

ASSESSING THE FEDERAL BASIC HEALTH OPTION:

An Opportunity to Expand Health
Coverage in Washington State

Why Consider the Basic Health Option?

Exchange Goal

- A critical goal of WA's Exchange is to assure that as many people as possible can access affordable health insurance.
- The Exchange aims to achieve this goal by offering reduced premiums and cost-sharing to people under 400% FPL.

Limitations of Exchange

- Even with subsidies, Exchange premiums and cost-sharing will be unaffordable for people below 200% FPL.
- Many may decide to forego coverage, remaining uninsured.

The Basic Health Option can offer more affordable coverage for this population, reducing the number who are uninsured.

Overview of the Basic Health Option



An Optional State Coverage Program

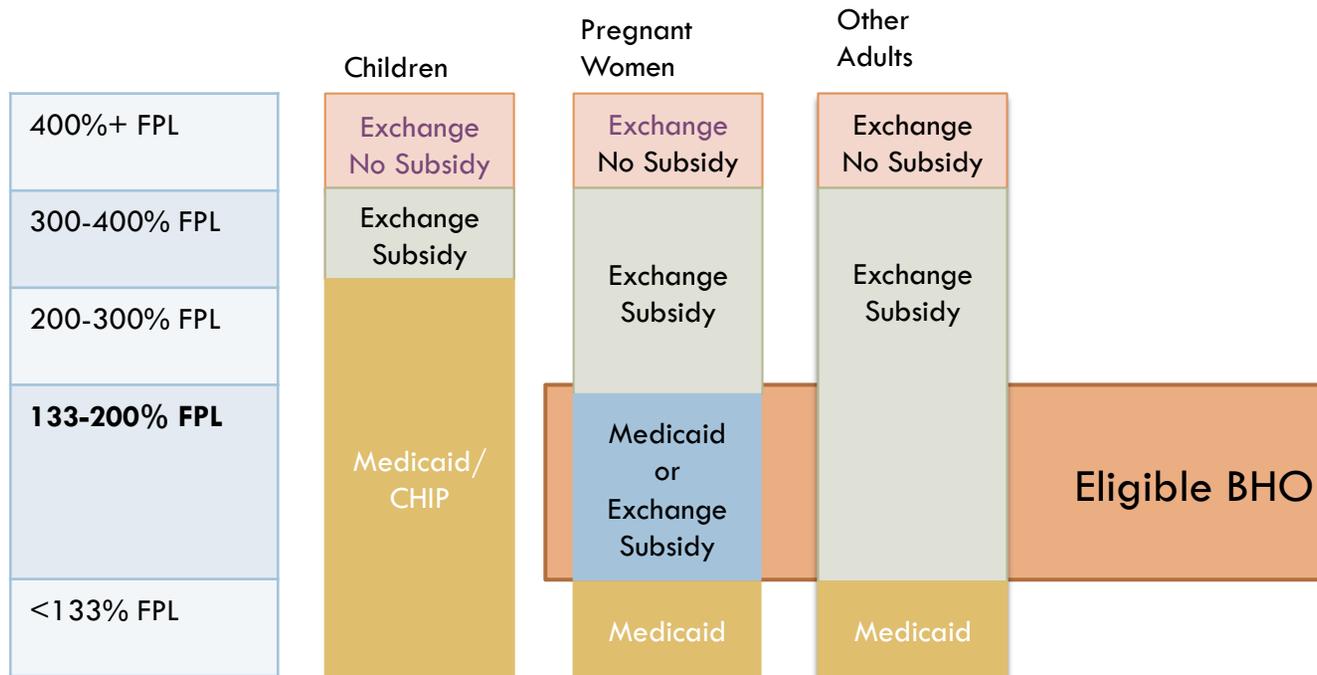
- Allows states to cover eligible individuals through a state-administered program instead of through the Exchange.
- Modeled after WA's current Basic Health.

Financing

- New federal funding: State receives 95% of the premium and cost-sharing subsidies in the Exchange for eligible enrollees.
- State can use federal funds to manage BH efficiently and incentivize cost-effective care.

Eligibility Criteria

- ✓ 18-65 years old
- ✓ Citizen or lawfully present immigrant
- ✓ Income below 200% FPL
- ✓ Not eligible for other coverage (i.e. Medicaid, adequate employer-sponsored)



Eligibility Estimates

A microsimulation by the Urban Institute estimated that **185,000 Washington residents would be eligible.**

Characteristics of Eligibles

- Insurance status: 42% are uninsured. 38% have employer-sponsored insurance that is unaffordable (> 9.5% of household income).
- Age: 30% are below 25 years old. 30% are 25-45 years old. 40% are over 45 years old.
- Health status: In slightly poorer health than Exchange enrollees, but cost just 1.9% more per year in care.

