

BASIC HEALTH PLAN

WASHINGTON



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THE BASIC HEALTH PLAN BY THE NUMBERS

26,787: number of individuals in King County who would be eligible for the BHP

162,000: the number of residents in Washington that would be eligible for the BHP

\$1,456: average annual health care savings for individuals enrolled in the BHP in Washington

\$1 billion: amount New York State saved by implementing the BHP (2015-2016)

WHY BASIC HEALTH?

- 1. More Affordable Coverage:** While the Affordable Care Act has expanded health insurance to 20 million Americans,¹ working low-income individuals are still struggling to afford high-quality health care. For too many, coverage has not translated into health care access. As a result, many people are still going without health insurance: the uninsured rate among individuals who would be eligible for the BHP is between 13 and 15 percent,² far higher than Washington’s overall uninsured rate of 7.3 percent.³ The Basic Health Plan (BHP) would deliver more affordable health care for working Washingtonians. According to the Urban Institute, the BHP would reduce average annual premiums from \$1,218 to \$100 and annual out-of-pocket costs (deductibles, coinsurance and copays) from \$434 to \$96, for a total average annual savings of \$1,456.⁴ Based on the Urban Institute’s assumptions that 162,000 Washingtonians would be eligible for the Basic Health Program, consumers would save more than \$235 million per year.⁵
- 2. More Efficient Coverage:** Through the BHP, states use federal money to directly negotiate contracts with managed care plans to provide coverage to consumers. Managed care, which Washington has already adopted in its Medicaid program, is an efficient form of health care delivery that utilizes medical homes, care coordination activities, and wellness and prevention services.
- 3. More Stable and Continuous Coverage:** The BHP would mitigate the problem of patients moving between Medicaid and the Exchange when their income changes, also known as “churn”. When individuals move between Medicaid and Exchange coverage, they may face unexpected bills (higher premiums and cost-sharing), different provider

¹ “20 Million People Have Gained Health Insurance Coverage Because Of the Affordable Care Act, New Estimates Show,” *HHS.gov*, p. 1. [Link](#). 2016.

² “The State Of Washington’s Uninsured 2014-2015,” *Office Of the Insurance Commissioner Washington State*, p. 9. 2016. [Link](#).

³ “The State Of Washington’s Uninsured 2014-2015,” *Office Of the Insurance Commissioner Washington State*, p. 4. 2016. [Link](#).

⁴ “Using The Basic Health Program To Make Coverage More Affordable To Low-Income Households: A Promising Approach For Many States,” *Association for Community Affiliated Plans*, i. 2011. [Link](#).

⁵ “Using The Basic Health Program To Make Coverage More Affordable To Low-Income Households: A Promising Approach For Many States,” *Association for Community Affiliated Plans*, i. 2011. [Link](#).

networks, and, in some cases, may be liable to pay back funds to the federal government when they file their taxes. Churning is particularly frequent for individuals between 100 and 150% of FPL. Because the BHP is structured to mirror Medicaid managed care networks, it would sharply reduce the problem of “churn.” In fact, 1.8 million fewer U.S. adults would churn between Medicaid and Exchange coverage if all states had BHPs.⁶

- 4. State Savings:** States that have implemented the BHP are seeing dramatic savings. New York State projects it will save \$1.8 billion between 2015 and 2017 by implementing the BHP.⁷ Minnesota projects it will save \$97.5 million in fiscal year 2016 compared with providing coverage to the same enrollees through its Medicaid program.⁸ If Washington implements the BHP, the federal government will invest more than \$707 million each year which the state can use to provide affordable coverage to Washingtonians.⁹

WASHINGTON: A BASIC HEALTH PIONEER

In 1987, Washington created the BHP, the first insurance program of its kind in the nation to offer subsidized managed care to low-income residents who were not eligible for Medicare or institutionalized at time of the enrollment.¹⁰ Established through the Health Care Access Act of 1987, the BHP was created as a pilot demonstration program to cover individuals who were not eligible for federal funds.¹¹ In 1993, the Washington Legislature made BHP permanent and statewide with its merger with the Health Care Authority following the State’s mandate for universal health coverage.¹²

When in use, Washington’s state-funded BHP delivered affordable, high-quality health care to working Washingtonians who were otherwise unable to afford coverage or access care. Premiums were as low as \$17, while preventive care visits had no copay, and office visits had a \$10 copay.¹³ Enrollment was robust: in 1996, enrollment reached more than 128,000 individuals.¹⁴ However, in the early 2000’s the Washington Legislature reduced funding to the Basic Health Plan, and on December 31, 2013, the program was terminated. Following its termination, many individuals qualified for Washington’s Apple Health (Medicaid).¹⁵

As part of the Patient Protection and Affordable Care Act (ACA, P.L. 111-148), Senator Cantwell authored Section 1331, creating a federally-funded option for states to establish Basic Health Programs based on Washington’s successful program. The statute made the Basic Health Plan available to states on January 1, 2014; however, due to a substantial delay by the Center for Medicare and Medicaid Services (CMS) in issuing regulations, the Basic Health Plan was not operational for interested states until January

⁶ “Creation Of State Basic Health Programs Would Lead To 4 Percent Fewer People Churning Between Medicaid And Exchanges,” *Health Affairs*, p. 1314. 2012. [Link](#).

