

OHIO HEALTHY WORKERS INSURANCE AND PREMIUM ASSISTANCE - -
CREATIVE PRIVATE - PUBLIC SOLUTIONS

1. Background

Of Ohio's 11.2 million people, 1.2 million or 10.7% are uninsured. Almost 1.1 million are adults, most in working families. At present, 63% of Ohioans obtain health care from employer-sponsored insurance (ESI), down from 72% in 1998. Another 2 million Ohioans receive their health care from Medicaid, including 1.1 million children, 500,000 parents, and 400,000 aged, blind and disabled persons. Medicaid grew by 600,000 persons from 2000 to 2005 due to recession, loss of manufacturing jobs with health benefits, and increased health care costs.

While the erosion of ESI has been steady over recent years, especially among small employers, most working Ohioans and their dependents still receive health care through ESI. The uninsured are concentrated heavily among small businesses and self-employed persons, and below 200% Federal Poverty Level (FPL). Medicaid covers the lowest income working poor, those below 90% FPL. Efforts to expand Medicaid to cover more of the working poor have met with controversy. Legislators and the public are not agreed on a public program solution to this problem.

The most creative solutions possible in the current environment blend private and public resources. Instead of relying solely on private insurance, which is pricing itself out of the market for many small businesses and low-wage workers; or solely on Medicaid, which while cost-effective imposes new costs on taxpayers traditionally borne by employers and employees; the answer is to combine private and public resources in ways that benefit employers, employees and the public. The following model takes this approach.

1. Ohio Healthy Workers - A New Insurance Product

A new insurance product would be created to allow small employers and self-employed persons who are without coverage to secure insurance for their employees and themselves. This new product, Ohio Healthy Workers (OHW), would be modeled on Medicaid, both its reimbursement rates and benefit package. While Medicaid cares for many of the state's sickest people in the Aged, Blind and Disabled program, it has a competitive per member per month (PMPM) cost for parents. To the extent OHW resembles Medicaid, it would provide small employers and self-employed persons who have left the private insurance market an affordable alternative.

The state's 2005 Medicaid PMPM cost for parents was \$275. This is expected to rise at a rate of 6% per annum. By contrast, the 2005 average cost of single coverage was \$335 per month. A 2003 small business study reported a monthly average cost of \$402. The percentage increase in premium costs in 2005 was 9.2%; in 2004 it was 11.2%. The monthly rate differential of \$60-127 represents savings of 18-46%, which will only grow larger over time.

In addition to competitive premium costs, a Medicaid-based product could offer a comprehensive benefit package without the high deductibles and co-pays typical of ESI. Single and non-custodial parent employees not ordinarily eligible for Medicaid could participate in OHW, since there is no public money involved in the purchase. OHW would be marketed by Health Maintenance Organizations (HMO's) and interested insurance companies.

3. Medicaid-Based Premium Assistance (PA) Program

States currently have the option of Medicaid paying part or all of the premium share of Medicaid-eligible employees whose employers provide ESI but with an employee premium share they cannot afford. This is called Premium Assistance (PA). PA must be "cost effective" to Medicaid, meaning the cost to Medicaid of paying the premium share along with other costs Medicaid normally pays that ESI does not ("wraparound coverage"), cannot exceed the cost to cover the person directly under Medicaid.

Certain waivers allow states to implement expansion programs, including PA programs, with less restrictive criteria than Medicaid normally requires. States can also implement PA with SCHIP funds if available, but Ohio's SCHIP funds are expected to be exhausted by 2008. The waiver approach offers Ohio the best option for establishing PA.

OHW and PA combined could potentially serve an estimated 425,000 Ohio working adults.