Considerations for BH Option



1. Affordability
2. Level of Enrollment
3. Scope of Coverage
4. Continuity of Coverage
5. Access to Plans & Providers
6. Financial Sustainability
7. Exchange Sustainability

1: Affordability

In the Exchange, people under 200% FPL may pay as much as **6.3%** of their income toward premiums, and potentially more with cost-sharing:

Estimate of Family Contributions for Exchange Coverage (After Subsidies, 2014)

	Single Adult		Family of Four	
	138% FPL	200% FPL	138% FPL	200% FPL
Monthly Income	\$1,323	\$1,918	\$2,694	\$3,904
Monthly Premium	\$44	\$ 121	\$89	\$246
Max. Annual Out-of-Pocket Costs	\$2,083	\$2,083	\$4,167	\$4,167

Source: Kaiser Premium Subsidy Calculator.

But the maximum price people in this income bracket can pay is closer to **1-3%** of income because fixed costs like housing and food absorb so much of income (Ku & Coughlin, 1999/2000).

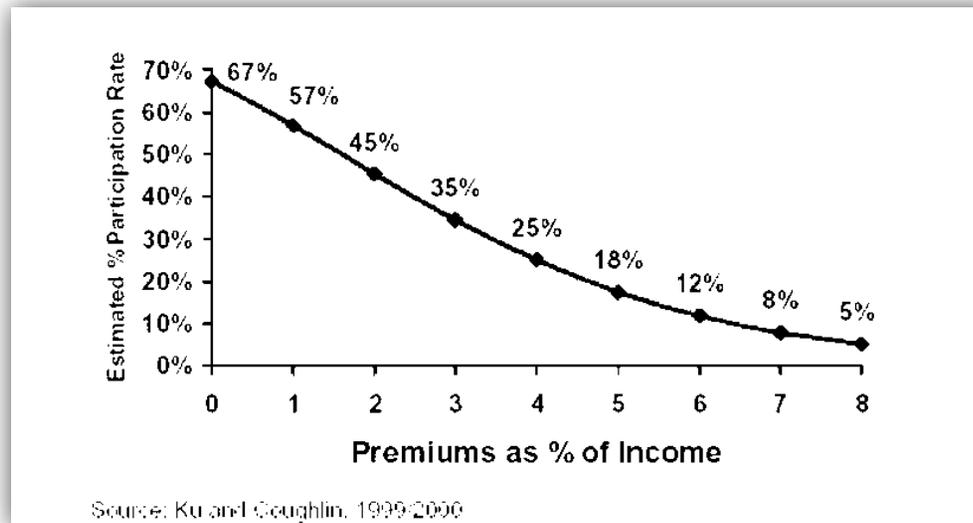
2: Level of Enrollment

Higher Premiums = Lower Take-up

A multistate study found that only 18% of the uninsured will buy insurance if premiums are 5% of income, but 57% will enroll if premiums are 1% of income. (Ku & Coughlin, 1999/2000)

Higher Premiums = Reduced Retention

A study of WA Basic Health enrollees found that when premium levels rose beyond 3% of income, the rate of disenrollment for premium-related reasons rose by 55%. (Chang, 2012)



3: Continuity of Coverage

Exchange Only



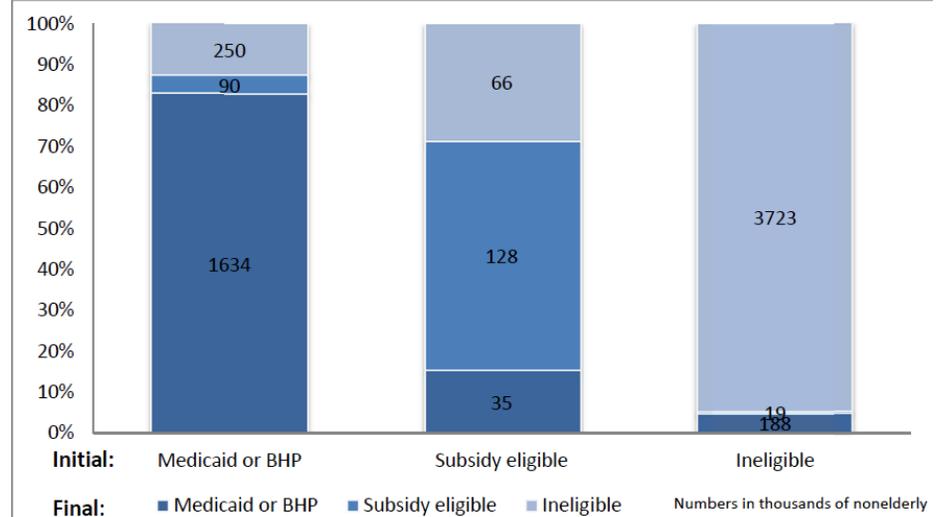
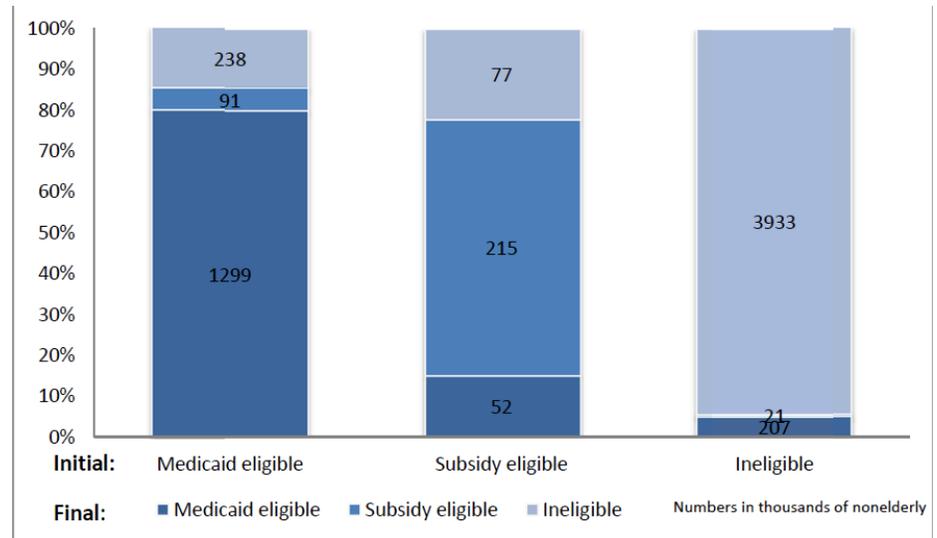
- 241,000 residents will gain or lose subsidy eligibility each year, leading to disruptions in care.
- Parents will be less likely to receive care from the same plans and providers as their children.

