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Why Premium Assistance Strategies Can Succeed in Connecticut

Premium assistance is a health insurance coverage strategy that provides a subsidy to eligible populations as an incentive to purchase family coverage through an employer. It encourages and supports work and work-based coverage, and takes advantage of the employer contribution toward the cost of employee health benefits.

Sixteen states have implemented premium assistance programs

Sixteen states have implemented programs and at least ten others are in the planning and exploration stages. Pennsylvania, Illinois, Iowa, Massachusetts and Rhode Island have successful programs and operational experience from which Connecticut will benefit when implementing its programs. While it is true that many states have found it challenging to implement premium assistance programs, several states have met this challenge. Rhode Island and Illinois have been innovators in this area. Rhode Island enrolls children and parents in employer sponsored coverage when cost effective and provides “wrap around” benefits to supplement employers’ benefits when they are less comprehensive than Medicaid’s. Currently, over 6,000 persons are enrolled in Rite Share, the Rhode Island premium assistance program. In contrast Illinois’ program allows families to make an informed choice between ESI and Medicaid rather than wrapping around coverage. Nationally, enrollment in ESI is still low relative to Medicaid, (less than 1 percent of the total Medicaid population) but state officials believe that their programs save money.

Rhode Island’s analysis demonstrates that **\$1 million is saved for every 1,000 full year enrollees** in Rite Share, the Rhode Island premium assistance program.

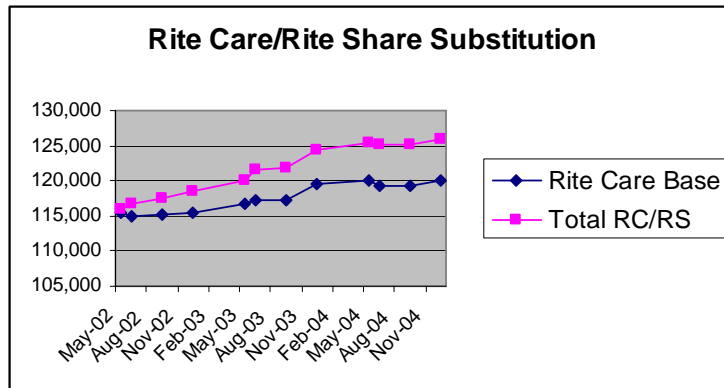
Pennsylvania’s Health Insurance Premium Payment (HIPP) program has also emerged as an efficient and financially successful employer buy-in program. HIPP, established as Section 1906 in the Medicaid statute, is one method of implementing employer buy-ins. Implemented in 1994, Pennsylvania’s program is one of 11 HIPP programs currently in operation. As of April 1, 2004, the program had enrolled more than 21,000 members who receive coverage from employers that vary from small businesses to large corporations. Anecdotally, employers have indicated that HIPP enrollment enlarges the size of their group and may allow them to negotiate lower group rates. In addition, employers have found that employees who participate in their group benefits are more likely to stay on the job longer, as they are reluctant to give up their health benefits.

Why implement premium assistance?

- To encourage and support work and work based coverage and take advantage of the employer contribution toward the cost of employee coverage
- To provide a mechanism to cover more people (family coverage vs. just kids)
- To strengthen the private insurance market – maintain the expectation that employers provide coverage to workers and their families
- To help small employers reach or maintain minimum participation rates required for employer plans
- To provide access to more expansive networks of providers, thereby reducing pressure on Medicaid provider networks

Premium Assistance may stem erosion of employer sponsored coverage and moderate growth trend in public programs

During 2004 HUSKY program enrollment increased by approximately 16,000 individuals. Premium Assistance will help moderate the growth trend in HUSKY. The chart below shows how this happened in Rhode Island.



Quarter ending	Rite Care Base	Rite Share Current	Total RC/RS
May-02	115,508	409	115,917
Jun-02	115,041	1,596	116,637
Sep-02	115,237	2,304	117,541
Dec-02	115,526	2,905	118,431
May-03	116,640	3,511	120,151
Jun-03	117,218	4,268	121,486
Sep-03	117,154	4,701	121,855
Dec-03	119,479	5,006	124,485
May-04	119,986	5,432	125,418
Jun-04	119,279	5,899	125,178
Sep-04	119,294	5,873	125,167
Dec-04	120,049	5,876	125,925
January-05	119,422	5,884	125,306
February-05	119,437	6,012	125,449

Premium assistance strategies will help stretch Medicaid dollars to cover more families

Nationally, although Medicaid spending grew slower than private health insurance premiums (which rose by 11.2 percent in FY 2004), it rose faster than other state spending categories. Total Medicaid expenditures increased on average 9.5% in FY 2004, but while the rate of increase in Medicaid spending appears to have slowed temporarily, it continues to outpace growth in all other categories of state spending. According to NASBO, Medicaid surpassed elementary and secondary education as a component of total state spending, consuming 21.9 percent of total state spending for the first time ever in FY 2004. It is more important than ever to stretch state dollars to cover as many families as possible within state budget constraints. Employers typically subsidize 60 to 75% of premiums for their employees. According to OHCA's 2004 Employer Survey, employers on average contributed 79% toward employee-only coverage and 64% toward full family coverage premiums. Premium assistance will enable the state and the employee to leverage and take advantage of this significant contribution.

Beginning to quantify the potential savings:

Average monthly worker contribution to **family** coverage 2004 = **\$222**

Source: Kaiser/HRET Annual Survey of Employer Sponsored Health Benefits

HUSKY monthly **PMPM** cost = \$ 201 x 2.6 average assistance unit size = **\$523**

Source: CT DSS

Potential savings can be achieved within the \$300 difference

Premium assistance is a viable alternative coverage strategy to allow workers to take advantage of available employer- sponsored health insurance to cover their families.