June 2023

Benefits Breakdown

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, requiring states to maintain Medicaid coverage for most enrollees during the public health emergency (PHE). During this period, individuals receiving Medicaid did not have to reapply to remain eligible for benefits. 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 U.S. Department of Health and Human Services estimates.

Medicaid provides health insurance to millions of eligible Americans with limited income and resources. Each state administers its own Medicaid program, and 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. Eligibility for continued health coverage depends on various factors, including changes in age, disability status, household size and income. States were able to resume annual Medicaid renewals starting April 1, 2023. This means coverage terminations have resumed for Medicaid enrollees who have been redetermined by state agencies as ineligible for Medicaid, resulting in the loss of their health care coverage. The precise date of resuming coverage terminations will vary by state.

A Primer on Stop-loss Contracts

Stop-loss insurance is coverage self-funded employers purchase to manage their health care costs and protect against unexpected or catastrophic claims by establishing a limit for the amount they pay in health claims. This coverage is not a form of medical insurance, and employers can add stop-loss insurance to an existing plan or purchase it independently. There are three basic types of stop-loss contracts:

- **Paid contract**—This provides employers with the most comprehensive coverage, as it applies to claims incurred on or after the original stop-loss contract's effective date. This contract is also known as a 24/12 or referred to as having "run-in" coverage.
- **Incurred contract**—This covers eligible claims incurred during the contract period and paid within a specified time of the end of the contract period, typically 90 days. An incurred contract is also known as a 12/15 or referred to as having "run-out" coverage.
- **Incurred and paid contract**—This contract applies to claims both incurred and paid during the policy period, operating similarly to fully insured health plans. This type of contract is also known as a 12/12 contract and is often renewed into paid contracts to avoid coverage gaps.

Understanding the basic stop-loss contract types is essential for employers to ensure their stop-loss insurance adequately protects their organizations.