote coordination and continuity of care during the initial implementation of BHP in 2015, we will not be enforcing the competitive contracting process requirements during in the event that the state is unable to implement such a process for program year 2015. This exception is subject to HHS approval during the certification process, and is only available for program year 2015. In requesting the exception, the state must describe the process by which it will institute a competitive contracting process in subsequent program years.

**Q16: What type of entities can a state contract with for the provision of BHP standard health plans?**

**A16:** States may contract with the following entities for BHP standard health plans:

- A licensed health maintenance organization;
- A licensed health insurance insurer;
- A network of health care providers demonstrating capacity to meet the criteria set forth in statute; or
- A non-licensed health maintenance organization participating in Medicaid and/or CHIP.

We do not anticipate that individual providers would be eligible to administer and provide a BHP standard health plan. To ensure that quality coverage is available and accessible, a standard health plan must include or arrange for a network of participating providers, and must have procedures to provide care coordination and case management as needed under its contract with the state. The statute provides states with the flexibility to require that BHP standard health plans operate using an integrated care model.

We included in the BHP final rule the option for states to consider Medicaid and/or CHIP managed care plans as eligible offerors of standard health plans. This provides states with greater flexibility during the contracting process. The result is that there is no restriction on the state's option to contract for standard health plans either with qualified health plans operating in the Marketplace, or with Medicaid or CHIP managed care organizations.

**Q17: Must states contract with managed care plans in order to provide BHP standard health plans?**

**A17:** No. But states must include in the contracting process consideration for contracting with managed care plans and other plans that have as many of the attributes of managed care as are feasible in the local health care market. States are not restricted from contracting with BHP standard health plans that do not operate on a managed care basis.

**Q18: What is a BHP trust fund?**

**A18:** A state implementing BHP must establish a trust fund to which HHS can make deposits for allowable trust fund expenditures. The trust fund must be established with an independent entity, or as a subset account within a state's General Fund. Federal deposits will be made on a quarterly basis.

**Q19: What does the final BHP funding methodology calculate?**

**A19:** The overarching purpose of the BHP funding methodology is to calculate the PTC and CSR amounts that a BHP enrollee would have received had he or she enrolled in a QHP in the Marketplace. Specifically, the methodology will establish a monthly rate that equals 95% of the PTC and 95% of the CSR that would have otherwise been available to an enrollee had they purchased coverage in the Marketplace. This methodology should also take into account several factors specified in statute, such as age, income, geographic rating, and self-versus family coverage, as well as factors to account for the potential effect of health status differences between BHP enrollees and Marketplace consumers and whether tax reconciliation would have otherwise occurred for a BHP enrollee. The funding methodology for calendar year 2015 explains how these factors will be implemented for that year. In future years, the funding methodology may be modified to reflect greater information about the relevant factors in the BHP population, which could permit simplification of the methodology. Additional information on the 2015 BHP funding methodology, including specific details on the aforementioned factors, can be found at <https://www.federalregister.gov/articles/2014/03/12/2014-05257/basic-health-program-federal-funding-methodology-for-program-year-2015>.

**Q20: How will the Secretary determine a state's BHP funding amount?**

**A20:** The BHP funding amount will be calculated on a per enrollee basis, which will then be aggregated for purposes of depositing the appropriate funding amount into the state's BHP trust fund. The final BHP regulation contains general principles for determining the funding amount, and

the 2015 funding methodology contains the specific details for calendar year 2015. Specifically, the total 2015 BHP funding amount will be calculated quarterly based on the sum of reported or estimated enrollment by rate cell. At the end of each quarter, the state will report final enrollment for each rate cell and the state would either receive an additional payment (if the amount is determined to be higher than was previously paid), or would have an adjustment to the next quarterly payment (if the amount is determined to be lower than was previously paid). A state's BHP funding amount may also be adjusted to the extent that a state receives CMS approval to include a state-specific risk adjustment to the final methodology.

**Q21: Does a state have to contribute a “state match” to BHP?**

**A21:** States are not required to contribute a non-federal share to BHP. However, states are also not precluded from depositing non-federal dollars into the BHP trust fund. Once those non-federal funds have been deposited in the BHP trust fund, they are subject to the rules applicable to the BHP trust fund and can only be used to lower premiums and cost sharing or to provide additional benefits.

**Q22: Can a state use BHP trust funds to cover administrative expenses?**

**A22:** No. BHP trust funds can only be used for benefits and to reduce consumers' out-of-pocket costs, but not for administrative expenses. States operating a BHP may opt to fund administrative activities for its program through other state funding or appropriate non-state contributions or fees.

**Q23: Can a BHP trust fund accrue interest?**

**A23:** Yes. The BHP trust fund can accrue interest; however, the accrued interest would be considered in the same manner as BHP trust funds. This means that the accrued interest can only be used for benefits and to reduce consumers' out-of-pocket costs.