Exchange + BHO



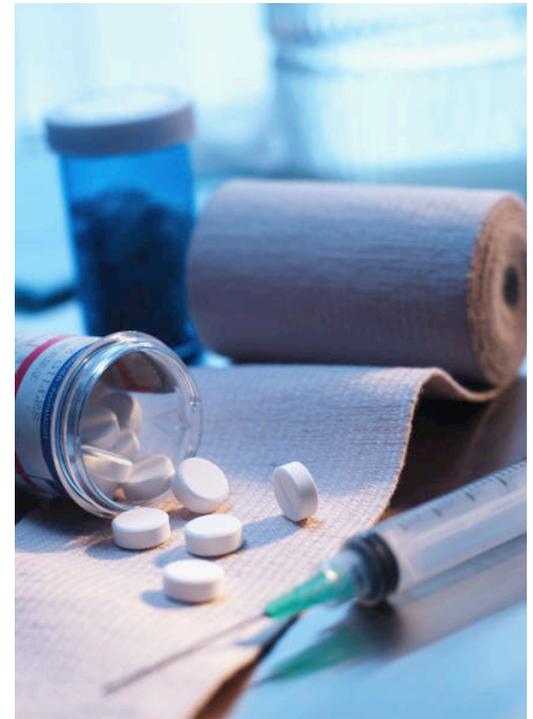
- At least 38,000 more residents will retain the same coverage over the course of a year.
- Transitions between Medicaid and BHO will not require changing plans or providers.

Source: Urban Institute, forthcoming



4: Scope of Coverage

- Exchange plans will offer only the “Essential Health Benefits,” a leaner package pegged to typical employer plans.
- The BH Option offers **state flexibility** to improve benefits:
 - The state can use any excess federal funds to add covered services or reduce cost-sharing.
 - This is critical for people under 200% FPL, who will not be able to afford benefits outside the package.



5: Access to Care

Selecting the Right Plans

- State could select plans based on past Basic Health experience, choosing those with best value, health outcomes, and familiarity with lower-income enrollees.
- Joint procurement with Medicaid and Apple Health for Kids would allow coordinated purchasing strategies.

Ensuring a Strong Provider Network

- BHO could build from existing Basic Health provider network.
- Estimates predict that BHO could offer rates beyond Medicaid levels. These would be lower than commercial rates, but offset by cost-savings from reducing uninsurance (since WA providers currently lose \$1 billion annually on uncompensated care).

6: Financial Sustainability

- Now: Start-up costs minimized by leveraging state Basic Health infrastructure and Exchange IT systems.
- 2014: Health Care Authority study found federal funding for the BHO would generate \$40-80 per member per month beyond the costs of coverage.
("The Federal Basic Health Program: An Analysis of Options for Washington State," December 2011)
- Long-Term: More insured residents means less cost-shifting to the insured, reducing premiums for the whole state. Greater cost-containment is also expected.



7: Exchange Sustainability

- The BHO would reduce enrollment in the Exchange. Milliman estimates the following in WA:

	Low Estimate	High Estimate
Exchange Enrollees	140,000	410,000
- BHO Enrollees	80,000	270,000
Remaining	60,000	140,000

- The ACA applies risk adjustment throughout the entire non-group market, not just the Exchange. The federal government could also include the BHO population.
- The Exchange would still be viable. The Massachusetts commercial exchange has been stable with fewer than 40,000 enrollees (Dorn, 2011).

For more information...



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