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RIPEC Policy Brief

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Analysis of RIte Share Proposal

This RIPEC Policy Brief analyzes the governor's proposal to expand RIte Share enrollment by establishing reporting and information sharing requirements for for-profit employers with 50 or more employees

Introduction

In January 2020, Governor Gina Raimondo released her fiscal year (FY) 2021 budget proposal for consideration by the General Assembly.[1] Article 20, Section 13 of that proposal contains revisions to Rhode Island's RIte Share program, through which the state pays out-of-pocket expenses on employer-sponsored health insurance (ESI) for Medicaid-eligible employees and their families. The RIte Share program additionally provides wrap-around coverage that is offered through Medicaid but not through the employee's ESI. With the goal of increasing RIte Share participation, the governor's proposal would require Rhode Island's for-profit employers with 50 or more employees to submit annual and quarterly reports, provide employees with RIte Share enrollment information, and participate in employer education and outreach campaigns. The remainder of this RIPEC Policy Brief places this proposal in historic and national context, breaks down the proposal in greater detail, and comments on elements of the plan that may require greater consideration.

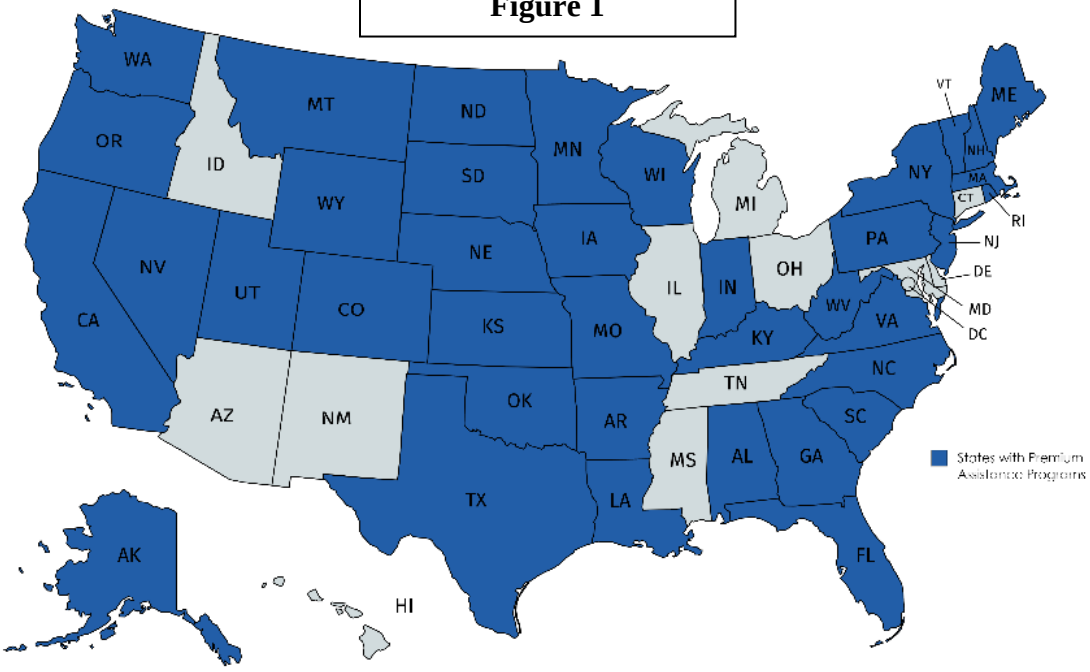
Premium Assistance Programs

Through premium assistance programs, states may elect to pay all or part of ESI premiums on behalf of Medicaid-eligible employees and their families. In doing so, a state stands to expend fewer resources than if it paid for Medicaid or Children's Health Insurance Program (CHIP) services in full. While premium assistance programs are designed to lower state expenditures, savings are not assured, and cost-effectiveness must be determined on an individual basis.[2] Statewide authority to establish premium assistance programs is derived from Title XIX of the United States Social Security Act.[3]

[1] The fiscal year runs from July 1 to June 30.
[2] Medicaid and CHIP Learning Collaboratives, "Medicaid Premium Assistance in the Employer Sponsored Insurance Market," January 28, 2015.
[3] United States Social Security Act, Title XIX – Grants to States for Medical Assistance Programs, Section 1906A – Premium Assistance.

