



## Questions and Answers

---

# Why the Federally-funded Basic Health Program is the Right Choice for Rhode Island

Many healthcare policy makers, participants in the Rhode Island Healthcare Reform Commission and other Rhode Islanders have been discussing whether to implement the Basic Health Program (BHP) option as part of Rhode Island health reform. The BHP is the right choice for Rhode Island (see original November 2010 paper, attached). The following are answers to questions that have been raised during these discussions and reasons why we believe BHP remains the best choice.

### 1. Will BHP impact the financial sustainability of the Health Benefits Exchange?

It is likely, pending CMS guidance, the Exchange can be established so that BHP dollars can be used to support its share of the administrative functions.<sup>1</sup> One of the functions of a Health Benefits Exchange is to be a “one stop shop” to learn about access to coverage. One challenge facing the RI Exchange is the mandate for the entity to become financially self-sufficient. Most states are envisioning a small surcharge per transaction to pay for the administrative processes related to the Exchange (such as maintaining a website, paying staff etc.). BHP funding can be used to support administrative operations of the program, and thus can be used to keep the Exchange infrastructure solvent. Additionally, more RI residents are expected to enroll in coverage if BHP is offered, leading to more transactions on the Exchange. This increased volume of people accessing BHP coverage via the Exchange, estimated at 3,246 by the Urban Institute<sup>2</sup>, means a larger base of enrollees from which to collect fees to support the Exchange infrastructure.

### 2. Will the state bear financial risk if BHP is enacted?

BHP can be structured so that the state bears no financial risk.

- There are a variety of ways to establish risk sharing and assign relative levels of risk to the state and the Plans participating in BHP. These decisions can be made to minimize risk to the state when establishing a BHP.
- The BHP requires any profit or excess federal funds to be reinvested in the BHP. The State may consider using these funds to minimize risk to plans that see unexpected losses due to higher than anticipated medical costs or enrollment, at least over the first several years of program operation.
- The ACA provides three mechanisms designed to help modify adverse selection and spread risk between plans.<sup>3</sup> These include a temporary reinsurance program, a temporary “risk corridor” program (risk sharing between plans and the federal Department of Health and Human Services), and a permanent “risk adjustment” formula.<sup>4</sup> These methods may be applicable to BHP, making plans more likely to participate.
- Finally, if the BHP simply does not work in Rhode Island, the state may end BHP; covered individuals will revert to the commercial portion of the Exchange.

Federal BHP payments are expected to significantly exceed actual costs of the program. The Urban Institute estimates RI will receive an additional \$1,211 per member per year (meaning the federal funding would exceed expected medical costs for a beneficiary by 24.6%).<sup>5</sup>

### 3. Will BHP impact the risk profile of commercial Exchange plans?

Several studies have addressed the issue of whether the risk profile of the commercial Exchange plans will be helped or harmed by no longer having the BHP-eligible population part of the “pool.” These reports all offer divergent scenarios in which BHP will improve the risk profile of commercial Exchange plans (by removing the more medically needy 134%-200% FPL population from the risk pool) as well as negatively impact the plans (fewer covered lives in the commercial pool).<sup>6</sup> However, as stated in the Urban Institute report on BHP, the “risk effects in either direction should not be exaggerated.”<sup>7</sup>

Several experts suggest states may implement the risk-spreading mechanisms allowed in the ACA (described above in Question 2) in ways that include BHP. For example, states may include BHP plans in a risk adjustment formula for Exchange plans or as part of the temporary “risk corridor” program (risk sharing between plans and HHS).<sup>8</sup> With such arrangements in place, states can be assured that BHP members will gain coverage at a more affordable price without making commercial Exchange coverage more costly.

### 4. How will BHP affect state health care policy reform efforts?

State policy-makers can impact the health care delivery system by actively coordinating its functions as a purchaser of health care coverage. Health care reform gives the state new opportunities to broaden its public purchasing role through Medicaid expansion, the Basic Health Program option, and commercial Exchange coverage.

Rhode Island has a long history of working to improve the value and quality of public health coverage for its residents. Medicaid has acted as a “smart purchaser,” instituting many forward-thinking initiatives to reduce costs and ensure efficient utilization of services. These include pay-for-performance initiatives, “Generics First” policy for pharmaceuticals, and the “Communities of Care” program for medically complex individuals.

