

Grant Outcome Report

Expanding the Family Health Plus Employer Buy-In: A Potential Solution for Making Health Insurance Affordable for Small Businesses in New York State

The Problem

Increases in employer-based health insurance premiums have led to declines in health insurance uptake and coverage among low-wage workers. New York sought to address this problem by offering a hybrid public-private health insurance program. In 2007, the New York State Legislature enacted legislation that allowed employers and union benefit funds to purchase Family Health Plus (FHP) coverage for their employees. This legislation allowed private employers to buy into FHP, a New York Medicaid expansion program that covers adults at 100% federal poverty level (FPL) and adults with children at 150% FPL. Employers pay at least 70% of the premium, while eligible employees who earn above the FHP eligibility level are responsible for the remaining 30% of the premium. However, the State pays the employees' share of the premium if their income is at or below the FHP eligibility level.

Pilot implementation of the new Family Health Plus Employer Buy-In program (FHP EBI) began in 2008. The first authorized employer participant was the 1199-SEIU benefit fund, which serves approximately 55,000 home care workers in New York City, and the first authorized health plan participant was Fidelis Care, a statewide Medicaid managed care plan.¹ In 2009, the New York State Department of Health (NYSDOH) announced its intention to expand the program statewide to all employers regardless of size, type, or revenue level. The goal of this expansion was to reduce the number of uninsured New Yorkers; provide a low-cost alternative to employers; and provide subsidized coverage for special groups. However, the premium rates developed for the program proved to be too high and, at the time this project commenced, no employers had signed up for the program. Only one insurer had agreed to offer coverage beyond the Fidelis Care/1199-SEIU program.

¹ In 2009, NYSHealth also supported Fidelis Care to analyze the feasibility and promote expansion of the FHP EBI program to employers other than 1199-SEIU. Read the related grant outcome report at: <http://nyshealthfoundation.org/resources-and-reports/resource/leveraging-coverage-through-employer-partnerships-for-family-health-plus>.

KEY INFORMATION:

GRANTEE

Community Service Society of New York

GRANT TITLE

Family Health Plus Employer Buy-In: A Practical Solution for Small Businesses

DATES

July 1, 2009 – November 3, 2010

GRANT AMOUNT

\$220,000

FUNDING

Coverage

Expansion of the FHP EBI program, if implemented successfully, has the potential to offer comprehensive and affordable coverage to small businesses, whose employees make up more than 40% of the State's uninsured. Key issues, such as the determination of insurance premiums, as well as operational and implementation design issues, must be addressed to successfully expand the FHP EBI program statewide. The New York State Health Foundation (NYSHealth) awarded a \$210,000 grant to the Community Service Society of New York (CSS) to analyze critical design and implementation issues and provide actionable recommendations to resolve program challenges and barriers.

Grant Activities and Outcomes

Under this grant, CSS pursued the following activities to develop recommendations on program design:

- A national review of public-private hybrid and premium assistance programs implemented in other states and in New York; and
- An independent actuarial analysis of premium-setting, conducted with Gorman Actuarial, based on various insurance taxes, fees, assessments, mandated benefits, and employer groups.



CSS also conducted the following activities to identify recommendations for the program's implementation:

- Analysis of eligibility and implementation issues, such as application and determination processes, employee coverage transitions, and consumer assistance; and
- Interviews with State officials and other policy stakeholders, such as the FHP EBI pilot participants, to gather early lessons from the initial experience.

To gather feedback on preliminary findings and recommendations, NYSHealth organized two roundtable discussions to further explore these issues and finalize actionable recommendations. The first was held in January 2010 in New York City to gather feedback and suggestions from NYSDOH, Fidelis Care, Neighborhood Health Plan, 1199-SEIU, and Assemblymember Richard Gottfried. To build on the momentum, a second roundtable discussion was held in March 2010 in Albany with a broad audience of stakeholders, including State legislators and their staff members; State health and insurance department officials; consumer advocates; health plan representatives; and small business advocates.