As shown in the map below, 38 states—including Rhode Island—operate a premium assistance program.[4]

Figure 1



Source: US Department of Labor

RIte Share

Rhode Island Health Reform Act

Rhode Island's premium assistance program, RIte Share, was established in 2000 as part of Health Reform Rhode Island. Signed into law by Governor Lincoln Almond, Health Reform Rhode Island comprised a package of healthcare reform bills that collectively sought to ensure "that all Rhode Islanders have access to affordable health care."[5]

More specifically, RIte Share was introduced as a means of both combatting an unanticipated growth in the expense of administering RIte Care—Rhode Island's Medicaid managed care program—and shoring up the state's private insurance market.[6] By 2000, Rhode Island had one of the nation's lowest rates of those without health insurance; 5.9 percent of residents were uninsured. This was in part due to the expansion of RIte Care, which was introduced in 1994 under a Medicaid Section 1115 demonstration waiver. In the late 1990s, access to RIte Care increased as income restrictions loosened. However, the level of growth in RIte Care enrollment outpaced projections, leading to fiscal concerns on the part of state government, as well as projections of accompanying

[4] U.S. DOL, "Premium Assistance Under Medicaid and the Children's Health Insurance Program."
[5] R.I. EOHHS, RIte Care/RIte Share Annual Report, November 2006.
[6] Sharon Silow-Carroll, et. al., "Assessing State Strategies for Health Coverage Expansion: Case Studies of Oregon, Rhode Island, New Jersey, and Georgia," Commonwealth Fund, November 2002; R.I. EOHHS, "RIte Care."

instability in the commercial market. Adding to this sense of instability, two of the five health plans in the state left in 1999, while two other plans stopped accepting RIte Care enrollees.[7]

In response, Governor Almond convened a health care working group in January 2000. The product of this group's labor, Health Reform Rhode Island, created RIte Share, introduced cost-sharing for certain enrollees, instituted rate stabilization and other reforms to the small group market, and established new financial solvency accountability standards for insurers.[8]

RIte Share began operation in February 2001.[9]

How Does RIte Share Work?

What follows is a description of how individuals and families currently become enrolled in the RIte Share program, and how that program functions. However, given that enrollment in the RIte Share program has declined over the last several years (see Figure 7) without any evidence of a corresponding decline in Medicaid eligible individuals and families with access to ESI suggests that at least one part of the process described below is not operating as intended.

The RIte Share process is currently initiated when an individual or family applies for Medicaid and signals on their application that they have access to ESI. If the employer and ESI are unknown to the Medicaid office, a RIte Share application is sent through the mail for the employee to complete—with the aid of their employer—and return.[10]

At this point, the Medicaid office determines whether it would be cost effective for the state to enroll the employee (and, if applicable, their family) in RIte Share. In making that assessment, the Medicaid office must judge if the cost of the Medicaid premium is greater than RIte Share costs, as reflected in the equation pictured in Figure 2. If the ESI offered is not cost-effective for the state, then the individual or family is enrolled in Medicaid, but if the ESI is cost-effective, a RIte Share notice of approval is sent to both the employee and employer. This portion of the enrollment process is bypassed for employees whose employers already participate in RIte Share; such employees will be sent an enrollment request after they apply for Medicaid. After receiving a notice of

Figure 2
RIte Share Cost-Effectiveness Calculator

If this equation is true, RIte Share is the cost-effective option

Medicaid managed care premium	>	ESI employee premium + ESI cost sharing + ESI non-covered services costs + RIte Share administrative costs

Source: RI EOHHS

[7] "Assessing State Strategies for Health Coverage Expansion."
[8] Ibid; RIte Care/RIte Share Annual Report, November 2006.
[9] R.I. DHS, "Rhode Island's RIte Share Premium Assistance Program: Estimated Savings, State Fiscal Year 2005," January 2006.
[10] R.I. EOHHS, "RIte Share – Rhode Island's Premium Assistance Program," 2020 Handout.

approval, the employee is required to both enroll themselves and any dependents in ESI and have their employer sign a verification form. A welcome letter is thereafter sent to the employee with information on how the program works and how to use benefits.[11]

