

## Washington Blue Ribbon Commission on Health Care Costs and Access

### *Accessing a High-Quality, Affordable Health Care System*

#### **Discussion Guide: Cover More Uninsured**

This paper provides a discussion guide for the key decisions needed to develop a proposal to extend health care coverage to more uninsured using premium subsidies for low-income individuals and a Health Insurance Connector to provide more accessible and affordable health insurance products using a competitive market approach. In addition, the Connector creates a platform to extend private insurance products to additional uninsured persons who work in small businesses.

#### **Hypothetical Example of Proposal for State of Washington**

Build on the success of the Medicaid and Basic Health Plan programs to expand access to affordable private health insurance products to more than 450,000 uninsured through provisions to:

- Extend Medicaid-funded premium subsidies to uninsured children, parents and childless adults.
- Provide access to more affordable health insurance products for small business.
- Implement a “Health Insurance Connector” to establish a statewide, consumer-driven marketplace to facilitate the purchase private health insurance products by uninsured individuals and small businesses.

#### **Overview**

Of the 595,000 uninsured in the State of Washington, approximately 400,000 are low-income children, parents and childless adults, while 50,000 are employees of small business who have income in excess of 200% FPL. In total, 75% of the uninsured in Washington fall into these two groups.

Over 70% of the uninsured are employed. However, health care remains out of reach for many small employers and low-wage workers due, in large part, to increasing premiums. Among Washington employers with less than 50 employees that offer coverage, the average monthly premium for single coverage increased from \$164 in 1998 to \$317 in 2004.

Many of the uninsured are young adults who are healthy and less costly to insure. In the absence of insurance, these individuals do not receive preventive services and, if admitted to the hospital, are more likely to receive intensive services because they are sicker.

Use of a Health Insurance Connector would create a new platform to establish the transparent purchase of health care for uninsured who are low-income or who work for small business.

- The Connector would leverage competitive health insurance products, primarily through managed care approaches, that would be required to ensure accessible care for primary, preventive and acute care medical services.
- As in the commercial marketplace, providers would compete to provide care at the best price and highest quality.

- Medicaid-funded subsidies could help low-income families and childless adults purchase private health insurance products from the Connector, with coverage that meets State guidelines and that is portable, cost-effective and seamless, providing individuals a new incentive to increase family income without loss of health insurance.
- Benefits through the Connector would ensure adequate payments to providers to support health care, to promote evidence-based medicine and to improve health and health outcomes statewide.
- The Connector would allow the State to design benefit packages to meet the needs of various populations, including a “benchmark” plan, a “basic” plan and a “catastrophic” benefit plan that incorporates incentives for wellness and preventive care.

### **Target Population**

Extend access to health insurance, with Medicaid-funded premium subsidies, to uninsured populations not currently eligible for Medicaid or other government programs, including:

1. Uninsured children with income between 250% to 300% of the federal poverty level (FPL);
2. Uninsured parents with income up to 200% FPL; and
3. Uninsured childless adults with income up to 200% FPL.

With health care coverage extended to all low-income persons, it is expected that outreach will be simplified and that enrollment of uninsured children and parents who currently qualify, but are not enrolled in Medicaid, SCHIP, and the Basic Health Plan, will increase.

Enrollment would be voluntary.

### **Covered Benefits and Cost Sharing**

Provide a choice of health insurance plans (to be offered on the Connector) with alternative plan design and cost sharing options for individuals and families, including:

1. Basic Health Plan (benefits and cost sharing);
2. Benchmark plan (e.g., state employee plan or commercial HMO plan with the highest Washington enrollment);
3. Comprehensive health plan with first dollar coverage, copayments and annual limits; and
4. High deductible health plan (catastrophic) with Health Savings Account (preventive).

[Note: CMS policy limits cost sharing to no more than 5% of income for low-income persons eligible for a Medicaid-funded subsidy.]

### **Delivery System**

Specify that plans must manage care with defined networks, limited formularies, best practices and evidence-based medicine. Allow existing Medicaid and Basic Health Plan HMOs the first option to participate, and provide opportunities for additional carrier/plan participation if access and choice are not sufficient.

## Crowd-Out

To limit the substitution of new plans in place of existing individual and small group coverage and employer-sponsored insurance, specify criteria to minimize crowd-out by stating that uninsured persons do not include:

1. Persons who have had health insurance coverage in the past three months (or an alternative waiting period of six or nine months), unless insurance is lost due to good cause, including:
  - a. Loss of job with insurance unless person quit;
  - b. Loss of job due to inability to work due to illness or injury;
  - c. Change to a new job that does not offer insurance;
  - d. End of COBRA continuation;
  - e. Lost coverage due to reduced hours of employment; and
  - f. Employer terminated health care for all employees.
2. Persons whose employer contributes at least a minimum monthly amount, to be specified by the State, for health care coverage (could be waived if the employer contribution is applied to the new, affordable plan).
3. Persons who have accepted a financial incentive from an employer to decline employer sponsored insurance.

## Medicaid-Funded Premium Subsidies

Seek state plan amendments (under the new Deficit Reduction Act, or DRA) and, where necessary, a Medicaid s. 1115 waiver to expand coverage.

