

The Basic Health Program

What would it mean for Connecticut?

Katharine London

April 2, 2012



What is the Basic Health Program?

- Affordable Care Act gives states the option of creating a State Basic Health Program (SBHP) for lower income residents not eligible for Medicaid
- For these individuals, SBHP would replace federally-subsidized purchase of private coverage through the Exchange
- State run program, funded by 95% of the federal premium tax credits and cost sharing subsidies eligible individuals would have received in Exchange

Populations eligible for a SBHP

Approx. 74,000 eligible in CT:

- Individuals under age 65 with family income 133-200% FPL
 - Not eligible for Medicaid (implications for HUSKY)
 - No access to employer-sponsored coverage
 - Includes currently uninsured and purchasers of individual coverage
- Legally present immigrants ineligible for Medicaid, 0-200% FPL

How a SBHP can benefit individuals

- SBHP can provide comprehensive benefits with lower out-of-pocket costs
- SBHP can mimic Medicaid benefits and provider networks, allowing continuity of care
- Same network as children in HUSKY
- State could align Medicaid and SBHP screening and enrollment to reduce coverage gaps
- Avoid overpayment of federal tax credits in exchange

Maximum individual out-of-pocket cost: premium contribution & cost sharing

		Connecticut SBHP Options		
FPL	Exchange	Medicaid model	Option 1 (low cost)	Option 2 (high cost)
0-138% (Medicaid)	\$0 (0%)	\$0 (0%)	\$0 (0%)	\$0 (0%)
138%	\$75 (5%)	\$0 (0%)	\$20 (1%)	\$35 (2%)
150%	\$90 (6%)	\$0 (0%)	\$20 (1%)	\$35 (2%)
200%	\$200 (10%)	\$0 (0%)	\$40 (2%)	\$100 (5%)
201% (Exchange)	\$270 (13%)	\$270 (13%)	\$270 (13%)	\$270 (13%)

Percentages in parentheses refer to maximum percent of family income.

Source: Mercer HIX Planning Report for CT, Jan 2012

How a SBHP can benefit the state

- Federal subsidies supporting SBHP could replace state's share of Medicaid payments for some currently enrolled in HUSKY
- Administrative savings from joint enrollment and reduced churning
- Fewer uninsured (Mercer estimates 70% of eligible would enroll in BHP, but only 50% would purchase through Exchange)
- State can design a SBHP that is cost neutral to the State (may require some cost sharing by individuals)

Estimates of cost per enrollee in 2014

	1	2	3	4	5
Dollar Estimate	\$4100	\$3500 - \$4900	\$4700	\$5300	\$7400
Basis of Estimate	National average Medicaid expenditures for PPACA expansion population, 0-133% FPL	Mercer SBHP estimate for Connecticut Exchange Board	HUSKY parents, 133-185% FPL	Massachusetts Commonwealth Care Adults, 100-200% FPL	Massachusetts Medicaid Adults,* 133-200% FPL
Source	CMS	Mercer	OFA	MA Medicaid	MA Medicaid