Typically, the employer pays for any costs covered for non-RIte Share participants, while the covered individual receives a proactive monthly payment from the state to cover the employee's share of the ESI premium. However, an employer may choose to receive an employee's share of the premium directly from the state, rather than deducting that sum from an employee's paycheck. Individuals enrolled in RIte Share must present both their ESI and Medicaid cards when seeking medical care, and providers bill the employer's plan first, and the state thereafter receives a bill for coinsurance or deductible costs. RIte Share covered individuals have access to wraparound services—such as non-emergency transportation services—and those, and any other Medicaid services not offered under ESI, are billed to the state by providers.[12]

To keep RIte Share lists current, employers participating in RIte Share produce quarterly and annual reports for the Medicaid office. Annual notices are sent by the Medicaid office to employers to request renewal information (to redetermine cost effectiveness), and every quarter a list of RIte Share enrolled employees is sent to employers, who review and confirm information regarding individuals' continued employment, as well as their plan, rate, and tier information. These reports are not submitted digitally but instead are scanned or faxed back to Medicaid's RIte Share unit.[13]

Adult individuals who are eligible for RIte Share but refuse to enroll face losing access to Medicaid for themselves and other adults in the household, but neither minor dependents nor pregnant individuals can lose access to Medicaid under these circumstances.[14] The frequency at which RIte Share eligible individuals lose insurance due to a refusal to participate in the program is unclear.

The additional obligations of employees, employers, and Rhode Island's Medicaid office under RIte Share, as compared to Medicaid, are laid out in Figure 3.

[11] Ibid.
[12] Ibid.
[13] Ibid.
[14] Ibid.

Figure 3
Additional Obligations* of Rhode Island Medicaid Office, Individuals, & Employers under RIte Share

	Medicaid	RIte Share
Individual/Employee	Apply for Medicaid	Apply for Medicaid
		Fill out & send RIte Share application
		Enroll in ESI
		Ask employer to fill out employer verification form
	Present Medicaid card to healthcare providers	Present Medicaid & ESI cards to healthcare providers
		May pay employee portion of ESI with money proactively sent by the state (otherwise, funds sent to employer, who becomes responsible for payment)**
Employer	N/A	Help employees fill out RIte Share application
		Sign employer verification form
		Respond to annual notices from the Medicaid office about healthcare renewal information
		Respond to quarterly notices from the Medicaid office about RIte Share participating employees
		Pay employer portion of ESI
		May pay employee portion of ESI with money proactively sent by the state (otherwise, funds sent to employee, who becomes responsible for payment)**
Rhode Island Medicaid Office	Determine if individual &/or family applying qualifies for Medicaid	Determine if individual &/or family applying qualifies for Medicaid
		Determine cost effectiveness of enrolling individuals & families in RIte Share under specific ESI plans; send out notices of approval or else enroll individuals in Medicaid
	Send Medicaid card to qualifying individuals & families	Send Medicaid card to qualifying individuals & families
		Send out annual notices to employers about healthcare renewal information; process responses from employers
		Send out quarterly notices to employers about RIte Share participants; process responses from employers
	Determine when individuals or families are no longer Medicaid eligible	Determine when individuals or families are no longer RIte Share eligible
		Discontinue Medicaid services from adults who are eligible for, but refuse to participate in, RIte Share
	Pay providers for healthcare services; provide & pay for wraparound services	Provide & pay for employee portion of ESI by proactively sending money to employer or employee; pay provider for services offered through Medicaid but not ESI; provide & pay for wraparound services

* This table does not detail every obligation of the Medicaid Office or Medicaid participants under the Medicaid program, but rather shows what additional obligations exist under RIte Share

** Both models are used under the current RIte Share program

Source: RI EOHHS

Eligibility, Enrollment, and Cost Trends

To qualify for RIte Share, participants must be eligible for Medicaid. Prior to 2014, Medicaid was accessible only to low-income pregnant women, seniors, adults with disabilities, children up to age 19, and parents with children under age 18. Low-income status is dictated by the Federal Poverty Level (FPL) and Medicaid eligibility is determined by applying differing FPL percentages to the groups listed above.[15] For instance, parents with children under the age of 18 are eligible for Medicaid if their income is at or below 133 percent of FPL, while pregnant women are eligible if their income is at or below 253 percent of FPL. With few exceptions, Medicaid recipients must either be citizens of the United States or legal resident immigrants with five years of residency.[16]

