

Why a Premium Assistance Program won't work for CT **An update**

Governor Rell has repeated Governor Rowland's premium assistance proposals from 2003 and 2004 in her budget proposal. Premium assistance programs require people eligible for HUSKY who have an offer of coverage at work to instead receive a state subsidy to pay for their employer-based health insurance. The idea is to leverage private health dollars to help pay the costs of care for HUSKY consumers. Services not covered by the employer's coverage would be picked up by the state through a HUSKY HMO, as "wraparound" coverage.

Sounds good, so what's the problem?

It doesn't work. And that's the best thing you can say about it.

A handful of states have implemented premium assistance programs targeting populations similar to Connecticut's -- none has gotten it to work. This is despite hiring more state staff and significant spending on consultants and outreach campaigns. Most states have enrolled less than 1% of eligible consumers. Colorado studied the idea, realized it wouldn't work and didn't implement it. After struggling for two years, Maryland closed their premium assistance program due to very high administrative costs and low enrollment.

It won't save money.

Private insurance for small businesses averaged \$5,052 per worker, \$8,872 per family in 2004. HUSKY averaged \$2,090 per member last year, less than half what employers average. So under premium assistance employers would have to subsidize at least 60% of the costs of coverage for their employees for Connecticut to break even. And that is before the costs of wraparound coverage are considered.

And the future is even more doubtful. Last year small business premiums rose 13.6% nationally but HUSKY costs rose by only 3.6% per member. The state subsidy of premium assistance will have to grow faster than traditional HUSKY, consuming more and more resources from the regular HUSKY program that hundreds of thousands of consumers will still rely on.

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 -- Rhode Island's Medicaid administration reported to CMS that **"implementation of a premium assistance program is much more complicated/staff intensive than originally thought"** (Bold included in RI quote)
- 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

HUSKY can't afford the resources to try premium assistance

- HUSKY is struggling to carve out behavioral health services
- Years after a lawsuit was filed on behalf of HUSKY children who cannot access dental care, no progress has been made in solving the problem
- DSS lost 25% of their staff in layoffs and early retirements
- DSS has to move 29,000 SAGA recipients into managed care
- The Program Review and Investigations Committee just finished an analysis of troubles in Medicaid enrollment and have 58 critical recommendations needed to address the problems, including extensive system-wide reforms

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

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

- *Premium Assistance Programs – What are they and could they help CT's uninsured?*, http://www.cthealthpolicy.org/briefs/issue_brief_10.pdf, February 2003
- *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

Sources: S. Langer, CT Voices for Children and V. Veltri, Hartford Legal Assistance, unpublished research Dept. of Social Services data

Premium Assistance Toolbox for States, National Academy of State Health Policy, www.patoolbox.org

2004 Small Employer Health Insurance Survey, OHCA, Nov. 2004,

<http://www.ct.gov/ohca/lib/ohca/publications/employer04factsheet1.pdf>

Serving Low-Income Families Through Premium Assistance: A Look at Recent State Activity, Kaiser

Commission on Medicaid and the Uninsured, Oct. 2003, <http://www.kff.org/medicaid/kcmu4143brief.cfm>