

# Health Reform in the US

## Summaries of State Legislation

### Healthy New York Program<sup>1</sup>

#### What is it?

- A program that aims to increase coverage for employees of small businesses that do not offer health insurance and for individuals whose incomes are too high to qualify them for Medicaid, but for whom market-rate insurance premiums are prohibitively expensive.
- A state-subsidized reinsurance mechanism that reimburses health plans to subsidize the cost of high-cost enrollees in order to lower premium costs for all.
- A voluntary, market-based approach to increasing access to affordable health insurance for low-income workers and individuals.

#### What it's not:

- A mandate for individuals to have coverage.
- An employer obligation to pay for health benefits.
- A publicly-managed health insurance system.

#### Year of enactment: 2000

#### California comparison:

- California has regulated coverage offered to small businesses (2–50 employees) and has had several small business purchasing pools since the early 1990s.
- California does not provide subsidies to small employers or their employees regardless of income level.
- Sole proprietors are eligible if another person (such as a spouse) is covered by their plan, though this is not widely known.

#### NEW YORK HEALTH CARE FACTS\*

TOTAL POPULATION:	19,024,340
NUMBER OF UNINSURED:	2,536,450
PERCENT OF POPULATION THAT IS UNINSURED:	13%
PERCENT OF ADULT, NON-ELDERLY POPULATION WITH EMPLOYER-SPONSORED INSURANCE:	62%
AVERAGE EMPLOYER CONTRIBUTION TO FAMILY PREMIUM COST:	\$8,307
AVERAGE EMPLOYEE CONTRIBUTION TO FAMILY PREMIUM FOR EMPLOYER-BASED INSURANCE:	\$2,090
AVERAGE PERCENT OF PREMIUM COST PAID BY EMPLOYEE FOR FAMILY COVERAGE:	20%
FAMILY INCOME ELIGIBILITY FOR CHILDREN IN MEDICAID/SCHIP, AS PERCENTAGE OF FEDERAL POVERTY LEVEL:	100–250%
MEDICAID INCOME ELIGIBILITY FOR NON-ELDERLY, NON-DISABLED ADULTS, AS % OF FPL:	150%

\*2004, Kaiser Family Foundation

- California allows health insurance premiums for small employers to vary by age, gender and region but limits premiums by setting rate bands (plus/minus). Medical underwriting is also allowed though constrained by the rate bands.

#### Details:

##### Eligibility:

- Small employers, sole proprietors and individuals are eligible if they have not been insured in the previous 12 months.
- Small employers who do not offer insurance qualify for the program if they have fewer than 50

employees, 30% of whom earn less than \$33,000 annually.

- Small employers who do offer insurance, but contribute less than \$50 (\$75 in some NY counties) per month per employee, can qualify for the program.
- Sole proprietors and individuals whose employers do not offer insurance and who earn less than 250% of the Federal Poverty Level (FPL) are eligible for the program. Individuals must prove that they or their spouse have been employed in the last 12 months and have been uninsured for the last 12 months or lost insurance for one of the program's acceptable reasons.

**Benefits:** The state requires all HMOs to offer a Healthy New York plan with a uniform, streamlined benefits package, and only allows variation in whether plans include or exclude prescription drug benefits. This allows enrollees to choose a cheaper plan by opting out of prescription drug coverage.

**Employer contribution:** Employers must contribute 50% of premium costs for employees. Dependent coverage and part-time coverage are available, but employers are not required to contribute towards their premiums.

**Premium rates:** Premium rates may vary by county and HMO, are community rated, and do not vary by eligibility category (small business, sole proprietor, individual). Four rate levels are offered: one adult, two-adult, one parent with child(ren), and family.

**Reimbursement:** The state reimburses health plans for 90% of the claims paid between \$5,000 and \$75,000 for an individual member within a calendar year. By sharing the risk through this subsidy, premium costs are kept down for all enrollees.

#### **Funding:**

- Some of the funding comes from tobacco tax revenue.
- In legislation passed in 2000, the state budgeted \$89.4 million for the program's first year (2003) and \$49.2 million for 2004. In 2005 new legislation passed allocating \$69 million in 2005, \$110 in 2006 and \$85 in 2007.

## ANALYSIS

### Good Points:

#### **Market-based approach:**

Advocates argue that the market-based approach of the program has increased access to affordable health insurance for those individuals and small businesses stuck in the gap between eligibility for federal programs and being able to afford market rate health insurance premiums.

Others argue that, while the market-based approach may not be perfect, the program has effectively increased the health care options for uninsured individuals in the private market.