Figures are rounded to nearest \$100

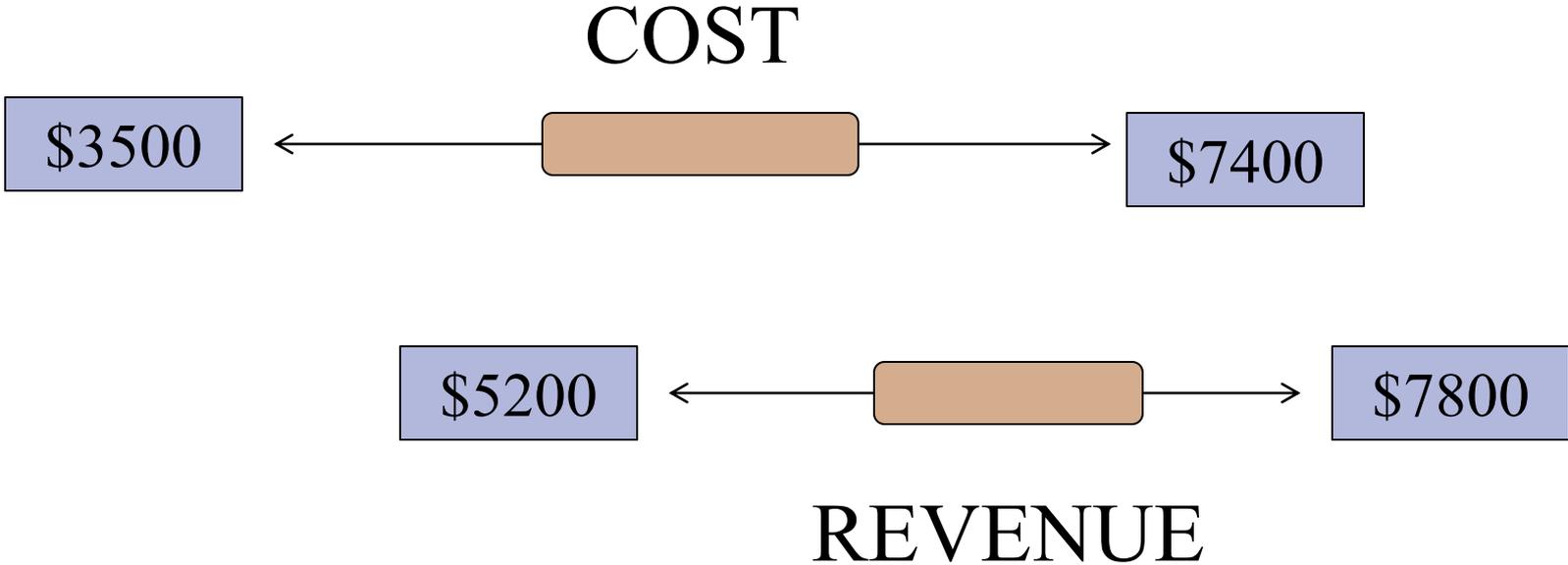
* Massachusetts Medicaid figure includes disabled and long-term unemployed individuals, does not include individuals enrolled in a private managed care plan.

Estimates of federal revenue per enrollee, 2014

	1	2	3
Basis of estimate	Connecticut average small employer group	National average	Massachusetts Commonwealth Choice Plan
Total estimated federal revenue per enrollee	\$5200	\$5300	\$6600
Source	Mercer	CBO	Milliman

Figures are rounded to nearest \$100

Range of SBHP cost and revenue estimates per enrollee



How a SBHP can benefit providers

- The state can design a SBHP such that revenue exceeds costs; some of this surplus can be targeted to higher payment rates to providers
- Fewer uninsured (Mercer estimates 70% of eligible would enroll in BHP, but only 50% would purchase through Exchange)
- In Exchange plans, individuals 133-200% FPL would be required to pay 6-13% of health care costs out of pocket; it can be very difficult for providers to collect from low-income individuals

How does SBHP population differ?

- Low-income population is less able to contribute to premium and out of pocket costs
- Low-income population may also differ from higher income population in terms of:
 - Health status
 - Geographic location
 - Level of education
 - Expertise in using the health care system
 - Primary language spoken

How will SBHP affect Exchange plans?

- Health plans determine premium based on a number of factors that will differ depending on whether BHP population is included in the pool:
 - Number of individuals
 - Geographic location
 - Age, family status
 - Health status
- If BHP population is in Exchange, health plans will need to develop/expand services (e.g. care coordination, educational materials, member services)

How will SBHP affect the Exchange?

- Exchange staffing and budget will be based in part on numbers of expected enrollees
- Services that should be targeted differently if Exchange includes SBHP population include:
 - Plan rating system, quality measures
 - Outreach
 - Educational/Marketing materials
 - Call Center
 - Billing & Collections

How will SBHP affect Exchange costs?

- Mercer estimates Exchange will likely have *lower risk* if population <200% FPL is enrolled in SBHP
- Mercer calculates assessment on Exchange premiums to cover Exchange operating costs:
 - 2.8% if Exchange includes <200% FPL population
 - 3.0% if <200% population enrolled in SBHP
- In Exchange, <200% FPL population would pay higher out of pocket costs to subsidize >200% FPL enrollees.

Why now?

- Adding a SBHP later will require:
 - Re-work of Exchange operations
 - Re-pricing of Exchange plans by health plans
 - Re-rating of Exchange plans by Exchange Board
 - Re-education of low income consumers
- Will there be enough political will to overcome these hurdles?

Contact us

Katharine London

katharine.london@umassmed.edu

Robert Seifert

robert.seifert@umassmed.edu

Principal Associates

Center for Health Law and Economics

Commonwealth Medicine, University of Massachusetts

Medical School

<http://www.umassmed.edu/CHLE>

Research Brief: Evaluating the State Basic Health Program in Connecticut

This presentation includes data presented in the Research Brief released January 31, 2012 by the Legal Assistance Resource Center of Connecticut.

The Research Brief includes more detail about the SBHP, the analysis, and citations to data sources.