Figure 4
Federal Poverty Level (FPL), 2020

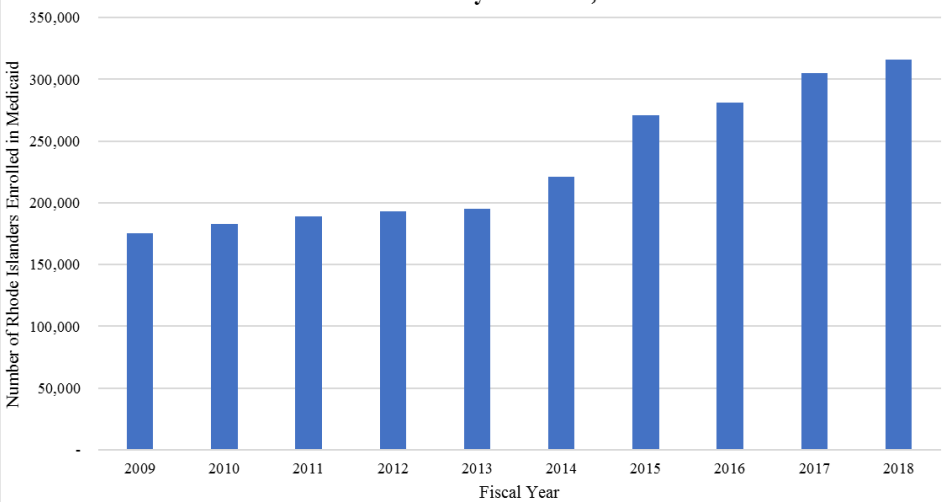
Family Size	FPL
1	$ 12,760
2	17,240
3	21,720
4	26,200
5	30,680
6	35,160
7	39,640
8	44,120

Source: Healthcare.gov

The 2014 implementation of Medicaid expansion under the federal Affordable Care Act (ACA) opened Medicaid to a new population of single adults. Namely, individuals between the ages of 19 and 64 who are not pregnant and do not have special needs, but who do have income at or below 133 percent of FPL became Medicaid eligible.[17]

As Figure 5 highlights, there were year-over-year increases in the number of Rhode Islanders enrolled in Medicaid from FY 2009 to FY 2018. However, FY 2014 and FY 2015 (when Medicaid expansion took affect) saw particularly large increases, with enrollment growing from under 200,000 in FY 2013 to more than 270,000 in FY 2015. In total, Medicaid enrollment in the Ocean State grew by over 140,000 individuals between FY 2009 and FY 2018, with approximately 316,000 Rhode Islanders covered by Medicaid in FY 2018.