#### **Decreasing the number of uninsured:**

New York's uninsured rate has decreased from 17% in 1996 to 14.2% in 2004 while the national rate has increased slightly during this time period. The largest decrease in the uninsured rate in New York has been among low-income individuals in households earning less than 200% of FPL, a population served by Healthy New York. Between 2001 and 2003 the uninsured rate in this group dropped from 39.3% to 38.1%. While Healthy New York is only currently serving a little over 100,000 residents, evaluators cite the program for contributing to the state's reduction in the rate of the uninsured.

### Implementation:<sup>2</sup>

- Since its inception in January 2001, Healthy New York has enrolled over 216,000 residents.
- As of September 2005, 106,944 residents were actively enrolled in a Healthy New York plan, 51% of whom have been enrolled in the plan for over a year.
- Of the enrollees at the end of 2005, 56% were enrolled as individuals, 18% as sole proprietors and 26% were enrolled through their small business employer. The share of those enrolled through their employer increased since 2004, due in large part to relaxing the eligibility requirements for small businesses in the beginning of 2005—the maximum monthly contribution for eligible business was raised from \$50 to \$75 in most downstate counties (including New York City).

- In 2003, the reimbursement paid to health plans was changed from 90% of the claims paid in a calendar year between \$30,000 and \$100,000 to 90% of claims between \$5,000 and \$75,000. This change is credited for premium levels in Healthy New York plans decreasing by 17%.
- Also since 2003, Healthy New York enrollees have the option of choosing a lower cost benefit package that excludes prescription drug coverage. As of the end of 2005, 19% of enrollees opt for this package.
- According to a survey of individual and small business enrollees, 20% of Healthy New York members had no insurance for 2 years prior to enrolling in the plan.
- Also according to survey respondents, over half of small business owners whose employees are enrolled in the plan pay the full premium cost for their employees.

## Critiques:

### *Scaled back benefits package:*

Some argue that the savings achieved by enrollees are due to the scaled back benefits package and not to the reimbursement strategy. The state argues that the savings are achieved through a combination of the two mechanisms.

### *Program has attracted more individuals than small employers:*

Roughly 60% of enrollees in the Healthy New York plans are individuals, 20% are sole proprietors and only 20% are enrolled through their employers. The state argues that this is due to the fact that small employers have more options for health care coverage than individuals, but it could also reflect the fact that the program is not actually encouraging small employers to offer coverage. In fact, the individuals enrolled in the program could be employed by employers who refuse to offer any insurance, even the lower-cost Healthy New York plan. If this is the case, then low-income individuals are in fact offered a lower-cost health insurance option through Healthy New York, but employers are not bearing their share of the cost. Most small employer purchasing pools have reached 3%-5% of their target population of employees.

### *Affordability for small employers:*

Some small employers have indicated that they are not able to meet the requirement to pay at least 50% of their employees' premium costs. In addition, some employers are prohibited from participating because they cannot meet the requirement that 50% of their employees enroll.

### *Market-based approach:*

Critics point out that the market-based approach of the program limits its effectiveness. By relying on the private health insurance market, even with the state subsidizing the most expensive enrollees, health insurance still remains unaffordable for many businesses and individuals.

### *Crowd out provision for small businesses and waiting period for other enrollees:*

Some recommend that to achieve higher enrollment levels in the program, the crowd out provision for small employers—making those that have offered insurance in the previous 12 months ineligible for Healthy New York—should be dropped. Additionally, some recommend that the requirement that individuals and sole proprietors must be uninsured for 12 months before enrolling in Healthy New York should be changed to six months.

### *Disenrollment:*

As of the beginning of 2005, the average length of time enrollees spent in the program was six months. This could reflect the fact that New Yorkers are using the program in transitional periods, or could be due to the fact that enrollees are switching providers, which disenrollment figures do not accurately reflect.

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<sup>1</sup>Information on Healthy New York Program obtained from:

- Healthy New York, <http://www.ins.state.ny.us/website2/hny/english/hny.htm>
- The Robert Wood Johnson Foundation, State Coverage Initiatives, <http://statecoverage.net/newyorkprofile.htm>
- Kaiser Family Foundation, Daily Health Policy Report, [http://www.kaisernetwork.org/daily\\_reports/rep\\_index.cfm?hint=3&DR\\_ID=27214](http://www.kaisernetwork.org/daily_reports/rep_index.cfm?hint=3&DR_ID=27214)

<sup>2</sup>EP&P Consulting. Report on the Healthy New York Program 2005, prepared for the State of NY Insurance Department. December 31, 2005. <http://www.ins.state.ny.us/website2/hny/reports/hny2005.pdf>