

# Options for Extending Health Coverage to Delaware's Uninsured

# Tax Credits to Low-Income Households

- **Low income people could subtract a portion of what they spend on health premiums from their state tax liability.**

# Tax Credits to Low-Income Households

- Pros:
- Market approach—people buy “mainstream coverage,” no separate program for subsidized people.
  - No stigma; higher take-up rate.
  - Directly targets those in need.

- Cons:
- To be effective, requires large credits and significant budgetary cost, probably not shared with federal government.
  - Need to be “refundable” for those with low tax liability, and payable in advance to make affordable during the year.
  - Need to prevent “crowd out.”
  - If no employer coverage, puts people in the inefficient individual market.

# Tax Credits for Employers

- **Low-wage employers could subtract a portion of what they spend on health premiums from their state tax liability.**

# Tax Credits for Employers

- Pros:
- Depends on market forces and “mainstream” coverage.
  - Uses existing administrative procedures of tax system; no new bureaucracy.

- Cons:
- Many potential firms are small and not very profitable; little income against which to apply credit.
  - Firms might still find it difficult to afford coverage; low-wage employees might prefer higher money wages.
  - “Crowd out” potential: firms already offering coverage would seek tax credits, with no net reduction in the uninsured.
  - To be effective, credits would need to be large, with high budgetary cost.

# Subsidized Buy-in to State Employees Plan

- **Low-wage employers and/or households could buy-into state employees' plan at below-market premium rates, with state paying the subsidy cost.**

# Subsidized Buy-in to State Employees Plan

- Pros:
- No new administrative structure; existing economies.
  - “Mainstream coverage:” providers would not recognize that patients were subsidized, and access would be good.
- Cons:
- Major “crowd out” potential: employers as well as employees might drop existing plan, knowing employees can join the state plan.
  - State employees might oppose.
  - Would attract higher-risk individuals and groups.
  - Budget for state employees plan would rise.

## Extend Medicaid or CHIP Coverage to Parents Above 100% of Poverty

- **Medicaid and/or CHIP funds would be used to cover the parents of kids in these programs where family income is between 100% and 150% or 200% of the poverty level.**

# Extend Medicaid or CHIP Coverage to Parents Above 100% of Poverty

## Pros:

- Federal government would pay between 50% and 65% of cost.
- Administrative burden low because using existing system.
- Parents and kids in same health plan.

## Cons:

- Perhaps some “welfare” stigma.
- Could be administratively complex to meet federal regulations.

# CHIP-Subsidies for Parents to Get Employer Coverage

- **The state could use CHIP money to help parents of CHIP kids buy employer-sponsored coverage, with the whole family in the employer's health plan.**

# CHIP-Subsidies for Parents to Get Employer Coverage

- Pros:
- Employer pays 50% or more of bill for kids and parents, so CHIP money “goes farther.”
  - Parents get “mainstream” coverage in same plan as kids, which promotes high “take-up” rates.
- Cons:
- Administratively very complicated because of federal regulations—e.g., must not cost more than covering kids alone under CHIP.
  - Potential for “crowd out.”
  - Does nothing if employer doesn’t offer coverage.

# “One-third” Share—Employer, Employee, and Government

- **Employers, employees, and government (using Medicaid funds indirectly) would share in paying premiums for coverage that is less comprehensive than typical employer plan but relatively comprehensive.**

# “One-third” Share—Employer, Employee, and Government

## Pros:

- Provides lower-cost, reasonably comprehensive coverage to low-wage workers.
- Employer pays part of bill.
- State’s share partially subsidized by federal Medicaid.

## Cons:

- Coverage less comprehensive than state may mandate.
- Requires employer and employee to each pay one-third, so some may decline to participate.
- May be administratively complex.

