

Benefits Insights

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What Employers Need to Know About Medicaid Redeterminations

In 2020, the U.S. Congress passed the Families First Coronavirus Response Act in response to the COVID-19 pandemic. This act required states to maintain Medicaid coverage for most enrollees and barred disenrollment for Medicaid recipients during the public health emergency (PHE) to help ensure that individuals had health coverage during the pandemic. During this period, individuals receiving Medicaid did not have to reapply each year to remain eligible for benefits and continued to receive Medicaid until the end of the PHE or other legislation was passed.

In December 2022, the 2023 Consolidated Appropriations Act was passed, uncoupling Medicaid redeterminations from the PHE and establishing a timeline for states to restart the Medicaid redetermination process. As a result, as many as 15 million Americans may soon no longer be eligible for Medicaid because of redeterminations, according to estimates from the U.S. Department of Health and Human Services.

This article outlines what employers need to know about Medicaid redeterminations.

What Are Medicaid Redeterminations?

Medicaid is a government program that provides health insurance to millions of eligible Americans with limited income and resources. Each state administers its own Medicaid program. Enrollees must apply annually to qualify for Medicaid benefits. This process is known as redetermination, renewal or recertification. The Medicaid redetermination process helps evaluate whether Medicaid enrollees are eligible for continued health coverage. Whether individuals currently enrolled in Medicaid remain eligible for continued health coverage depends on various factors, including changes in age, disability status, household size and income.

When Will Medicaid Redeterminations Resume?

Starting April 1, 2023, states were able to resume annual Medicaid renewals. Some states have begun providing termination notifications to Medicaid beneficiaries as of Feb. 1, 2023. Therefore, as of April 1, 2023, coverage terminations for some Medicaid enrollees that state agencies have redetermined as ineligible for Medicaid have resumed, resulting in the loss of Medicaid health care coverage. However, the precise date of resuming coverage terminations will vary by state. As a result of the uncoupling of Medicaid redeterminations from the PHE, states will have 12 months to initiate Medicaid renewals and 14 months to complete them.

How Will Medicaid Redeterminations Impact Employers?

During the PHE, continuous coverage increased Medicaid enrollment by approximately 30%, adding 18 million participants, according to the Center on Budget and Policy Priorities. Since millions of U.S. workers may no longer qualify for Medicaid because of the redetermination process, affected individuals will need to find coverage elsewhere. As a result, many of these individuals may seek health coverage from their employers' health plans. According to the Centers for Medicare and Medicaid Services, nearly 40% of individuals currently receiving Medicaid will be eligible for employer-sponsored health care, which could represent a 3% increase in the total amount of individuals currently enrolled in employer-sponsored health plans.

Increased enrollment in employer-sponsored health plans will likely raise many organizations' health care costs. However, this will likely vary depending on the employer's situation. For example, the industries most likely to experience increased enrollment are those employing workers most impacted by the pandemic, such as the service industries.

Additionally, some workers may decide to waive health coverage if they're no longer eligible for Medicaid instead of enrolling in their employer-sponsored health plan. As a result, some workforces may experience an increase in negative health outcomes, which could lead to increased absenteeism and decreased productivity among workers.

Further, since losing Medicaid coverage is considered a qualifying life event, affected individuals will have the opportunity to enroll in their employer-sponsored health plans via a special enrollment period. Therefore, employers may need to offer impacted employees 60 days to enroll in their health plans.

What Can Employers Do to Prepare?

Unfortunately, there's little data available to help employers determine how many of their employees are currently enrolled in Medicaid. However, employers might find it beneficial to review the rate of their workforce that waived health coverage before the pandemic compared to the percentage currently waiving coverage. If more employees waived coverage before the pandemic, this could signal that employers will see an increase in new enrollees due to the Medicaid redetermination process.

Employers should also consider communicating information and details regarding Medicaid redeterminations to their workforce and explain how employer-sponsored coverage can provide continued health coverage should any worker lose their Medicaid coverage. Employers can also educate eligible employees on benefits options and help them prepare for the special enrollment period by providing enrollment materials, such as a Summary Plan Description or a Summary of Benefits and Coverage.

Summary

Understanding Medicaid redeterminations and their potential impacts on their workforce can help employers prepare for possible benefits changes in the upcoming months. This can also help them better support their employees who may experience a loss of health coverage because of the Medicaid determination process. By being prepared, employers can ensure they're complying with applicable employee benefits laws and regulations.

For more health care resources, contact Team Nash today.

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