Medicaid Extension:

The Direct Impact on OPRA Member Businesses and OPRA-employed Direct Support Professionals

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Introduction

The Ohio Provider Resource Association (OPRA) is a statewide trade association with more than 150 member organizations – both for-profit and not-for-profit – providing services to more than 15,000 Ohioans with intellectual and developmental disabilities (IADD). OPRA represents approximately 70 percent of the state's community-based providers.

The federal Patient Protection and Affordable Care Act (ACA) requires employers of 50 or more full-time-equivalent employees to provide health insurance to all employees working 30 hours per week or more. Subsequently, Governor John Kasich's two-year budget proposal, released last February, included a provision to extend Medicaid coverage to 275,000 uninsured Ohioans. At this writing, the revised budget now under consideration by the Ohio General Assembly does not include a provision to extend Medicaid.

To better understand the potential financial impact of ACA on our members *without* Medicaid extension, OPRA collaborated with Wells Fargo Insurance Services, Brady Ware & Company, and Barry and Associates to analyze that impact. It is important to understand that our members' employees generally work in low-wage positions, often without health insurance. Medicaid extension would provide health care coverage to many of these employees.

Analysis

OPRA members employ 13,000 workers, of whom 86.5 percent, or 11,245, are direct service professionals, or DSPs. Based on OPRA compensation surveys, the average hourly rate of a DSP is $9.73. This equates to an annual salary of $15,179 at 30 hours per week, and $20,238 at 40 hours per week. For a family of two or more, these employees fall below 138 percent of the federal poverty level. At 30 hours per week, a single person will also fall below that level. These individuals would qualify under ACA to receive Medicaid insurance coverage if approved as part of Ohio's new budget.

Our analysis showed that ACA without Medicaid extension would leave OPRA members facing the three most common options, as follows:

<u>Terminate Coverage Option</u>

According to the Kaiser Family Foundation, the average single premium in 2012, trended at 13 percent, could cost employers between $6,700 (for-profits) and $7,900 (non-profits)

annually. Conversely, the DSP maximum contribution to their coverage of 9.5 percent would fall between $1,442 and $1,922 annually. Consequently, because of the disproportionate share of the premium, employers would actually pay less by taking the $2,000 excise tax that ACA would impose on them for terminating a person's coverage. And if one person's coverage is terminated, members would be fined for all employees. Thus, by selecting this option, OPRA members would realize the following financial consequence:
13,000 employees x $2,000 excise tax = $26,000,000 potential liability for OPRA members.

"Affordability" Option
Under this option, employers would seek to make coverage affordable for employees, with employees contributing no more than 9.5 percent of their "W-2, Box 1" income for employee-only coverage. (The W-2 is a "safe harbor" that most, if not all, members will use to comply). OPRA members can avoid a penalty by offering minimal essential coverage and at least a 60 percent actuarial value plan that is affordable. However, those employees would then be disqualified from accessing a federal subsidy under ACA within the federal health insurance exchange that Ohio will be establishing later this year.

If OPRA members can secure a 60 percent actuarial value plan at a premium of $250 per month, the employer still would contribute between $1080 and $1,558 annually in contributions. At an average cost of $1,320, the impact on employers would be as follows:
11,245 DSPs x $1,320 employer share = $14,843,400.

At a premium of $300 per month for a single coverage 60 percent actuarial value plan, the employer would contribute between $1,678 and $2,158 annually.
11,245 DSPs x $1,918 average employer share = $21,567,910.

"Unaffordability" Option
Under this option, employers would make health insurance coverage "unaffordable" for their DSPs, which would result in a mandated $3,000 excise tax under ACA for all employees whose share of the premium exceeds 9.5 percent of their income and receive a subsidy in a federally facilitated exchange. This is not a realistic option due to the high percentage of DSPs within a group where the $3,000 "unaffordable individual" penalty greatly exceeds the $2,000 "termination penalty."

Conclusion
Without the extension of Medicaid health insurance coverage to low-wage Ohio workers, employees of OPRA's member organizations will face a difficult challenge to maintain their ability to provide services to Ohioans with IADD. Given that OPRA members are almost completely funded by Medicaid, this will likely leave no option but to fund the mandate out of direct support professional salaries. This will have catastrophic results. As this analysis demonstrated, without Medicaid extension in Ohio, the ACA requirement to provide employer-sponsored health care coverage could impose a potential impact of more than $20 million on OPRA members.