In addition, our state has implemented other initiatives to lay the groundwork for improving the health care system in Rhode Island. Over the past several years, we have created the Office of Health Insurance Commissioner, begun building a nationally recognized Health Information Exchange and an All-Payer Claims Database, as well as re-committed to the Coordinated Statewide Health Planning Council.<sup>9</sup>

The state has the opportunity to build on the success of its managed care programs, and to keep families in a single state health insurance product, instead of dividing families and requiring parents 134%-200% FPL to purchase insurance through an Exchange plan. The implementation of BHP is also an opportunity to keep employer dollars for this population on the table.

By building on these efforts and aligning the state’s role as a purchaser – including public worker’s coverage - with its regulatory powers in the commercial market, Rhode Island policy-makers will have a greater ability to create a health care system that provides high quality, cost-effective and affordable care for everyone.

### 5. Will there be an impact on member access to providers under the BHP?

It has been raised that access to providers under BHP may be more limited compared to the Exchange. In Rhode Island, this concern would be eliminated by using the existing health plan infrastructure which already meets state health plan licensure requirements for provider access standards. Additionally, under BHP, the state will have the option to assess network adequacy as a condition of health plan readiness and require ongoing monitoring and reporting by the health plans.

## Footnotes

---

- <sup>1</sup> “Exploring the Financial Feasibility of a Basic Health Program in California,” Mercer, May 2011.
- <sup>2</sup> “Using the Basic Health Program to Make Coverage More Affordable to Low-Income Households: A Promising Approach for Many States,” Urban Institute, September 2011.
- <sup>3</sup> Affordable Insurance Exchange, CMS slide deck, July 2011.
- <sup>4</sup> *Standards Related to Reinsurance, Risk Corridors and Risk Adjustment*, Department of Health and Human Services Proposed rule, 6/9/11.
- <sup>5</sup> “Using the Basic Health Program to Make Coverage More Affordable to Low-Income Households: A Promising Approach for Many States,” Urban Institute, September 2011.
- <sup>6</sup> “Exploring the Financial Feasibility of a Basic Health Program in California,” Mercer, May 2011; “The Basic Health Program – An Emerging Option for States,” McKinsey and Company, March 2011.
- <sup>7</sup> “The Basic Health Program Option under Federal Health Reform: Issues for Consumers and States,” Dorn, Stan, Urban Institute, March 2011.
- <sup>8</sup> “Bridging the Gap: Exploring the Basic Health Insurance Option for New York,” Benjamin, Elisabeth and Arianne Slagle, Community Service Society, June 2011; “The Basic Health Program Option under Federal Health Reform: Issues for Consumers and States,” Dorn, Stan. Urban Institute, March 2011.
- <sup>9</sup> WWW.DHS.RI.GOV, WWW.OHIC.RI.GOV, WWW.EOHHS.RI.GOV.
- <sup>10</sup> “The Basic Health Program Option Under Federal Health Reform: Issues for Consumers and States,” Dorn, Stan, Urban Institute, March 2011; “Health Care Reform and the Basic Health Program Option,” Palmer, Jeremy. Milliman, April 2011; “Exploring the Financial Feasibility of a Basic Health Program in California,” Mercer, May 2011; “The Basic Health Program – An Emerging Option for States,” McKinsey and Company, March 2011.
- <sup>11</sup> “Basic Health Program analysis – Rhode Island,” Palmer, Jeremy. Milliman consulting, March 2011.
- <sup>12</sup> “Using the Basic Health Program to Make Coverage More Affordable to Low-Income Households: A Promising Approach for Many States,” Urban Institute, September 2011.
- <sup>13</sup> “Determining if the Basic Health Program Option Makes Sense for Your State,” Benjamin, Elizabeth, Families USA, slide presentation, January 2011, [http://www.familiesusa.org/conference/health-action-2011/speaker-materials/EBenjamin\\_FUSA-BHP-presentation\\_HA-2011.pdf](http://www.familiesusa.org/conference/health-action-2011/speaker-materials/EBenjamin_FUSA-BHP-presentation_HA-2011.pdf).
- <sup>14</sup> “Bridging the Gap: Exploring the Basic Health Insurance Option for New York,” Benjamin, Elisabeth and Arianne Slagle, Community Service Society, June 2011.
- <sup>15</sup> *Ibid.*
- <sup>16</sup> “Issues in Health Reform: How Changes in eligibility may move Millions Back and Forth Between Medicaid and Insurance Exchanges,” Sommers, Benjamin and Rosenbaum, Sara. *Health Affairs*, February 2011.
- <sup>17</sup> “Update to the Policymakers Breakfast: Getting Ready for Medicaid Expansion,” slide deck, *Beacon Health Strategies*, 6/29/11.
- <sup>18</sup> *Ibid.*
- <sup>19</sup> *Ibid.*

