

# Cost-Sharing in Medicaid: Policy Goals and Evidence

**LEAD**  
the **WAY**

Building a People-Centered Health System



## Goal

Trinity Health is committed to public policies that support better health, better care and lower costs to ensure affordable, high-quality, people-centered care for all. As Trinity Health assesses federal and state-led changes to the Medicaid program, it is important to review the pros and cons associated with proposals and to evaluate the impact on coverage and access to affordable, high-quality, people-centered care.

## Background & Purpose

In recent years, more states have implemented or considered increased cost-sharing requirements in their Medicaid programs through Section 1115 demonstration waivers. Federal Medicaid law currently limits the cost-sharing that states can impose on beneficiaries. These policies – which include premium payments, increased cost-sharing, and use of Health Savings Accounts (HSAs) – aim to increase beneficiary engagement and informed decision-making regarding their health and care. These policies almost always apply only to non-disabled adult beneficiaries and often only to those above a certain income level. The current Administration and a number of Governors have indicated support for these policies. The table below provides the “pros” and “cons” of allowing additional cost-sharing in Medicaid, based on available research and evidence.

### Examples of Cost-Sharing in Medicaid<sup>1</sup>

**Oregon** increased premiums and introduced copays for beneficiaries including the homeless and those with zero income in the early 2000s. Changes led to 46 percent lower enrollment, lower primary care use and higher ED use.

**Michigan** requires monthly premiums in the form of HSA contributions for its higher income Medicaid enrollees. Enrollment in the program has remained in line with expectations despite the new cost-sharing.

Policy	Pro <sup>2</sup>	Con <sup>3</sup>
<b>Increased cost-sharing in Medicaid through premiums and/or copayments</b>	<ul style="list-style-type: none"> <li>● Incentivizes beneficiaries to be more engaged and deliberate about health care decisions and use of care.</li> <li>● Permits states to shift some costs to beneficiaries for budget purposes.</li> <li>● May familiarize beneficiaries with commercial insurance (i.e. premiums and HSAs), easing transition from Medicaid.</li> </ul>	<ul style="list-style-type: none"> <li>● May lead to loss of coverage or deter individuals from enrolling in coverage, resulting in gaps in care and decreased health status.</li> <li>● May create barriers to accessing care and result in unmet health care needs.</li> <li>● When used for low-income populations, the administrative costs could exceed the benefit of fees and savings from any reduced utilization.</li> </ul>

- **Overall Takeaway** – Cost-sharing in Medicaid must be implemented cautiously and with specific subpopulations. While cost-sharing does not seem to negatively impact enrollment when applied to higher-income Medicaid beneficiaries, evidence shows that shifting too many costs or imposing cost-sharing on the lowest-income beneficiaries can lead to reduced enrollment, barriers to accessing necessary care, and worse health outcomes.
- **Trinity Health** evaluates cost-sharing proposals to ensure they are carefully constructed to encourage beneficiary engagement without creating barriers to needed care – especially for the lowest-income and most vulnerable.

**Supporting Research:** 1. Wright, Bill et al. “[The Impact Of Increased Cost Sharing On Medicaid Enrollees](#),” *Health Affairs*, July 2005 vol. 24 no. 4; Wishner, Jane et al, “[Medicaid Expansion, the Private Option, and Personal Responsibility Requirements: The Use of Section 1115 Waivers to Implement Medicaid Expansion Under the ACA](#),” Urban Institute and Robert Wood Johnson Foundations, May 2015. 2. Center for Health Care Strategies, [Examples of Consumer Incentives and Personal Responsibility Requirements in Medicaid](#), May 2014; Verma, Seema, Neale, Brian “[Healthy Indiana 2.0 Is Challenging Medicaid Norms](#),” *Health Affairs*, Aug. 29, 2016. 3. [Issue Brief: The Impact of Cost Sharing and Benefit Changes to Oregon Health Plan Beneficiaries: Results, Two Years Later \(2005\)](#)

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**Core Values:** Reverence • Commitment to Those Who Are Poor • Justice • Stewardship • Integrity