Figure 5
Rhode Islanders Covered by Medicaid, FY 2009 - FY 2018

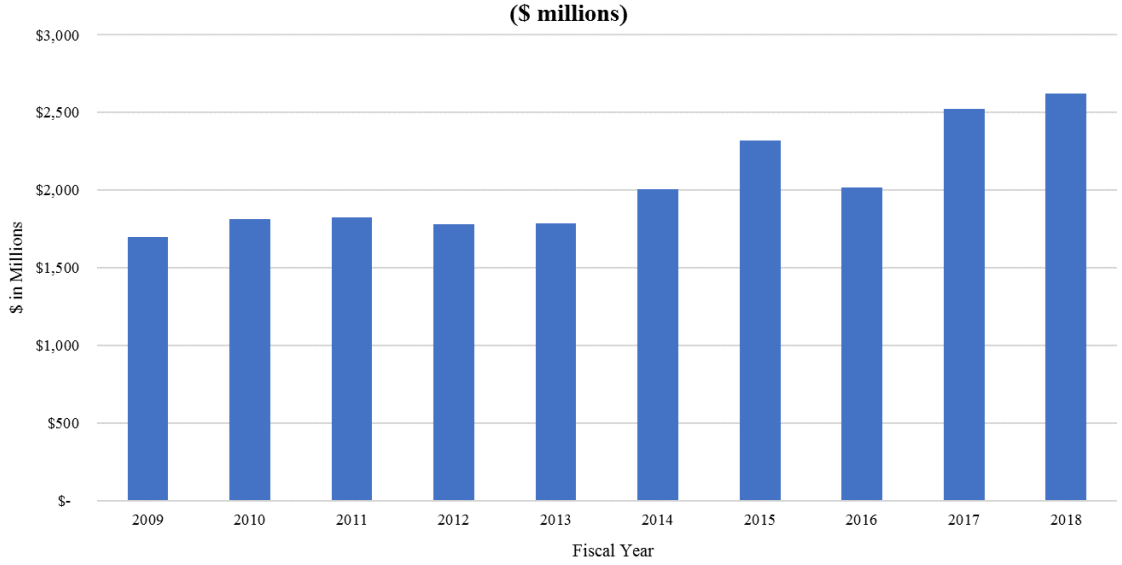


Source: RI EOHHS, Medicaid Expenditure Report, SFY 2009 - SFY 2018

[15] FPL rates are based on pretax income and are issued annually by the U.S. Department of Health and Human Services. See: "Federal Poverty Level," HealthCare.Gov.
[16] R.I. EOHHS, "RIte Care."
[17] R.I. EOHHS, "Medicaid Expansion."

While Medicaid enrollment has increased in Rhode Island, Figure 6—which displays both the federal and state portion of Medicaid expenditures for covered services—highlights that so too have Medicaid expenditures.[18] Between FY 2009 and FY 2018, total Medicaid expenditures for covered services grew from $1.7 billion to $2.6 billion, with the state share of that increase growing from $661.0 million to $1.0 billion.[19]

Figure 6
Medicaid Expenditures for Covered Services in Rhode Island FY 2009 - FY 2018
($ millions)



Source: RI EOHHS, Medicaid Expenditure Report, SFY 2009 - SFY 2018

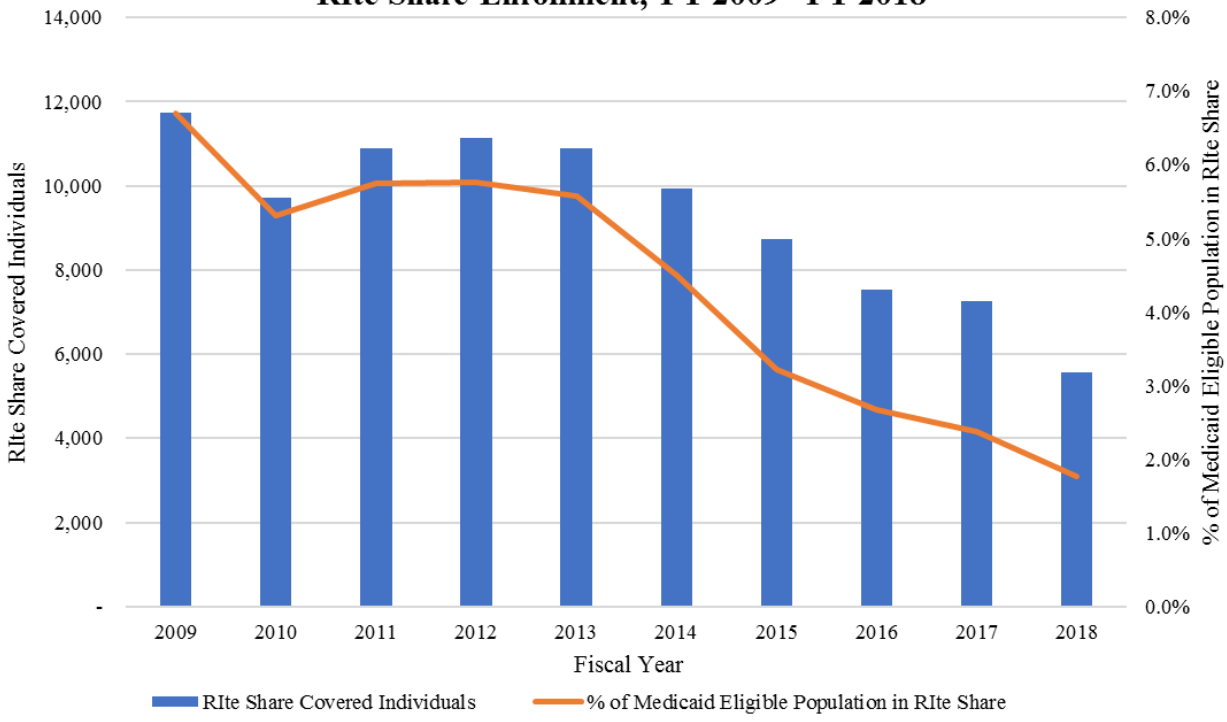
This increase substantially affects Rhode Island's budget; Medicaid is the largest and fastest growing category of state government expenditures.[20] Importantly, increased enrollment is only part of the growing cost of administering Medicaid; rising medical costs are a major contributor. Additionally, it is worth noting that Medicaid and Medicaid expansion are funded somewhat differently. Both are financed through a mixture of federal and state funds. For Medicaid, the federal share of expenses is dictated by the federal medical assistance percentage (FMAP), which differs for each state and is determined by per capita income. Typically, the federal government covers approximately 50 percent of Rhode Island's Medicaid costs.[21] Expenditures arising from