⁷ New York State Department of Health. 2016.

⁸ Minnesota Department of Human Services. 2016.

⁹ “Estimating Federal Payments And Eligibility For Basic Health Programs: An Illustrative Example,” *The Henry J. Kaiser Family Foundation*, p. 5. 2014. [Link](#).

¹⁰ “A Study of Washington Basic Health Program,” *Oregon Health Policy and Research*, p. 1. 2002. [Link](#).

¹¹ “A Study of Washington Basic Health Program,” *Oregon Health Policy and Research*, p. 1. 2002. [Link](#).

¹² “A Study of Washington Basic Health Program,” *Oregon Health Policy and Research*, p. 1. 2002. [Link](#).

¹³ Economic Opportunity Institute. 2016.

¹⁴ Economic Opportunity Institute. 2016.

¹⁵ “Frequently Asked Questions,” *Washington Apple Health*, p. 2. [Link](#).

1, 2015.¹⁶ So far, two states (New York and Minnesota) have implemented the Basic Health Plan, and have so far enrolled more than 500,000 individuals in coverage through the program. Additional states have expressed interest in this option: California, Massachusetts, Oregon, Rhode Island, and Washington have joined a discussion group sponsored by CMS to explore the Basic Health Plan.¹⁷

HOW DOES THE BASIC HEALTH PLAN WORK?

Eligibility – Adults that are eligible for the Basic Health Plan are under 65, have not already qualified for Medicaid, and do not have existing employer-sponsored healthcare coverage that the ACA considers affordable (no more than 9.5% of household income).¹⁸ Additionally, eligible adults must have an income between 138 and 200 of the Federal Poverty Level (FPL). Legal immigrants are also eligible for BHP if they have income below 138 percent FPL and have not met the five-year lawful residence requirement for Medicaid.¹⁹

Financing – States will pay for implementing the Basic Health Plan by utilizing federal funds that would have otherwise been used to subsidize private insurance on the Exchange.²⁰ Specifically, the federal government will help pay for BHP by giving states 95 percent of what it would have spent on tax credits and cost-sharing subsidies for individuals on the Marketplace or the Exchange.²¹ If the federal government’s support funds exceed a particular state’s costs for providing BHP, states may use the surplus to reduce premiums or offer other benefits to eligible individuals.²²

Administration –BHP is designed to supplement (not supplant) the ACA’s coverage objectives. States will administer BHP alongside their existing Marketplaces and Exchanges. The ACA provides flexibility for states to design and administer their own BHP, though in most cases action from a state’s legislature is necessary in order to build upon existing and related state programs (see examples of Washington, Massachusetts, New York, and Minnesota).²³ To administer BHP under the ACA, states directly contract with managed care plans and organizations to provide health insurance coverage to eligible individuals.²⁴ In doing so, states must provide coverage that is at or above minimum essential benefits.²⁵

Medicaid	BHP	QHP	QHP
0-138% FPL	138-200% FPL	200-400% QHP with subsidy	400%+ FPL QHP With no subsidy

*QHP = Qualified Health Plans on the Exchange

¹⁶ “Health Policy Brief,” *Health Affairs*, p. 6. 2012. [Link](#).

¹⁷ “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

¹⁸ “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

¹⁹ “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

²⁰ “Health Policy Brief,” *Health Affairs*, p. 1. 2012. [Link](#).

²¹ “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

²² “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

²³ “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

²⁴ “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

²⁵ “Health Policy Brief,” *Health Affairs*, p. 3. 2012. [Link](#).

THE BASIC HEALTH PLAN IN NEW YORK & MINNESOTA

Two states, Minnesota and New York, have implemented the BHP.

MINNESOTA
Implementation: January 1, 2015
Title: MinnesotaCare
Total Enrollment: 120,892 (as of 08/2015)
Federal Funding: \$237 million (2015)
Projected State Savings: \$334 million (2016-2017)
Premium Average: \$16 per month
Premium Maximum: \$80 per month

