

Why a Premium Assistance Program won't work for CT Cost analysis

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. HUSKY-covered services not covered by the employer's benefits and family out-of-pocket costs would be picked up by the state. The Governor's budget proposal calls for implementation of premium assistance in 2006.

This supplemental analysis considers the state costs of a premium assistance program, assuming current employer levels of support, compared to HUSKY coverage for varying size families over the next seven years. The average HUSKY family size is 2.6 people.

Family size	Year the state starts losing money on premium assistance vs. HUSKY coverage for the family
2 people	2004
3 people	2006
4 people	2007
5 people	2008

Bottom Line:

On average, the state will begin losing money on premium assistance for most HUSKY families before it could be implemented in 2006

Methodology:

For this analysis, it is assumed that employers will continue to pay the current 64% average contribution to family premiums for small businesses of \$8,872 (a conservative assumption), OHCA 2004 Small Employer Health Insurance Survey (www.ct.gov/ohca). HUSKY costs are based on 2004 spending per person data from DSS (\$2,090 per person). Out-of-pocket costs are based on national per person averages from CMS (Health Affairs, 24:185, Jan/Feb 2005). Future year projections are based on OHCA's survey finding that small business premiums rose by 13.6% last year while HUSKY costs rose 3.6% per person (DSS financial data).

Background

Comparison in 2004 dollars

Family size	HUSKY costs	Small business family premium	State share of premium (36%)	Out of pocket costs	Premium assistance total state costs
2 people	\$4,180	\$8,872	\$3,194	\$1,676	\$4,870
3 people	\$6,270	\$8,872	\$3,194	\$2,514	\$5,708
4 people	\$8,360	\$8,872	\$3,194	\$3,352	\$6,546
5 people	\$10,450	\$8,872	\$3,194	\$4,189	\$7,383

Moving forward

2 person family	HUSKY cost	Premium assistance		3 person family	HUSKY cost	Premium assistance
2004	\$4,180	\$4,870		2004	\$6,270	\$5,708
2005	\$4,330	\$5,532		2005	\$6,496	\$6,484
2006	\$4,486	\$6,284		2006	\$6,730	\$7,366
2007	\$4,648	\$7,139		2007	\$6,972	\$8,367
2008	\$4,815	\$8,110		2008	\$7,223	\$9,505
2009	\$4,989	\$9,213		2009	\$7,483	\$10,798
2010	\$5,168	\$10,466		2010	\$7,752	\$12,267

4 person family	HUSKY cost	Premium assistance		5 person family	HUSKY cost	Premium assistance
2004	\$8,360	\$6,546		2004	\$10,450	\$7,383
2005	\$8,661	\$7,436		2005	\$10,826	\$8,388
2006	\$8,973	\$8,447		2006	\$11,216	\$9,528
2007	\$9,296	\$9,596		2007	\$11,620	\$10,824
2008	\$9,630	\$10,901		2008	\$12,038	\$12,296
2009	\$9,977	\$12,383		2009	\$12,471	\$13,968
2010	\$10,336	\$14,067		2010	\$12,920	\$15,868

Bold indicates the year when premium assistance begins to cost the state more than providing the family with HUSKY without any employer subsidy.