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In the Spotlight: Basic Health Plan

A basic tenet of the Affordable Care Act (ACA) is to expand coverage and accessibility of health insurance to most, if not all, Americans. Coverage is expected to increase by up to 32 million people through expanding Medicaid and offering premium and cost-sharing subsidies to make insurance more affordable for those who do not qualify for Medicaid. In addition to these programs, states will also have the option of implementing a Basic Health Plan (BHP). If states choose to operate a BHP, they will be given 95 percent of what the government would have spent on subsidies for the enrolled population between 133 and 200 percent of the federal poverty line (FPL).

What is a BHP?

Beginning on January 1, 2014, states have the option to offer a BHP to their residents in lieu of individuals receiving federal subsidies. The BHP will have to meet certain criteria:

- Essential health benefits must be covered;
- Premiums must not exceed those of silver-level plans (the second lowest) on the Exchange;
- Certain actuarial minimums must be met; and
- Medical loss ratios may not fall below 85 percent.

The requirements mentioned above are the minimum requirements; states are allowed to offer more generous coverage (examples include that of Medicaid or State Children's Health Insurance Plans (CHIP)). The Center for Medicare and Medicaid Services (CMS) released a request for information (RFI) on September 1 in an attempt to gather information that may assist in the development of the BHP regulations. If states decide to offer a BHP, they may contract with one or more private insurers or build on existing state-run programs like Medicaid and CHIP. If North Carolina decided to implement a BHP, BCBSNC will need to evaluate how we can best serve that population and our current members.

The BHP in ACA was modeled after a similar program that began in Washington State. The Washington BHP (WBHP) began in 1987 and differs slightly from the federal program. In WBHP, subsidies are distributed to help low-income residents afford insurance premiums. Both residents and the state participate financially and the program is run more like an insurance program than an entitlement program. In November of 2011, Gov. Gregoire of Washington recommended eliminating the WBHP because of a state budget shortfall and the high cost of the program.

Eligibility

To determine eligibility for the ACA-prescribed BHP, an individual must:

- Be younger than age 65 at the beginning of the plan year;
- Have a modified adjusted gross income (MAGI) of above 133 percent but below 200 percent of the federal poverty line (meaning, in 2011, an individual with an income from $14,484 to $21,780);
- Be a legal resident immigrant who has lived in the United States for less than five years whose income falls below 133 percent, but whose immigration status prevents them from being eligible for Medicaid; or
- Not have access to affordable, comprehensive employer-sponsored coverage.

If a state accepts the federal funds to operate a BHP, these individuals will no longer be eligible to shop on the Exchange and receive subsidies.

Possible Benefits

Supporters of the BHP tout several potential benefits. The BHP has the potential to reduce churning that is common in the Medicaid program by providing a more seamless coverage option for the population with incomes just over the threshold for Medicaid, by designing benefits similar to Medicaid rather than more varied commercial options. In a well-run BHP, some experts predict the possibility of a surplus of BHP federal funding. ACA requires that, if states experience a surplus, the funding be used to lower costs or increase services for the participants.

Concerns

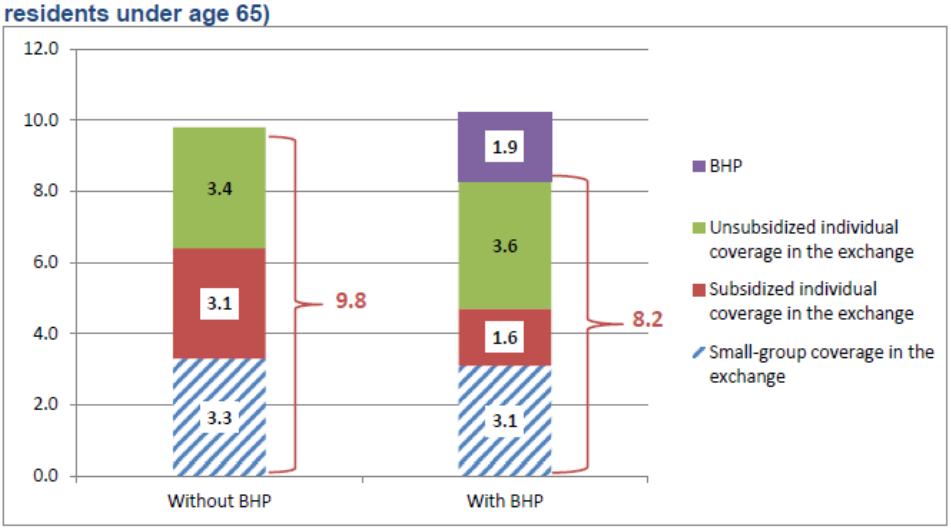
The BHP is slated to begin in 2014, the same time as other major reforms such as Exchanges and the expansion of the Medicaid program, as well as conforming existing state laws and regulations to ACA. As a result of the substantial increase of pressure on states to administer and regulate these programs, there is some concern about implementing the BHP at the same time as other major reforms. Many of these reforms will push states, insurance markets, and health systems into unprecedented territory, and the BHP would be an additional unknown.

Strained state budgets are another concern. While the federal government will give a state 95 percent of the total subsidies that would have been available to the same population, the cost of beginning and maintaining the BHP may pressure state budgets further.

Additionally, there are still many questions about the specifics of the BHP. For example, little is known about the licensure and network requirements for the BHP. These questions will need to be addressed before states are able to adequately consider implementing the program.

Reducing participation in the Exchange is another concern. The Urban Institute estimated that states with a BHP would see participation in the Exchange fall from 9.8 percent to 8.2 percent. However, the Urban Institute asserts that the pool would still be large enough to remain stable, even with a BHP.

Figure 3. BHP implementation and exchange size under the ACA (percentage of residents under age 65)



Source: HIPSM 2011. *Note*: Results show effects as if policies were fully implemented in 2011. Some totals do not add because of rounding.

BCBSNC Views

Blue Cross and Blue Shield of North Carolina supports increased access to health care. In order to ensure access to quality health insurance, the insurance industry cautions that implementation of the BHP should be delayed so that states will be better able to concentrate resources. Implementing the Exchange first will allow states and CMS the opportunity to gather data that could be helpful when designing regulations surrounding BHP. It would be important to be cost effective and build the BHP in such a way to attract and maximize enrollment for this population. We also recommend that the BHP follow the same rules and regulations as the qualified health plans offered in the Exchange in order to protect consumers and remove confusion.

For More Information:

Milliman: Healthcare Reform and the Basic Health Program Option:
http://publications.milliman.com/publications/healthreform/pdfs/healthcare-reform-basic-health.pdf

CMS Basic Health Plan Request for Information: http://cciio.cms.gov/resources/comments/index.html