



## Frequently Asked Questions about the Family Opportunity Act's Medicaid Buy-In Option

### What is the Family Opportunity Act (FOA)?

The Family Opportunity Act (FOA) is federal legislation passed as part of the Deficit Reduction Act of 2005. It offers states the opportunity to:

- Apply for one of up to ten Home and Community Based Services (HCBS) demonstration waivers for children with severe emotional disturbances;
- Apply for grants to fund Family-to-Family Health Information Centers;
- Restore Supplemental Security Income (SSI) benefits to certain previously eligible families of children and youth with special health care needs (CYSHCN); and,
- Create a buy-in program to expand Medicaid coverage to children who meet SSI disability criteria and whose family incomes are too high to be eligible under current regulations but fall below 300% of the Federal Poverty Level (FPL).

This technical brief focuses on the fourth of these opportunities: the option to create a Medicaid buy-in program.

### What is a Medicaid buy-in program?

To receive health insurance coverage through Medicaid, individuals must meet certain eligibility criteria. These criteria, recognized by federal and state law, include limits on family income. Medicaid buy-in programs allow some individuals or families who do not meet these income requirements, but meet other eligibility criteria, to purchase Medicaid coverage. They can “buy in” to Medicaid either as their only source of health care coverage, or as a supplement to private insurance.

In recent years, many states have implemented Medicaid buy-in programs for adults with disabilities who want to work but fear losing Medicaid benefits once their income surpasses eligibility limits. Although many State Children Health Insurance Programs (SCHIP) expand income eligibility, children have to be uninsured to qualify. A buy-in program allows both uninsured and underinsured individuals to receive Medicaid coverage.

The FOA opens the door for states to establish new Medicaid buy-in programs for children who have a family income of up to 300% of the FPL, and who meet SSI-eligibility requirements based on disability. Three hundred per cent of the FPL is the upper limit allowed by the legislation. Some states may elect to set their income eligibility criteria to be greater than the current state level, but less than 300% of the FPL.

### **What are the advantages of the FOA for families of children and youth with special health care needs (CYSHCN)?**

Through implementation of the FOA, families may access health insurance coverage for their CYSHCN who are now uninsured, and fill in some of the gaps in coverage for their CYSHCN who are underinsured.

Children with disabilities who were not previously eligible for Medicaid or SCHIP because of family income limits in their state may now qualify for coverage. They do not have to meet an “institutional level of care” standard, so a greater number of children with disabilities who are not eligible under a state HCBS waiver, TEFRA/Katie Beckett waiver or state plan option will now have access to Medicaid benefits under the FOA. Families of CYSHCN whose private insurance excludes or places limits on essential services can access Medicaid to cover eligible services. For example, through a Medicaid buy-in program a family may be able to obtain such services as medical transportation, durable medical equipment and supplies, mental health services, dental care, personal care and prescription drugs, if these services are normally offered under the state’s Medicaid program. In addition, buy-in programs often cover the private insurance co-payments for services such as prescription drugs, therapies, and mental health services that are often excessive for families of CYSHCN who have private insurance.

With Medicaid income eligibility raised to 300% of the FPL, families who are currently forced to limit their income in order to qualify for Medicaid may take pay raises, overtime and promotions without losing their child’s health coverage. Families who earn too much to qualify for Medicaid but not

enough to afford private insurance may have access to coverage. Most significantly, fewer families will face the choice of giving up custody or placing their children in institutions in order to obtain the health care coverage they require.

### **What are the advantages of the FOA for states?**

States seeking to expand coverage for children in general, and for children with special health care needs in particular, can offer Medicaid buy-in programs and receive federal matching funds for the cost of these services.

SCHIP has vastly expanded health insurance coverage for lower middle-income children, but as previously noted, only children who are uninsured can enroll in SCHIP. It is difficult for states to monitor the extent to which low-income families forego private family insurance coverage to enroll their children in SCHIP programs. A Medicaid buy-in program that sets lower premiums for privately insured children serves as an incentive for families to keep their private coverage. Buy-in programs thus limit the potential for “crowd out,” in which families drop private coverage in order to access public coverage.

The FOA offers advantages to states in terms of both spending and potential savings. Because the majority of children covered by an FOA expansion will have private coverage, as a secondary payer the Medicaid program will not have to cover services such as inpatient hospitalization and pharmaceuticals, which are typically the most expensive. The impact on the state’s budget is relatively low, as compared to the impact of reducing un- and underinsurance on a family’s budget, which can make the difference between financial survival and bankruptcy. Making an investment in health care access through implementation of the FOA’s Medicaid buy-in program could potentially mean savings in state spending on other sources of coverage for CYSHCN such as uncompensated care/bad debt at public hospitals and clinics, as well as education, juvenile justice and social services.

### **How does the FOA affect existing pathways to Medicaid coverage for CYSHCN?**

In many states, there are existing pathways to Medicaid coverage that can be important to CYSHCN. These include HCBS waivers, state plan options and TEFRA/Katie Beckett waivers. In addition, a small number of

states have existing buy-in programs with different, sometimes more generous or expansive, income or disability criteria than the FOA allows. There is no provision in the FOA legislation that requires replacing an existing pathway to Medicaid with the buy-in program. New or existing waiver programs can complement Medicaid buy-in programs by expanding the population served and/or the coverage benefits. All stakeholders, including legislators, Medicaid staff and family leaders, will need to carefully consider the health care financing environment in their state, and work together to determine which options will best achieve their goals in making this investment in child health.

### **How much are the premiums for a Medicaid buy-in program under the FOA?**

The FOA allows for state discretion in setting premium rates, with a ceiling of up to 5% of a family's adjusted gross income under 200% of the FPL, and 7.5% under 300%.

States that set the premium rate even at the highest level allowed will generally not add significant revenue to their Medicaid programs. The financial burden to an individual family, however, may be quite significant. As a result the take-up rate may be kept low, and the impact of the buy-in program diluted. A minimal or modest premium rate will encourage more enrollment and thus lead to greater coverage for CYSHCN.

### **What resources are available to help estimate how many CYSHCN in a state might benefit from the FOA, and how much it might cost the state's Medicaid program?**

The Catalyst Center has developed a methodology for estimating the general impact of FOA implementation and has calculated first-round estimates for individual states. A Catalyst Center publication entitled *Methodology for Estimating the Impact of State Implementation of the FOA* describes this approach in detail and can be found on the Catalyst Center website at <http://www.hdwg.org/catalyst/index.php>. First-round state estimates can be obtained by contacting the Catalyst Center. Because these estimates are based on national survey and administrative data and a certain set of baseline assumptions, a second-round refinement based on state-specific information provided by local stakeholders is recommended.

The data elements suggested for a second-round refinement of the estimate include as many of the following as possible:

1. Number of CYSHCN between 0-18 years of age, broken down by family income level and insurance status
2. State-specific cost data on Medicaid expenditures for children receiving SSI, with and without other sources of coverage
3. SCHIP income eligibility level
4. Most up-to-date Federal Medical Assistance Percentage (FMAP)
5. Information on the comparability of the state's Medicaid/SCHIP benefit packages
6. Information on other pathways to Medicaid coverage – availability of TEFRA/Katie Beckett waivers, existing Medicaid buy-in program, etc.

Interested parties are invited to contact the Catalyst Center for further information on obtaining their state's estimate:

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