## **Basic Health Program: The Right Choice for Rhode Island**

The Basic Health Program will expand a proven and successful health insurance program (RIte Care), offer the best coverage for the lowest cost to thousands of families, and contribute to the success of the Exchange and health care reform in Rhode Island.

**1. More Affordable for Rhode Islanders** - BHP will offer high-quality coverage for a lower cost to members, ensuring that the maximum number of people gain health care coverage. National studies by organizations as diverse as the Urban Institute, Milliman, Mercer Health and Benefits LLC and McKinsey & Company all conclude that BHP can be offered for substantially lower premiums and other out-of-pocket expenses for members as compared to plans offered through an Exchange.<sup>10</sup> In a Rhode Island specific study, Milliman estimated that a BHP plan could be offered with a premium equal to that of an Exchange plan and with zero cost sharing<sup>11</sup>, representing a roughly 50 percent savings for members. The Urban Institute suggests that an enrollee in RI could see a yearly savings of at least \$1,500, contributing to a higher take-up rate among eligible Rhode Island residents.<sup>12</sup>

**2. More Rhode Islanders Gain Coverage** - Due to the anticipated lower costs, it is likely that more people will enroll in coverage if a state offers BHP. Additionally, because members will not have to wait for end of year tax reconciliations in order to receive coverage subsidies, BHP becomes more attractive to those who may hesitate to enroll in coverage.<sup>13</sup> As one example, a study in New York concluded that at least 100,000 more New York residents would gain coverage due to lower costs if BHP was offered as opposed to only presenting residents with commercial Exchange options.<sup>14</sup> The Urban Institute estimates an additional 3,246 RI residents gaining coverage under the Exchange if BHP is implemented than if this population was only offered commercial coverage.<sup>15</sup>

**3. Keeps Rhode Island Families Together** - Keeping parents and children together in a proven model that provides comprehensive coverage will assure positive health care outcomes for our state's most vulnerable families, and especially for the children in those families.

**4. Assures Continuity of Care** - Studies show that many individuals and families move in and out of eligibility for public programs.<sup>16</sup> This "churn" between types of coverage results in deterioration of continuity and quality of care, sometimes even forcing people to change doctors. Some individuals who lose public coverage due to a slight increase in income find they do not have affordable commercial coverage to switch into. In Massachusetts, churn into or out of Commonwealth Care (subsidized coverage similar to RIte Care) disrupted care for up to 6% of enrolled families each month.<sup>17</sup> BHP reduces churn by raising the income level at which individuals would move from public to commercial coverage. Continuity could be further improved by creating a twelve month "lock in" period, during which members are not required to switch coverage even if their income changes.

**5. Offers the Best Plans for Members** - People in the 134-200% FPL bracket share many medical characteristics with traditional RIte Care members – and will be best served by plans that offer the experience and benefits aligned with this medically disenfranchised population needs. In Massachusetts, experience shows Commonwealth Care members utilized certain services – such as behavioral health and substance abuse benefits – much more<sup>18</sup> frequently than those covered in the commercial small group market.<sup>1</sup> Health plans and providers that have significant experience working with populations with these needs will provide the best and most efficient care for people in this income bracket. Additionally, BHP will allow the state to retain RIte Care coverage for parents between 134-175% FPL (those are currently covered in RIte Care) while receiving full federal funding for this population. This would reduce state spending on RIte Care while guaranteeing RIte Care adults continue to receive high-quality, cost-effective care and stay with providers they know and trust.<sup>19</sup>

See footnotes on page 3