[18] Covered services include the services, drugs, supplies, and equipment for which coverage benefits are available under health care plans. Covered services make up most Medicaid expenditures. See: "Glossary of Health Coverage and Medical Terms," HealthCare.Gov.
[19] R.I. EOHHS, SFY 2009 – SFY 2018 Medicaid Expenditure Report.
[20] R.I. Auditor General, State of Rhode Island Single Audit Report, FY 2018.
[21] Rhode Island's Federal Medicaid Assistance Percentage (FMAP) rate was set at 52.95 percent for federal FY 2020 (October 1, 2019 through September 30, 2020). However, the Families First Coronavirus Response Act (passed March 18, 2020) increased the FMAP rate for each state, including Rhode Island, by 6.2 percentage points from January 1, 2020 through the end of the calendar quarter when the COVID-19 public health emergency terminates. Kaiser Family Foundation, Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier; Families First Coronavirus Response Act, Section 6008.

Medicaid expansion, on the other hand, are covered at a rate of 90 percent by the federal government.[22]

Despite year-over-year increases in Rhode Island's Medicaid population, RIte Share enrollment decreased substantially between FY 2009 and FY 2018, with year-over-year decreases beginning in FY 2013 and a total enrollment decrease of 6,184 individuals (52.6 percent). In this period, the percentage of the Medicaid eligible population enrolled in RIte Share dipped from 6.7 percent to 1.8 percent. RIte Share participation further decreased in FY 2019 (to 4,525 individuals) and through the first seven months of FY 2020, with a total of 3,279 enrollees in January 2020.[23]

Figure 7
RIte Share Enrollment, FY 2009 - FY 2018



Source: RI EOHHS, Medicaid Expenditure Report, SFY 2009 - SFY 2018

Medicaid and RIte Share eligibility, enrollment, and cost trends highlight both that the current program is not effective in enrolling RIte Share eligible individuals and families, and that the State of Rhode Island has lost potential savings that could be achieved if RIte Share was more effectively administered. The question remains, however: would the proposal unveiled in the governor's FY 2021 budget effectively address this issue?

[22] From 2014 to 2016, the federal government covered 100 percent of Medicaid expansion costs. The federal government's rate of cost coverage thereafter declined along a set schedule, until it reached 90 percent coverage in 2020. See: R.I. Senate Fiscal Office, Issue Brief, "Medicaid," September 8, 2014.
[23] R.I. House Fiscal Advisory Staff, Staff Presentation to the House Finance Committee, March 10, 2020.

FY 2021 Budget Proposal – RIte Share

Proposal

With the intention of bolstering RIte Share's flagging enrollment numbers and accordingly decreasing the state's Medicaid expenditures, Article 20, Section 13 of Governor Raimondo's FY 2021 budget proposal includes a plan to require for-profit employers with 50 or more employees at any time in the previous fiscal year to report information about both their ESI and their Medicaid-eligible workforce to the Rhode Island Division of Taxation and the Executive Office of Health and Human Services (EOHHS), which includes the Medicaid office and administers the RIte Share program. Figure 8 details employer requirements under the proposal, including the frequency of the reporting requirements and the information required.[24] The first employer submissions under this program would occur between November 15, 2020 and December 15, 2020.

