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CLOSING THE HEALTH INSURANCE AFFORDABILITY GAP: TWO OPTIONS FOR CONNECTICUT

Connecticut Health FOUNDATION
Changing Systems, Improving Lives.

While Connecticut has one of the lowest uninsured rates in the nation, thousands of low-income state residents face significant barriers to affording health care coverage and remain uninsured. This situation was worsening even before the pandemic and is likely to get worse as people lose jobs and job-based coverage.

THE PROBLEM

People with incomes just above the Medicaid threshold struggle to afford health care coverage and are disproportionately likely to be uninsured. This puts them at higher risk of poor health outcomes—due to delayed or avoided care—and medical debt.

Even before the COVID-19 pandemic, the uninsured rate in Connecticut was rising for people earning just above the poverty level.

WHO FALLS INTO THIS CATEGORY?

This paper primarily focuses on people earning too much to qualify for Medicaid but who are below 200% of the federal poverty level (FPL).

- This includes individuals earning between approximately $17,700 and $25,520 per year.
- For parents in a family of four, this is the equivalent of earning between approximately $36,400 and $52,400.

Connecticut residents in this income range earn less than what is needed to meet basic needs such as housing, utilities, transportation, and food, according to figures calculated for the state Office of Health Strategy. This makes it even more challenging to afford health insurance.

WHAT ARE THEIR OPTIONS FOR HEALTH COVERAGE?

Those with incomes above the Medicaid limit can buy health insurance through the state's exchange, Access Health CT, with federal financial aid available to lower the costs. However, even these discounted costs can represent a significant portion of a family's already-stretched budget. For example, an individual earning $25,500 per year buying a midlevel plan through Access Health CT could spend 22% of their income on health care.

WHAT CAN CONNECTICUT DO?

This paper focuses on two options for the state to make more affordable coverage options available to near-poor adults. They are:

- Raise the income limit for Medicaid to cover more low-income state residents.
  - The state could set a new upper income limit for Medicaid.
  - The federal government would pay half the cost of this coverage.
- Help reduce the cost of buying insurance through Access Health CT through state-sponsored subsidies to complement the federal subsidies.
  - The state could pay some or all of people's premiums for coverage on the exchange, or pay different amounts based on peoples' incomes.
  - Several states already provide state-funded subsidies for exchange coverage, including Massachusetts, Vermont, and California. New Jersey plans to implement a subsidy program in 2021.

As a follow-up to this paper, researchers will model the costs of each option and identify the impact each could have on the existing insurance market.

CAN THIS MAKE A DIFFERENCE?

Research shows that even modest increases in affordability can make a difference in getting people covered. In Massachusetts, using subsidies to lower monthly premiums by about $40 increased enrollment in coverage among eligible people by 14% or more.

WHAT ELSE DO WE NEED TO KNOW?

Any changes in health care coverage options have effects on other parts of the health care system. This paper examines each coverage option based on several key considerations.

To read the full report, visit www.cthealth.org.

Key Considerations When Evaluating Affordability Options

What is the Impact on Consumers?	
Individual Costs	Premiums, deductibles, and copayments directly impact the extent to which low-income residents would likely take up a new option. Options that cost less than current Access Health CT coverage are most likely to attract more individuals to coverage.
Benefit Package	Medicaid and exchange coverage offer robust—but different—benefits. For example, Connecticut's Medicaid program covers dental benefits for adults and non-emergency medical transportation while exchange plans do not. One consideration in designing an affordability option is whether either benefit package is preferable for the population between 138% and 200% FPL; another consideration is how the choice of benefits impacts costs for consumers and the state.
Exchange Stability & Affordability	A broad, diverse risk pool promotes exchange affordability and the overall stability of the exchange. Affordability options will affect the risk pool in different ways. Options that make coverage on the exchange more affordable are likely to increase enrollment on the exchange and could positively impact its risk pool. Conversely, options that make more people eligible for Medicaid would likely reduce exchange enrollment and could negatively impact its risk pool.
Immigrant Impact	Affordability options that rely on federal funding must follow federal rules that restrict some lawfully present immigrants' eligibility for coverage during their first five years in the country, making those options less effective in addressing affordability concerns for some immigrants in Connecticut.
What is the Impact on the State?	
State Costs	State investment is necessary to implement any coverage option and policymakers will want to analyze each option to fully understand the cost. Another consideration is whether the state can leverage federal funding to help pay for the option.
Federal Authority	Compared to options that the state can implement without federal approval, affordability options that require federal authority take longer to implement and require the state to invest more time negotiating the approval. Some federal approvals (e.g., Medicaid State Plan Amendments) are more straightforward than those where the federal government has more discretion (e.g., Section 1115 or Section 1332 waivers).
Implementation	The level of administrative effort involved in implementing each option is another consideration. Whether the state can build on its existing infrastructure or must invest in creating new infrastructure will impact costs and administrative resources.
What is the Impact on Providers?	
Reimbursement Rates	Medicaid provider rates tend to be lower than exchange or other commercial insurance rates. Lower provider rates can make coverage more affordable but also reduce the willingness of providers to participate in the insurance network.
Reduction in Uncompensated Care	Affordability options can reduce the number of uninsured patients, leading to a reduction in the volume of uncompensated care for some providers.[76] Reducing uncompensated care could benefit providers but it is also possible that some affordability options could drive an increase in Medicaid enrollment, which pays less than other payers do.