# “Limited Benefit Plan” —No Hospital Coverage

- **Communities (with some state and Medicaid funds) offer coverage for primary care, some specialty care, lab, and limited prescriptions but no hospital care to people between 100% and perhaps 200% of the poverty level.**

# “Limited Benefit Plan”—No Hospital Coverage

- Pros:
- Not covering acute care makes coverage more affordable.
  - Covers frequently used services, perhaps making it seem something worth paying for.
  - Encourages use of preventive and primary care, before illness gets serious, expensive, or chronic.
  - In some communities have been able to draw on Medicaid funds (50% federal share) to enhance local funds.
- Cons:
- No protection when someone gets seriously ill; must fall back on charity care and safety net providers, who bear major costs.
  - Might be seen as setting bad insurance precedent—not covering real “insurable” events.
  - Insurers might get high-risk people—adverse selection.

# Catastrophic Coverage Only

- **Allow insurers to sell health coverage that covers only very high-cost medical expenses—e.g., costly hospital stay.**

# Catastrophic Coverage Only

## Pros:

- Because of high deductible and co-pays, premium cost would be lower and thus more affordable than comprehensive coverage.
- Protects against financially devastating medical event.
- Might be attractive to young, healthy, often-uninsured people, who don't use much primary care.
- Little cost to state, since the assumption is that people would pay for this lower-cost coverage themselves.

## Cons:

- Experience indicates few people want such coverage.
- Cost might still deter many people from buying.
- Likely opposed by those who think preventive services should be promoted.

## Small-Group and Individual Insurance Reform to Broaden Risk Pool

- **Change state law to restrict insurers' ability to charge higher premiums to higher-risk individuals or small groups.**

# Small-Group and Individual Insurance Reform to Broaden Risk Pool

- Pros:
- Increased affordability for higher-risk groups and individuals.
  - Increased perception of fairness.
  - No significant increase in state's budgetary costs.

- Cons:
- Helps affordability only for higher-risk groups; may reduce affordability for others.
  - Some insurers would oppose and might leave Delaware.
  - If reform provided "guaranteed issue" for individuals, would cause influx of high-risk individuals and increased rates.

# Purchasing Coops for Small Employers

- **Establish an entity to purchase coverage on behalf of small employers collectively. Would negotiate contracts with a variety of health plans, as large employers do. Would allow individual employees to choose any participating health plan.**

# Purchasing Coops for Small Employers

- Pros:
- Cost to state is small—start-up money of \$1-\$2 million.
  - Politically acceptable generally, though often not to insurers and agents.
  - Allows small employers to give individual employees choice of health plans.

- Cons:
- Coops have not captured large market share; so can't offer lower prices.
  - Any savings will be insufficient to make coverage affordable for large numbers of uninsured people.
  - Difficult to get health plans to participate.
  - Delaware's law not friendly—allows too much rate variation.

# Employer “Play or Pay” Mandate

- **State would require all employers to either provide coverage providing specified benefits or to pay a tax to cover the cost of similar coverage that people could buy with state subsidies.**

# Employer “Play or Pay” Mandate

## Pros:

- Builds on existing employer-based system.
- Doesn't depend on state subsidies

## Cons:

- Likely to be political objections to compelling employers to pay for coverage.
- Legally difficult to do under federal ERISA law.
- Low-profit firms could not afford; some would lay-off workers or go out of business
- Some employees would still find their premium share unaffordable and decline coverage

# “Single-Payer” or Social Insurance Approach

- **State makes coverage available to all residents as “a right,” free of any direct premium charge (similar approach used by Medicare to provide hospital coverage for people over age 65).**

# “Single-Payer” or Social Insurance Approach

- Pros:
- Every person automatically covered at no direct cost to them; nobody falls through cracks.
  - Administration much simpler since only one payer.
  - Everybody in same system—no social stigma.
  - No uncompensated care.
- Cons:
- Budgetary cost to state government would be very high—paying what employers previously paid.
  - Start-up administrative problems would be large.
  - Might face an influx of very sick people from other states to get “free” coverage.
  - Difficult for a single small state to do when others states do not.