

### **Premium Assistance Programs – What are they and could they help CT’s uninsured?**

**An update**

#### **What are premium assistance programs?**

Premium assistance programs allow people eligible for HUSKY to instead receive a state subsidy to pay for employer-based health insurance. In his 2004 Midterm Adjustments, the Governor has again proposed a premium assistance option, called a small employer health insurance subsidy program. The program would be paid for by benefit cuts and increased costs to current HUSKY enrollees through a federal waiver.

#### **Sounds good**

The idea is that diverting people from the HUSKY program into the private insurance market would

- Leverage private employer health dollars to help pay for people who might otherwise be on a state program
- Strengthen employment for low-income families
- Give consumers another choice -- access to the same coverage their co-workers enjoy

#### **So, what’s the problem?**

**It doesn’t work.**

A handful of states have implemented premium assistance programs targeting populations similar to Connecticut’s. Oregon’s is the most mature, in place almost 6 years, and has enrolled less than one-half of one percent of the eligible population. The majority of states have enrolled less than 1% of total eligibles in premium assistance programs. After struggling for two years, Maryland recently closed their premium assistance program due to very high administrative costs and low enrollment.

## Why doesn't it work?

States with premium assistance programs have encountered many challenges.

- Excessive administration costs
- The program is complex and difficult to administer
- Despite the fact that most uninsured are employed, few low-income workers are offered or eligible for health benefits at work
- Employers are wary of creating a benefit that depends on varying and unreliable state funding
- Heavy paperwork burden on employers
- Private insurance costs, particularly for small businesses, are skyrocketing, far higher than Medicaid/SCHIP premiums and offer less comprehensive benefits

## What have the feds done to make the program more attractive?

The federal government strongly encourages states wishing to expand SCHIP coverage and increase federal reimbursement to include a premium assistance component in any waiver application. To persuade states, CMS recently loosened regulations allowing states to **spend more** per person on premium assistance than on traditional Medicaid/SCHIP and allowing states to offer consumers **fewer health benefits at a higher cost** to both consumers and the state.

However, **the new regulations have done nothing to improve states' success** at or willingness to implement premium assistance program.

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## Bottom line: Premium assistance is a bad deal both for Connecticut consumers and for Connecticut taxpayers

For more information on premium assistance and the potential for Connecticut, go to

- *Governor Rowland's Small Employer Health Insurance Subsidy Program: A premium assistance program proposal for Connecticut*, <http://www.cthealthpolicy.org/pubs/govsehisp.htm>, February 2002
- *Governor Rowland's Small Employer Health Insurance Subsidy Program: Complicated and Premature*, <http://www.cthealthpolicy.org/pubs/pafactsheet.htm>, February 2002
- *Premium Assistance Programs: What are they and could they help Connecticut families without health insurance*, <http://www.cthealthpolicy.org/pubs/premium.htm>, January 2002

Update Sources: *Serving Low-Income Families Through Premium Assistance: A Look at Recent State Activity*, Kaiser Commission on Medicaid and the Uninsured, October 2003,

<http://www.kff.org/medicaid/kcmu4143brief.cfm>

*Premium Assistance: What Works? What Doesn't*, Institute for Health Policy Solutions, April 2003,

<http://ihps.org/Prem%20Asst-What%20Works%20IHPS%20April2003.pdf>