

Fact Sheet: Premium Assistance for Low-Income Families

What is Premium Assistance?

Premium assistance uses federal and state Medicaid and/or SCHIP funds to subsidize the purchase of employer sponsored health insurance or through a state procured private health insurance plan. Some states are moving toward this model to encourage low-income families' participating in private health insurance coverage, shore-up the private coverage market and prevent crowd-out, and achieve cost savings by bringing in employer contributions to help offset costs.

How would premium assistance work with private health insurance coverage?

Premium assistance would actually expand private health insurance coverage and promote competition in the health insurance marketplace. An increased number of health plan choices would be available to low-income families, similar to the State Employee Health Benefits Plan. In addition, it would put Medicaid benefits for parents on par with privately-insured families.

How would premium assistance improve *access to care* for Kansas families?

Although children in Kansas are eligible for Medicaid and/or the State Children's Health Insurance Program up to 200 percent of the federal poverty level (FPL), Kansas currently has one of the lowest rates of Medicaid eligibility in the nation for poor parents (less than 37percent of the FPL). In 2006, 37% of the Federal Poverty Level (FPL) was \$3,626 for a single person; \$4,884 for a family of two; \$6,142 for a family of three; and \$8,658 for a family of four. By providing parents with medical coverage, there is a greater likelihood the children will also have health benefits.

How would premium assistance improve *health outcomes* for Kansas families?

Research suggests that better health outcomes are associated with a "medical home" – meaning that all members of a family receive services through a primary care provider who helps coordinate needed health care and preventive services. Having all family members as part of the same health insurance plan also helps coordinate care and helps to provide a "medical home."

How would premium assistance programs be implemented in Kansas?

Premium assistance in Kansas will be phased in over four years, with a "legislative trigger" after the first two years to evaluate the program and ensure that funding is available. It will be implemented in two ways:

Agency Website: www.khpa.ks.gov
Address: Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220

Medicaid and HealthWave:
Phone: 785-296-3981
Fax: 785-296-4813

State Employee Health
Benefits and Plan Purchasing:
Phone: 785-296-6280
Fax: 785-368-7180

State Self Insurance Fund:
Phone: 785-296-2364
Fax: 785-296-6995

- Competitively bid state-procured health plans: For low-income uninsured families, Medicaid (state and federal share) would pay for premiums for state-procured private health insurance to be offered to low-income children and their parents. Because children eligible for Medicaid are required by federal law to receive certain services, the private insurance plans would be supplemented by “wrapping around” private health insurance coverage with Medicaid benefits.
- Employer-sponsored insurance (ESI) buy-in: For low-income uninsured parents who have access to employer sponsored private health insurance, Medicaid would pay the employee share of the health insurance premium for families, and then, “wrap around” children’s coverage with fee for service Medicaid.

How many Kansans would receive benefits from premium assistance?

Cost and Coverage Premium Assistance Plan – preliminary estimates

Phase-In	Year 1	Year 2	Year 3	Year 4	FULL PHASE IN
Percent of Federal Poverty Level (FPL)	Ramp up (Those under 37% FPL)	Under 50% FPL	50-74% FPL	75-99% FPL	Total under 100% FPL
Number of parents covered	N/A	8,500	7,000	8,500	24,000

How would a premium assistance program in Kansas be funded?

A premium assistance program in Kansas would be funded with federal matching dollars. It takes advantage of Deficit Reduction Act (DRA) flexibility by giving the state an opportunity to “catch up” with other states in terms of federal support for increasing access to health care. Together with increased transparency of health care cost and quality as well as information technology, we can create partnerships with the US Department of Health and Human Services. This program would be phased in over four years, with a “legislative trigger” after the first two years to evaluate the program and ensure that funding is available. Below is a graph indicating the cost of the premium assistance plan.

Cost and Coverage Premium Assistance Plan-- preliminary estimates

Phase-In	Year 1	Year 2	Year 3	Year 4	FULL PHASE IN
Percent of Federal Poverty Level (FPL)	Ramp up (Those under 37% FPL)	Under 50% FPL	50-74% FPL	75-99% FPL	Total under 100% FPL
Number of parents covered	N/A	8,500	7,000	8,500	24,000
Estimated administrative costs	\$.5M	\$1.5M	\$2M	\$2.25M	\$2.25M
SGF: Premium costs		\$11M* (\$5.5 M FY2009)	\$9M	\$11M	\$31M
Federal Matching Funds		\$16M	\$14M	\$16M	\$46M
Total Costs		\$27M	\$23M	\$27M	\$77M

* Because we expect to phase in the program for those under 50 percent FPL beginning in January of 2009 (half of the fiscal year), the SGF costs for FY 2009 per the fiscal note are \$5.5 million.

Who supports premium assistance?

The Health for All Kansan Steering Committee and the KHPA Board both support advancing a premium assistance plan for Kansas this legislative session to be phased in over four years.

The US Secretary of Health and Human Services Mike Leavitt has promoted the use of premium assistance which uses federal matching dollars to help states provide health insurance to the uninsured. There are at least 15 different states using some kind of premium assistance to help improve access to health insurance and help control the cost of health care, including Illinois, Iowa, Oklahoma, Utah and most recently Massachusetts. Evaluations of these programs are on-going.

How does premium assistance fit into the long-term health reform plans in Kansas?

A premium assistance program expands private health insurance coverage, and thus, helps prepare the way for further reforms by improving the marketplace. As the discussion surrounding the need for prevention and health promotion, premium assistance can be used to incentivize health promotion and disease prevention within private plans. Most importantly, the premium assistance program will be “phased in” to dovetail with additional health insurance market reforms, such as a health insurance connector.

What does the research say about the effectiveness of premium assistance plans?

“Premium assistance continues to be one mechanism for covering at least a small portion of the growing uninsured population, and it shows potential to generate cost savings in a time of state and federal budget deficits. The use of premium assistance is of great interest to some states as they attempt to contain Medicaid costs, provide access to workers who want affordable private coverage, and assist employers who might benefit from a healthier and more stable workforce. These efforts also coincide with the federal government’s promotion of market principles and increased emphasis on personal responsibility.

Despite its many flaws and foibles, the concept of building on public-private partnerships may be a viable mechanism for health coverage expansion in the coming years. As in the past, the Medicaid and SCHIP programs may be well-positioned to serve as a laboratory for continuing such expansion. However, experience seems to indicate that public-private partnerships, even with changes to statutory provisions and flexibility under section 1115, are unlikely to reach significant numbers of the uninsured population given the general reluctance of employers to participate on a voluntary basis and high administrative costs involved in insuring small numbers of workers and their families*. The recently enacted Massachusetts health reform plan, which hinges on concessions from providers, employers, the state, and individuals in its effort to achieve universal health coverage, may be instructive for the future to determine whether public-private partnerships can truly succeed in covering large numbers of low-income uninsured individuals.” Shirk, C and Ryan J (July 2006) National Health Policy Forum

* For this reason, the State of Kansas will also procure competitively bid private health plans for those individuals who do not already have access to employer sponsored health insurance.