While participating employers currently report health insurance benefit information, the text of the proposed law is less clear on what annual reports will require, stating only that all "sufficient and necessary information" would be shared.[25] Quarterly reporting requirements are somewhat clearer; employers would be required to share employment and ESI records for individual employees. Whether the state would continue to supply a list of employees, or else require information on all employees, is not made clear in the text of the law. While the governor's budget makes no mention of monthly reports, an EOHHS explainer on the proposal states that "employers will notify the state within 30 days of a RIte Share enrolled employee's ESI status change." For some firms, with frequent employee status changes, this proposal would require monthly reporting.[26]

Figure 8
RIte Share Proposal Employer Requirements

Frequency	Employer Requirement
Annually	Provide "sufficient and necessary information, for the Medicaid agency to determine employee eligibility for RIte Share" to EOHHS and the Division of Taxation
Quarterly	Provide notice of "any employee(s) no longer employed and/or who otherwise loses their ESI" to EOHHS; "Submit ESI data and enrollment reports" to EOHHS which indicate "which employees are currently enrolled or not enrolled in ESI"
Annual Open Enrollment and Whenever Onboarding an Employee	"Include instructions provided by EOHHS for RIte Share determination and enrollment"
Unstated	"Participate in" EOHHS' "employer education and outreach campaign concerning the RIte Share program and all ESI options"

Source: Rhode Island Legislature, 2020 – House Bill 7171

In addition to reporting requirements, employers would be required to distribute EOHHS materials on RIte Share determination and enrollment along with their

[24] R.I. General Assembly, 2020 – House Bill 7171 – An Act Relating to Making Appropriations in Support of FY 2021.
[25] Ibid; State of Rhode Island, "RIte Share Expansion Initiative," One-Page Explainer, 2020.
[26] 2020 – House Bill 7171; R.I. EOHHS, "RIte Share – Rhode Island's Premium Assistance Program," 2020 Handout.

standard enrollment information during their annual open enrollment period for health coverage and whenever offering a new employee health insurance.[27] Employers also would be required to participate in employer education and outreach campaigns directed by EOHHS. The frequency or timing of these campaigns is currently unclear. Under this proposal, employers are expressly forbidden from attempting to compel employees to remain on Medicaid through either financial incentives or other means.[28]

Employers face a penalty of $2,500 if they fail to submit the annual report by the deadlines promulgated. Non-compliant employers, or employers who supply false information on annual reports, would be penalized $5,000. The proposal has no penalties for failure to submit quarterly reports by the deadlines promulgated, and additionally places no penalties on employers who disregard the other employer requirements stated above.[29]

The logic of requiring ESI information from for-profit employers with 50 or more employees was derived from the ACA. Under the ACA, employers with 50 or more full time equivalent (FTE) non-seasonal employees are considered medium (50-99) or large (over 100) businesses and are required to offer health insurance to their employees. Businesses who meet this criterion but fail to offer insurance face penalties in 2020 of $2,570 per FTE minus the first 30 employees.[30] An important difference between ACA regulations and the administration's proposal, however, is that the former places health insurance requirements on employers with 50 or more non-seasonal FTE employees, whereas the latter mandates reporting for for-profit employers with 50 or more employees regardless of FTE or seasonal status.

To support the implementation of this proposal, the governor's FY 2021 budget recommends additional operating expenditures of $600,000. Of this sum, $500,000 would be used to implement systems changes to RI Bridges, Rhode Island's public-benefits computer system. The remaining $100,000 would be used to support one new business analyst FTE. Given these additional resources, the administration projects that it would take six months to implement proposed changes to the RIte Share program.[31]

Projected Outcomes

The administration projects that, if implemented, this proposal will lead to substantial 1) increases in participation in the RIte Share program, and (2) decreases in expenditures for the state. Approximately 3,700 individuals were enrolled in the program as of January 2020, but the administration projects that sum will grow to 14,600 in FY 2021, an increase of nearly 300 percent.[32] The administration projects that the state would experience Medicaid savings as well as