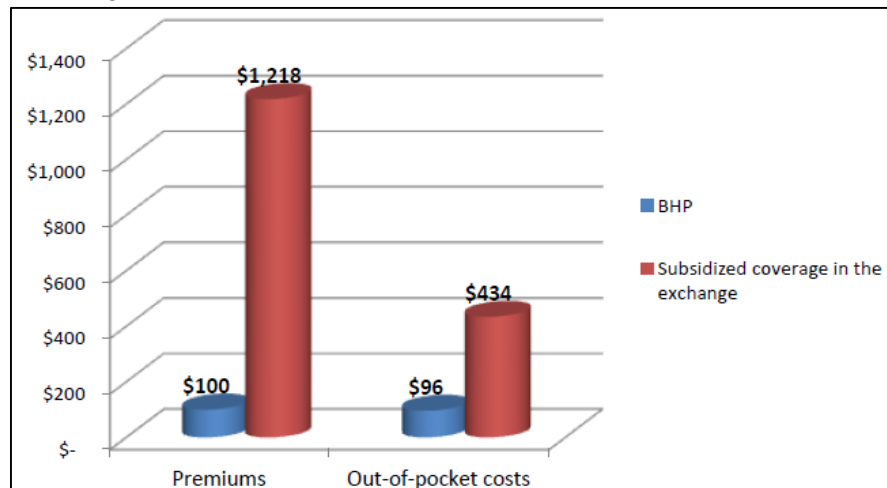
NEW YORK
Implementation: April 1 – December 31, 2015
Title: Essential Plan
Total Enrollment: 400,000 (as of 02/2016)
Federal Funding: \$991 million (2015)
Projected State Savings: \$1 billion (2015-2016)
Premium Average: \$20 per month
Primary Care Visit: \$15 Copay

AFFORDABILITY CHALLENGES

While the ACA has expanded coverage to millions of Americans, healthcare remains unaffordable for too many. Despite federal subsidies to cover the costs of health insurance on the federal Marketplace and state-based Exchanges, individuals still face substantial premium payments and cost-sharing in the form of deductibles, coinsurance, and copays.

Currently, a family of four in Seattle with income of \$48,600 per year would pay a monthly premium of \$260 for a private plan on the Exchange.²⁶ That same family is paying just \$20 a month in premiums in New York’s BHP.²⁷ If Washington’s Basic Health Plan had similar premiums, that family would save \$240 per month, or \$2,880 in premium savings per year. Based on the \$0 deductible in New York’s BHP, this family would also save costs through a reduced deductible.

Average Annual Costs for Adults Nationally with Incomes between 138 and 200 percent FPL: BHP vs. Subsidized Coverage in the Exchange²⁸



²⁶ “Health Insurance Marketplace Calculator,” *The Henry J. Kaiser Family Foundation*, p. 1. 2016. [Link](#).

²⁷ “Summary of Essential Plan Costs and Benefits,” *NY State of Health*, p. 1. 2016. [Link](#).

²⁸ “Using The Basic Health Program To Make Coverage More Affordable To Low-Income Households,” *The Urban Institute*, p. 4. 2011. [Link](#).

BUILDING ON THE AFFORDABLE CARE ACT

The ACA, while not perfect, is making a positive difference for Washington and the nation. Nationally, 20 million Americans are covered thanks to the law.²⁹ In Washington, more than 200,000 individuals are enrolled in Qualified Health Plans through the Washington Health Benefit Exchange,³⁰ and Medicaid expansion has covered another 600,000 individuals.³¹ According to Gallup, Washington’s uninsured rate has experienced the fifth biggest drop in the nation.³²

Thanks to the ACA, hospitals are seeing lower rates of uncompensated care, and health care providers are being incentivized to focus on quality and health outcomes as opposed to volume. Health care consumers have new protections against out-of-pocket costs, and insurance companies can no longer discriminate against patients because of a pre-existing condition. Finally, as the ACA has been implemented per-capita health care cost growth fell to the lowest rate on record.³³

The ACA offers states flexible options to provide quality and cost-effective care to their residents by partnering with the federal government. Medicaid expansion, state-based exchanges, and Section 1332 waiver authority are all examples of promising opportunities that states can pursue with federal support. These policy options put states in control of managing the health of their residents. The Basic Health Plan is one of those flexible options, and builds on the ACA’s goals of expanding health insurance, making care affordable, rewarding value, and saving money. If implemented, this innovative program can help Washington achieve the “triple aim” of better health, better health care, and lower costs.

Table 1 Citation: “The ACA Basic Health Program in Washington State,” *The Urban Institute*, p. 7. [Link](#).

Table 2 Citation: “The ACA Basic Health Program in Washington State,” *The Urban Institute*, p. 7. [Link](#).

Table 3 Citation: “Using the Basic Health Program To Make Coverage More Affordable To Low-Income Households: A Promising Approach For Many States,” *The Urban Institute*, p. 6. [Link](#).

Table 4 Citation: New York Department of Health. 2016.

²⁹ “20 Million People Have Gained Health Insurance Coverage Because Of The Affordable Care Act, New Estimates Show,” *HHS.gov*, p. 1. 2016. [Link](#).

³⁰ “Washington Healthplanfinder Sees More Than 200,000 Residents Sign Up For Qualified Health Plans By The Close of Open Enrollment,” *Washington HealthBenefitExchange*, p. 1. 2016. [Link](#).

³¹ Washington Health Benefit Exchange. 2016.

³² “In U.S., Uninsured Rates Continue To Drop in Most States,” *Gallup*, p. 1. 2015. [Link](#).

³³ “Trends In Health Care Costs Growth And The Role Of The Affordable Care Act,” *The White House*, p. 1. 2013. [Link](#).