



Your Questions Answered:

Are Families of Medicaid-enrolled Children with Disabilities Eligible for Subsidized Marketplace Coverage?

Individuals with Minimum Essential Coverage (MEC) are not eligible for *subsidized* coverage in the marketplaces. The final IRS (Internal Revenue Service) regulations for [Shared Responsibility Payment for Not Maintaining Minimum Essential Coverage*](#) define the types of Medicaid coverage for children with disabilities that are MEC. TEFRA (Tax Equity and Fiscal Responsibility Act of 1982), Home and Community-based Service waivers (also known as 1915 (c) waivers), and the Family Opportunity Act Medicaid buy-in option are MEC.

Q: What are these programs?

1. **TEFRA** created a pathway to Medicaid eligibility for children with complex health issues who require an institutional level of care AND whose household income is too high to be categorically eligible for Medicaid. TEFRA is an optional pathway to Medicaid that is not available in every state.
2. **Home and Community-based Service (HCBS) waivers**, also known as 1915 (c) waivers, provide Medicaid and additional support services to make it possible for individuals who require an institutional level of care to live at home. HCBS/1915 (c) waiver eligibility and availability vary by state.
3. **The Family Opportunity Act (FOA)** is a pathway to Medicaid for children with a Supplemental Security Income (SSI) level of disability whose household income is too high to be categorically eligible for Medicaid but is less than 300% of the federal poverty level (FPL) or less, as determined by the state. This optional pathway to Medicaid is not available in most states.

*<https://www.federalregister.gov/articles/2013/08/30/2013-21157/shared-responsibility-payment-for-not-maintaining-minimum-essential-coverage>

Q: Can you give an example of what this rule might mean for families?

A: Consider a family of four with two parents and two children. One child has a disability and receives Medicaid through TEFRA, or an HCBS waiver, or FOA. The three other family members do not have access to affordable employer-sponsored insurance that provides Minimum Essential Coverage or MEC. Household income is between 100 and 400% FPL.

No access to affordable employer-sponsored insurance that provides Minimum Essential Coverage



Medicaid through TEFRA, HCBS waiver, or FOA

Q: Can the child with a disability have both Medicaid and subsidized marketplace coverage?

A: No. The IRS regulations say that an individual with MEC cannot receive subsidized coverage in the marketplace.

Q: Can the child with a disability who has Medicaid that is MEC also have marketplace coverage?

A: Yes, but the child will not be counted with regard to the family's tax credits/subsidies.

Q: Is the rest of the family eligible for federal subsidies to purchase insurance in the marketplace?

A: Yes. For this scenario, if the family wants their child with a disability to have Medicaid AND marketplace coverage, the family will be charged a premium for the marketplace plan based on a family of four. BUT, they will only receive federal subsidies for three of the family members. They will pay the full cost of the marketplace plan for the child with a disability who also has Medicaid that is MEC.

Update: Some children with disabilities are enrolled in Medicaid through Section 1115 Demonstration projects. On January 27, 2014, the IRS published [Minimum Essential Coverage and Other Rules Regarding the Shared Responsibility Payment for Individuals](#).^{*} This proposed rule addresses whether or not Section 1115 Demonstration projects provide MEC.

^{*} <https://www.federalregister.gov/articles/2014/01/27/2014-01439/minimum-essential-coverage-and-other-rules-regarding-the-shared-responsibility-payment-for>

Q: What are Section 1115 Demonstration Projects?

A: They are a way for states to: 1) expand the population served by Medicaid or CHIP (Children’s Health Insurance Program), or 2) provide additional services, or 3) test new ways to deliver care that is improved, efficient, and cost-effective.

Q: Are Section 1115 demonstration projects considered MEC?

A: It depends on the goal of the demonstration project. Individuals who receive Medicaid through an 1115 demonstration waiver whose goal is to improve the service delivery system must continue to receive full Medicaid benefits. This type of 1115 demonstration waiver is MEC. While enrollees can elect to purchase marketplace coverage, they will not be eligible for federal subsidies, just like in the scenario described above.

Individuals who receive Medicaid as part of an expanded population do not have to receive full Medicaid benefits. Depending on the benefit package, this type of 1115 demonstration waiver may not be MEC. If the Medicaid benefits are not MEC, individuals will be able to purchase a marketplace plan and receive federal subsidies if they are income-eligible.

This article originally appeared in the Winter 2013 issue of Catalyst Center Quarterly, an eNewsletter providing original content pertaining to issues of financing of care for children and youth with special health care needs. For more information or to subscribe, please visit <http://hdwg.org/catalyst/publications/pastissues>. The article was updated on January 31, 2014.

About the Catalyst Center

The Catalyst Center: Improving Financing of Care for Children and Youth with Special Health Care Needs is a national center funded by the federal Maternal and Child Health Bureau of the Health Resources and Services Administration, U.S. Department of Health and Human Services, and is located at the Boston University School of Public Health. The Catalyst Center provides support to the efforts of stakeholders at the federal, state and local levels in assuring adequate health insurance coverage and financing to meet the diverse needs of children and youth with special health care needs and their families.

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