[27] Existing employees experiencing a qualifying life event are eligible for health insurance outside of the open enrollment period. Qualifying life events include becoming too old to be covered under a parent or guardian's insurance plan (26 years old) or a change in immigration status. Health Source RI, Special Enrollment Period.
[28] 2020 – House Bill 7171.
[29] R.I. OMB, Executive Summary: Fiscal Year 2021 Budget Proposal.
[30] National Conference of State Legislatures, "ACA Requirements for Medium and Large Employers to Offer Coverage," June 22, 2016.
[31] R.I. OMB, Executive Summary: Fiscal Year 2021 Budget Proposal.
[32] State of Rhode Island, "RIte Share Expansion Initiative," One-Page Explainer, 2020.

revenues from fines on employers. Assuming the administration hit its targeted caseload growth rate, the administration projects that it would save $5.0 million in the general fund in FY 2021—when the program would only be operational for six months—and $18.4 million in all funds (which include federal funds). Projected annualized savings for FY 2022 amount to $10.1 million in the general fund and $36.8 million in all funds.[33] The administration projects that employer noncompliance revenues would total $165,675 in FY 2021.[34]

Figure 9
RIte Share Savings Projections
($ millions)

	FY 2021	FY 2022
General Fund	$ 5.0	$ 10.1
Federal Funds	$ 13.4	$ 26.7
All Funds	$ 18.4	$ 36.8

Source: RI OMB, FY 2021 Proposal Executive Summary; RIPEC calculations

RIPEC Comments

The intent of the administration's RIte Share proposal is clear, but it is uncertain whether the proposal, if adopted, would achieve its objective. Further details as to how the enhanced program would be administered would be set forth in rules and regulations promulgated by EOHHS, and therefore are yet to be defined. At this point, the success of the initiative would still depend on the effectiveness of program execution. Regardless, the proposal raises several questions that are worth considering.

One point of concern is the extent to which this proposal would place administrative burdens and additional costs on qualifying businesses. Under the proposal, qualifying businesses would be required to provide annual and quarterly reports (and potential monthly reporting when there is a change in a RIte Share enrolled employee's status). Meeting these frequent reporting requirements would be most challenging for those mid-sized firms without dedicated human resources staff. As the proposal is vague in terms of what precisely employers would need to include in annual and quarterly reports, it is unclear precisely how large this administrative burden would be. While the governor's proposal contemplates that employers will be able to submit information in a digital format, participating employers currently complete handwritten forms provided by EOHHS that are then scanned or faxed back to the department. Particularly if digitization does not occur, the addition of new components to quarterly and annual reports—together with potential monthly reports—may increase the cost of compliance for businesses.

While it would appear most sensible to match the minimum employer size threshold of the administration's RIte Share proposal to the analogous minimum applicable for the ACA employer mandate, the proposal, as currently worded, applies to all for-profit businesses with 50 or more employees, rather than 50 or more non-seasonal FTEs (the threshold for the ACA employer mandate). The administration's current proposal would therefore result in some businesses that are

[33] Ibid. EOHHS estimates that the state saves an average of $56 per month for every employee covered through RIte Share rather than RIte Care. R.I. EOHHS, "RIte Share – Rhode Island's Premium Assistance Program," 2020 Handout.
[34] R.I. OMB, Executive Summary: Fiscal Year 2021 Budget Proposal.

considered small under federal ACA regulations to be saddled with the same administrative burdens as mid-sized businesses.

In addition to administrative cost, the governor's proposal would lead to additional healthcare costs for a number of businesses. The savings realized by state government, and to a greater extent by the federal government, by the RIte Share program are essentially the result of a cost shift in which the employer bears a larger share of the health insurance cost for employees who otherwise would have been covered under Medicaid. These employers are unlikely to have accounted for this substantial expense in near-term budgeting, as businesses typically assume that a certain percentage of employees will not enroll in ESI. The administration's RIte Share proposal will likely affect anticipated enrollment.

Finally, it is worth considering whether this proposal sets forth an adequate plan for program administration. Does the proposal include sufficient resource capacity to effectively administer the substantial increase of RIte Share applicants and participants projected? As of December 2019, three FTEs were charged with administering a RIte Share program covering fewer than 3,400 individuals. Under the administration's proposal, four FTEs, along with $500,000 in systems upgrades, would be responsible for a projected caseload of 14,600. Is it feasible that the addition of one FTE, as well as the $500,000 in systems upgrades requested under this budget article, will enable the administration to effectively manage the caseload it anticipates?