

Policy Brief

Building Quality Affordable Health Care for ALL New Yorkers



Health Care For All New York

No. 51 January 2013

The Basic Health Program (BHP) option in the Affordable Care Act (ACA)

What is the BHP Option?

The Basic Health Plan (BHP) is a provision in the ACA which allows states to develop a new insurance program to cover:

- (1) adults between 133-200% of the federal poverty level (FPL) (\$2,116 to \$3,182 a month for a family of three in 2012); and
- (2) lawfully present immigrants up to 200% of FPL not eligible for federal Medicaid funding.

Without a BHP, these two groups are still eligible for federal premium subsidies to buy insurance in the Health Insurance Exchange, but it may be too expensive.

To pay for the BHP, the State can be given 95% of the funds the federal government would have spent subsidizing these adults in the Exchange.

BHP coverage must be as affordable and comprehensive as what these adults would have gotten on the Exchange.

The BHP can start in 2014, but states need guidance from the U.S. Department of Health and Human Services (HHS) to prepare their BHP plans, which HHS must approve.

Why should New York offer a BHP?

It's more affordable for low-wage workers.

Premium subsidies on the Exchange will make coverage more affordable and reduce the number of uninsured. But, the yearly cost for a low-income family will still cost up to \$2,330 a year. The BHP would cost between \$0 - \$100 per year, with very little out-of-pocket cost sharing.

State budget savings. New York currently offers public health insurance to low-income working adults and poor immigrants through Family Health Plus (FHP) and Medicaid. With a BHP, the State would be able to transfer the cost of covering these groups to the federal government, without raising consumer health costs or cutting benefits. This would generate between \$500 million and \$1 billion in state savings each year.

Protection for 36,000 currently covered FHP beneficiaries. Parents between 138-150% of FPL are currently eligible for free coverage under FHP. Under the ACA, people under 138% of FPL will get Medicaid, while those above will have to pay for coverage in the Exchange. If the State discontinues the FHP program in 2014, 36,000 current enrollees will have to pay over \$1,000 a year to get coverage in the Exchange.

New York should protect these families by adopting a BHP program.

No IRS claw-backs. In the Exchange, consumers who get premium subsidies and then end up earning more money than expected may owe money to the Internal Revenue Service at the end of the year. If they get BHP coverage instead, they will not face this risk.

Less churning. If the State implements a BHP so the same health plans serve all low-income adults below 200% FPL, 16% fewer people would bounce back and forth each year between Medicaid plans and subsidized coverage in the Exchange.



A Basic Health Plan will ensure affordable coverage for low-income adults.



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What are BHP's Possible Disadvantages?

Some policymakers believe that the BHP may have some disadvantages, such as:

- *Lower provider payments.* However, State savings could be used to offer higher payments to participating providers.
- *Smaller Exchange.* New York's Exchange is expected to cover 1.1 million New Yorkers. With a BHP, this number would drop to 825,000, which is still large enough to be viable. A smaller exchange, only 40,000 people, has remained stable and viable in Massachusetts for 6 years.
- *State fiscal uncertainty.* Until HHS issues clear the rules for federal BHP funding, states cannot know whether such funding will suffice to cover BHP costs. If not, states would need to make up any shortfall.

Are states interested in pursuing this option?

Yes. Officials in California, the District of Columbia, Massachusetts, Minnesota, New York, Rhode Island, Utah, and Washington State have expressed serious interest in the BHP. Together these states have more than 2 million low-income adults who would qualify for a BHP. However, state officials have made clear that they cannot make a final decision without federal guidance that explains how the BHP statute will be interpreted.

Where does HHS stand in issuing guidance?

HHS has provided no guidance about BHP. It did, however, release a Request for Information about BHP on September 8, 2011. HHS has also not responded to a detailed BHP proposal that Washington State presented to federal officials on June 18, 2012.

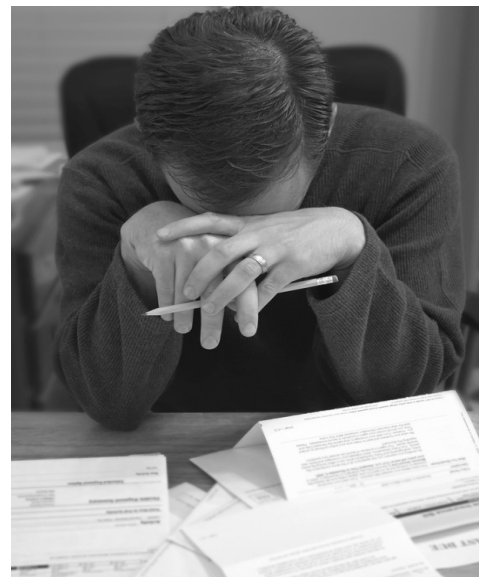
Officials in other states have been informed that HHS does not anticipate issuing BHP guidance in any defined time period. The ACA allows for a BHP in 2014, but HHS's inaction effectively bars states from exercising this option. This increases costs for both progressive states and low-income consumers.

There is no evidence that HHS is prepared to compensate states and consumers for the losses incurred by delaying BHP guidance.

What can New York do in the interim to protect low-income New Yorkers and move forward on a BHP?

The State should:

- (1) *Adopt authorizing legislation during the State budget process to proceed with a BHP should HHS issue guidance.*
- (2) *Grandfather the FHP program to preserve coverage for current enrollees until the state can adopt a BHP;*
- (3) *Governor Cuomo should inform the federal government that New York will have to bear additional costs, and many consumers will pay higher premiums and cost sharing in the interim.*



Delaying a Basic Health Plan in New York will increase costs for both low-income consumers, and the State.