**State Financing.** Explore opportunities to leverage unmatched state spending for the Basic Health Plan and other unmatched state and local health care spending for the uninsured as the state match for federal Medicaid spending to extend Medicaid-funded premium subsidies to:

1. New low-income, uninsured target populations (children, parents and childless adults); and/or
2. Existing Basic Health Plan enrollees (currently supported with state-only funds). Retain state-only funding for populations that are not eligible for federal match (certain aliens).

Explore opportunities to constrain program costs and target available funding through provisions to:

1. Modify benefits and cost sharing for some populations eligible for Medicaid;
2. Evaluate cost containment strategies for the Basic Health Plan, including care management;
3. Use premium subsidies to purchase employer sponsored insurance, wherever possible.

**Budget Neutrality.** Utilize savings generated under the DRA, a reallocation of DSH, carryover savings (prior s. 1115 waiver), and/or new savings to reduce Medicaid costs in the future (e.g., managed care, pharmacy savings, disease management) to achieve federal budget neutrality.

## **More Affordable Insurance for Small Business**

Create a platform to extend new, affordable products to small business (without a Medicaid subsidy).

1. To limit crowd-out, specify that small businesses include firms with one to 50 employees that have not offered group-sponsored insurance in the last twelve months.
2. To prevent adverse selection and to minimize crowd-out of the established insurance market, provide that only the small employer group, and not individual employees with income in excess of 200% FPL be allowed to purchase insurance products.

## **Health Insurance Connector**

The Connector would provide access, in a more cost-effective manner, to a range of private health insurance products that are not typically available to uninsured individuals or small businesses.

The Connector could be used to facilitate the purchase of private insurance products in a more cost-effective manner for:

1. New Medicaid-subsidized low-income populations (children, parents, and childless adults);
2. Existing Basic Health Plan enrollees (using existing HMOs, covered benefits and cost sharing); and
3. Small businesses (employees with income in excess to 200% FPL with no subsidy)

The Connector would establish a system to:

- Certify a range of affordable health insurance products, improving the number of choices available to potential buyers;
- Expand choice for employees of small business by allowing these individuals to select from a range of products should their employer obtain insurance through the Connector;
- Facilitate the enrollment of individuals and small businesses in health care products;
- Coordinate with employers to facilitate work site enrollment and collect worker's insurance premiums through payroll withholding;
- Collect any voluntary employer contributions, particularly for employees in small business and employees who work multiple jobs, work part-time, or work for contractors who do not offer insurance;
- Leverage the benefit of pre-tax employer contributions by designating the Connector as the source of employer-sponsored insurance (extends the tax benefit available for ESI to uninsured and currently insured persons in the individual market);
- Providing funding and the mechanism to reinsure products offered on the Connector;
- Create personal ownership and portability of health care coverage by attaching Connector products to the individual;
- Administer Medicaid-funded premium subsidies for low-income persons; and
- Create the infrastructure to extend a selection of new, affordable products to small businesses (without a Medicaid subsidy).

The Connector may be established as an independent quasi-governmental or non-profit entity, with a Board, Executive Director and limited full-time staff. Operating costs may be funded by an appropriation and/or surcharges on insurers who offer products on the Connector.

## Preliminary Fiscal Estimates

The following chart provides an overview of the expansion options, along with the number of uninsured in each target group and a preliminary estimate of potential program costs. Given the number of options and decisions needed to finalize a recommendation, and the need for additional analysis of Washington-specific data based on those decisions, the fiscal estimates represent a “first cut” projection of program costs.

The goal is to structure the financing to avoid the use of new state funding and, instead, to leverage unmatched state spending from the Basic Health Plan (approximately \$200 million) and other unmatched state and local health care spending for the uninsured (TBD) as the state share to claim federal Medicaid funding for the expansion. In particular, this creative, cutting-edge approach provides an opportunity to:

- Significantly reduce the number of low-income uninsured by providing Medicaid-funded subsidies to support the purchase of competitively bid private health insurance products offered through a Connector, in place of uncompensated care or a traditional Medicaid expansion;
- Limit enrollment of newly-covered groups to the amount of new funding available, in place of a Medicaid entitlement; and
- Reallocate existing state funds for unmatched health care services to low-income populations to leverage federal Medicaid funding to expand access to health care for more low-income uninsured.

Total projected costs for the expansion range from \$454 million to \$563 million. These estimates are consistent with Washington’s number and profile of low-income uninsured, and with Connector-type initiatives developed in other states.

Uninsured Target Population	Count of Uninsured	Projected Costs* (State and Federal)
<b>New Eligibility Groups</b>		
• Children – 250 to 300% FPL	6,000	\$4 - \$6 million
• Parents – Up to 200% FPL	112,900	\$130 - \$165 million
• Childless Adults – Up to 200% FPL	211,700	\$250 - \$300 million
• Small Business (no subsidy)	50,000	No subsidy
<b>Existing Groups – Eligible, Not Enrolled</b>		
• Children – Up to 250% FPL	45,500	\$35 - \$45 million
• Parents – Up to 50 % FPL	28,200	\$30 - \$40 million
<b>Administrative Costs of Connector</b>		\$ 5 - \$7 million (Depends on complexity of functions)

For the new insurance-based products, the projected costs assume enrollment of 75% of the uninsured using the 2006 Washington State Population Survey, the CPS distribution of Washington’s uninsured by age and gender, and a comprehensive benefit package with copayments and a range of annual coverage limits. The estimated plan costs for children are assumed to be \$95 per month