

# Fixing the Family Health Plus Employer Buy-in Program

## Small businesses need affordable health insurance.

Many New York employers want to offer health coverage to their workers, but cannot afford to do so. Even those who can offer coverage struggle with the costs. On average, insurance coverage costs 18% of payroll for New York employers with less than 100 employees who offer coverage. The lack of affordable options for small businesses means that more working people are going without insurance.

The State recently expanded the **Family Health Plus Buy-in Program (FHP EBI)** program to all employers in the state. This program has the potential to offer quality coverage at a reasonable price to millions of New Yorkers who need insurance but do not qualify for public programs. But, initial premium rates—at \$540 per month—are too high and must be fixed.

### Coverage Facts in New York:

- 80% of people who are uninsured in New York are workers or their dependents (there are 2.5 million uninsured adults in New York).
- 1.2 million low- and moderate-waged workers below 300% of FPL (\$55,000 for a family of three) are uninsured.
- More than 40% of uninsured workers work for small businesses (< 25 employees)

## Fix FHP EBI rates: 6 Easy Steps

Current premiums for the FHP EBI are higher than other products on the small group market. But there are six steps the legislature can take to cut premiums in half without cutting quality. **These changes should not be done in isolation because they will not individually achieve enough savings.**

- **Step 1. Adjust the Governor’s Proposal to reconfigure the plan design for non-subsidized enrollees.** Single adults earning above 100% FPL and parents earning above 150% FPL would have higher co-pays than their lower-income counterparts in the program. Adjusting the plan design for non-subsidized enrollees will reduce premiums by 8%. **Some co-pays must be reduced or capped to ease the burden on people with medical conditions or have lower-incomes. The effects of co-pays should be studied.**
- **Step 2. Adopt Public or “Hybrid” Provider Reimbursement Rates.** Massachusetts’s Commonwealth Care program and NY’s Child Health Plus program both offer reduced premiums because they reimburse providers at a Medicaid or slightly-higher-than Medicaid rate. **This step would reduce FHP EBI premiums by 25%.**
- **Step 3. Adopt public insurance rules for taxes/assessments.** The FHP EBI program is subject to commercial taxes and surcharges. The regular FHP program is not. **This step will reduce premiums by 5%.**
- **Step 4. Adopt the Medicaid default reimbursement rates for out-of-network hospitalizations.** The FHP EBI uses commercial provider reimbursement rates for out-of-network hospitalizations. **This step of adopt-**



Small businesses are the engine of our economy. Affordable, quality health insurance is key to keeping workers safe and happy.

-ing the Medicaid rate would reduce premiums by about 1%.

- **Step 5. Adopt an anti-crowd out rule.** When setting the FHP EBI rates, the State’s actuaries assumed that employer groups with higher medical needs would exchange their current coverage for this program due to its good benefit package. This risk would be cut if the State adopted a 6-month waiting period. This could also better target the program to uninsured workers. **This step would reduce premiums by about 5%.**
- **Step 6. Use the Healthy NY Stop-Loss Pool.** The State currently spends \$161 Million on reinsurance funds to subsidize Healthy NY (HNY) which offers discounted poor quality-coverage. Because HNY is not well targeted towards low/moderate- waged workers or sicker New Yorkers, it’s funding stream should be reallocated to fund comprehensive insurance that better meets the State’s objectives to reduce the uninsured and offer quality coverage (e.g. FHP EBI, Direct Pay coverage). **This step would reduce premiums by roughly 30% (depending on enrollment).**

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## Fixing the FHP Employer Buy-in Program—cont.

When taken together, the preceding changes outlined in this brief can create a reduction in premium costs of up to a 55%, or a reduced price of \$241.50. [See Table 1]

### FHP EBI and Federal Health Reform

Even if federal health reform passes, health insurance will remain unaffordable for many of New York's working families post reform. HNY, the only low-cost (and low-benefit) option currently available for working people without employer-sponsored health benefits, does not meet the requirements of a "qualified health plan" in any of the federal proposals.

New York has an opportunity to create an affordable alternative for lower income working families that could lead the way for the rest of the nation—much as our Child Health Plus program was the model for the federal CHIP program.

Fixing the FHP EBI program and lowering its premiums meets New York's goal of providing a high-quality, affordable health option for New York's uninsured working families and a low-cost alternative for its already struggling small businesses.

**Table 1—Cumulative Potential Rate Reduction**

Potential Premium Reductions		Rate Reduction	
		\$	%
Current NYC Individual Policy Small Group Rate	<b>\$540.66</b>		
Plan design adjustment (9% reduction)	\$492.00	(\$48.66)	-9.0%
Tax/Assessment Adjustment (5.1%)	\$464.64	(\$27.36)	-5.1%
MA Default Rates for OON Hospital Care (1%)	\$459.99	(\$4.65)	-0.9%*
Provider Reimbursement Adjustment (25%)	\$344.99	(\$115.00)	-21.3%*
Healthy NY Stop-loss Adjustment (30%)	<b>\$241.50</b>	(\$103.50)	-19.1%*
<b>Cumulative Reduction</b>		<b>(\$299.16)</b>	<b>-55.3%</b>

\* Plan Design adjustments, Medicaid default rate, provider reimbursement and Healthy NY adjustments directly affect medical claims costs and are not mutually exclusive. These adjustment was made sequentially to avoid double counting.

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