

## Grant Outcomes Report

### Exploring the Role of the Basic Health Plan Option in New York State

#### The Problem

Many individuals and families find themselves with too few health care options, earning income that is too high to qualify for Medicaid coverage but too low to afford private health insurance. Federal health reform gives every state the option to establish a Basic Health Plan (BHP)—a public coverage program for individuals with incomes just above the Medicaid income cut-off and less than 200% of the Federal poverty level. If New York State chooses to implement a BHP, eligible individuals would receive their insurance coverage through

a BHP instead of receiving subsidies to purchase private coverage through the new health insurance exchange. To finance a BHP, the Federal government will transfer to New York State 95% of the Federal subsidies (i.e., premium tax credits and cost-sharing subsidies) that would have otherwise been provided to individuals enrolled in the second lowest-cost private coverage through the exchange. The State would use these funds to offer managed care plans at reduced premium rates and lower cost-sharing levels. It could also establish plans that provide additional benefits.

A BHP has many potential advantages for New York State. For consumers, it offers a much more affordable coverage option than what they would otherwise be offered through the exchange and it would smooth out the eligibility cliffs for those who earn very modest amounts over the Federal Medicaid eligibility threshold. For the State, it offers a significant Federal funding opportunity by providing much more generous funding for certain individuals currently enrolled in New York's Medicaid expansion program, Family Health Plus, and for many legal immigrants (whose Medicaid coverage is currently financed with State-only funds). However, careful analysis was needed to help the State fully understand the implications of creating a BHP and to make informed decisions. In September 2010, the New York State Health Foundation (NYSHealth) awarded the Community Service Society of New York (CSS) a \$290,750 grant to conduct this analysis along with two partners, Gorman Actuarial and Manatt Health Solutions.

#### KEY INFORMATION:

**GRANTEE**

Community Service Society of New York

**GRANT TITLE**

Exploring the Role of the Basic Health Plan Option in New York State

**DATES**

September 17, 2010–  
December 27, 2011

**GRANT AMOUNT**

\$290,750

**FUNDING**

Cost/Coverage–Solicited

## Grant Activities and Outcomes

To evaluate the viability of a BHP for New York State and its financial implications, CSS and its subcontractors, Gorman Actuarial and Manatt Health Solutions, conducted the following activities:

- An analysis of the existing BHP in Washington State, the Federal law, and Federal guidance, and an assessment of their implications for New York State<sup>1</sup>;
- A fiscal analysis of the adequacy of Federal financing offered under the Affordable Care Act in the context of New York State;
- An identification and assessment of various program design issues—including benefit packages, premiums, and reimbursement rates;
- An analysis of take-up and coverage issues, including immigrant coverage; and
- An analysis on the impact of a BHP provision on the rates of uninsured and the level of unintended adverse selection upon the individuals who seek coverage through the State's insurance exchange.

In January 2012, CSS published the NYSHealth-funded public report, "Bridging the Gap: Exploring the Basic Health Insurance Option for New York."<sup>2</sup> Among the report's major conclusions:

- A BHP would offer 617,500 low-income adult New Yorkers more affordable and comprehensive health insurance coverage than what they could obtain in the exchange;
- New York could operate a BHP relying solely on Federal funding. Using conservative estimates, Federal funding amounting to \$3.4 billion would cover the cost of offering a BHP in New York;



<sup>1</sup> When the analysis was proposed, Washington State was the only state that operated a BHP, which served as the inspiration for having that option in the Affordable Care Act.

<sup>2</sup> Also available at:

<http://nyshealthfoundation.org/resources-and-reports/resource/bridging-the-gap-exploring-the-basic-health-insurance-option-for-new-york>

- The State could potentially generate approximately \$954 million in annual savings if it adopted a BHP; by providing access to coverage with no or very low premiums, nearly 100,000 more New Yorkers who may have stayed out of the health insurance market will be covered by the BHP option.

CSS extensively disseminated the report to State and Federal policymakers, the media, and plan and provider groups, as well as to advocates for low-wage workers, small businesses, and health consumers. The report's recommendations were further disseminated as formal comments to a Request for Information on the Basic Health Program issued by the Centers for Medicare & Medicaid Services.

CSS met with officials from the New York State's Governor's Office, the State Department of Insurance, and associates from the Urban Institute to discuss and compare CSS's BHP analysis with a similar study performed for the State by the Urban Institute. CSS also created a PowerPoint presentation of the findings and provided briefings for key stakeholders and policymakers, including a February 2, 2012, exchange stakeholders meeting in Albany hosted by the State's key health and exchange leadership in conjunction with the analysis by the Urban Institute on the BHP option.

## Future

This report continues to influence debate. CSS is maintaining its efforts to generate State support for a BHP in New York, including educating key stakeholders such as government officials, consumer advocates, provider groups, and the insurance industry. State officials continue to use CSS's report, along with the Urban Institute's report with similar findings, to help guide its decision-making on the subject. New York State established its health benefit exchange through an Executive Order in April 2012; a decision on the BHP option is expected once the exchange becomes operational.

## BACKGROUND INFORMATION:

### ABOUT THE GRANTEE

The Community Service Society of New York (CSS) is a 160-year-old organization that supports low- and moderate-income New Yorkers in realizing social and economic opportunities. It has become increasingly active in health insurance coverage issues. The CSS Community Health Advocates program administers a network of 30 community-based organizations to help tens of thousands of underserved New Yorkers navigate the complex health care system. CSS also coordinates Health Care For All New York, a statewide coalition of more than 130 partner agencies dedicated to winning affordable, comprehensive, and high-quality health care for all.

### GRANTEE CONTACT

Elisabeth Benjamin  
Vice President, Health Initiatives  
Community Service Society  
105 East 22nd Street  
New York, NY 10010

Phone: 212-614-5461  
E-mail: [ebenjamin@cssny.org](mailto:ebenjamin@cssny.org)  
Website: <http://www.cssny.org>

### NYSHEALTH CONTACT

Amy Shefrin

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