Payment Enforcement Mechanisms in Medicaid

Most states granted demonstration waivers from the federal government have payment enforcement mechanisms in place to encourage enrollees to pay cost sharing. These mechanisms may include charging copays at the point-of-service, service denial, disenrollment, or lockout from coverage. Until Indiana’s waiver was approved, CMS had rejected all proposals to implement a lockout period for enrollees above 100% FPL who didn’t make monthly contributions.

Opportunities

The goal of payment enforcement is to ensure enrollees engage with the cost of their health care. Without payment enforcement, states have little recourse if enrollees do not participate in cost sharing.

Challenges

Payment enforcement may limit enrollees’ access to coverage and care, may increase utilization of more expensive forms of care, and may also be unpopular with providers as it increases the likelihood of uncompensated care.

Lessons from the States

Healthy Indiana Plan

In the Healthy Indiana Plan (HIP), enrollees below 100% FPL have the option to make monthly contributions, but enrollees above 100% FPL (about 19% of HIP enrollees) are required to do so. Enrollees above 100% FPL who don’t make contributions are disenrolled and locked out of coverage for six months.

According to an HIP enrollee survey, 85% of those with incomes above 100% FPL were aware that if they did not make contributions they could be disenrolled and locked out of coverage. However, only 67% of beneficiaries who were actually disenrolled from HIP Plus for non-payment said they were aware of this mechanism.

In HIP’s first two years, 5% of enrollees with incomes above 100% FPL were disenrolled and locked out of coverage. Fourteen percent (14%) of Basic plan enrollees had been originally enrolled in HIP Plus but were moved when they missed a payment.
For those moved or disenrolled due to non-payment, unaffordability was the most common reason cited (34% of those moved to the Basic plan and 44% of those disenrolled from HIP Plus). The next most common reason cited was confusion about the payment process.

According to an HIP enrollee survey, individuals who were disenrolled for failure to pay contributions were less likely than HIP enrollees to make appointments for routine and specialty care and to fill a prescription. They were also far less likely to have insurance coverage: Only 47% of disenrolled individuals and 41% of individuals who were never enrolled due to non-payment reported they had coverage at the time of the survey.

Of all HIP enrollees, 55% missed a payment at some point. Enrollees below 100% FPL were more likely to miss a payment (57%) than those above 100% FPL (51%).

**Best Practices for Implementing Payment Enforcement in Medicaid**

- Communicate expectations about monthly contributions and cost sharing upfront.
- Ensure that penalties don’t disrupt ongoing episodes of care or limit enrollees’ ability to work, attend school, or care for dependents.
- View enforcement as an opportunity to communicate with enrollees.
- Keep payment enforcement simple.
- Ensure frequent and objective evaluation is part of the payment enforcement program.

Read more in our issue brief, “Cost Sharing, Payment Enforcement, and Healthy Behavior Programs in Medicaid: Lessons from Pioneering States.”

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