In June 2010, CSS published its findings and recommendations in a report, “Expanding Affordable Coverage for Low-Waged Workers: Fixing the Family Health Plus Employer Buy-In.”² CSS recommended three key steps that, if implemented together, would cumulatively reduce the premium rate by 55%:

- Adjust program design issues, such as cost-sharing and actuarial value of the benefits;
- Target the program to the uninsured by designing it as a public insurance program and adopting an anticrowd-out rule; and
- Access the Healthy NY stop-loss pool to support the FHP EBI program.

Shortly thereafter, in the 2010–2011 New York State Budget, the New York State Legislature adopted specific CSS recommendations to modify the FHP EBI program’s expansion premium rate and encourage participation. The Legislature agreed to adopt modest copayments and an out-of-network Medicaid default rate, as well as target the program to businesses and unions that did not provide coverage or were in jeopardy of losing coverage. Collectively, these new measures were estimated to lower premiums by 35% and would provide significant premium relief to eligible employers and employees.

Subsequently, NYSDOH worked with the consulting firm Mercer to revise its actuarial analysis of the program’s premiums based on the new modifications to the program. In August 2010, NYSDOH and Mercer released its new premium rate analysis, which was approximately \$482 for an individual member per month in the New York City region. This new rate was higher than anticipated by most stakeholders, including CSS. With an additional \$10,000 support from NYSHealth, CSS again worked with Gorman Actuarial to better understand Mercer’s analysis and provide feedback to the State. As a result, NYSDOH adopted several adjustments recommended by CSS on provider reimbursement rates, mental health parity, medical trends, and provisions within the Affordable Care Act (ACA). Collectively, these adjustments lowered the premium rate to \$395 for an individual per month in New York City.

In November 2011, 1199-SEIU reverted to being self-insured with a paid member contribution. Any member eligible for public programs is put into the State Premium Assistance program, and NYSDOH pays the current \$23 monthly member contribution. Fidelis Care also did not continue with the FHP EBI program. However, the United Federation of Teachers (UFT), representing family child care providers, has since entered into the FHP EBI program with EmblemHealth. For this program, a new set of rates is being developed by EmblemHealth and UFT, which the State will have to evaluate for actuarial soundness. The program currently has about 320 nonsubsidized enrollees, with many more who will be eligible for public programs and 100% subsidized coverage, but who have not enrolled yet. Eventually, enrollment may reach 2,500.

² The report is available at: <http://nyshealthfoundation.org/resources-and-reports/resource/expanding-affordable-coverage-for-low-waged-workers-fixing-family-health>.

The Future

The goal of the FHP EBI program was to reduce the number of uninsured, provide a low-cost insurance alternative to employers, and provide subsidized coverage for special groups. This sentiment was captured in the passage of the ACA in March 2010. The availability of tax credits for small businesses for health coverage under the ACA has further reduced the cost of premiums for many employers in the FHP EBI program.

However, attention to further expansion activities has been halted in view of new opportunities to expand coverage under the ACA. For example, New York is currently considering implementation of the Basic Health Plan (BHP) option within the ACA. The BHP allows States to provide affordable, comprehensive coverage for people between 138% and 200% of the FPL. If implemented in New York, the FHP program could serve as a foundation for the BHP, which would provide high-quality coverage with no copremiums to an estimated 617,500 New Yorkers.³ The ACA also requires the implementation of the Small Business Health Options Program marketplace in each state, which allows small businesses to offer affordable, high-quality insurance options to their employees. CSS and NYHealth are dedicated to exploring the ACA provisions and maximizing federal health reform opportunities to expand coverage and reduce the number of uninsured in New York.

³ In 2010, NYHealth supported CSS to analyze the impact of implementing the BHP option in New York. More information is available at: <http://nyshealthfoundation.org/resources-and-reports/resource/bridging-the-gap-exploring-the-basic-health-insurance-option-for-new-york>.

BACKGROUND INFORMATION:

ABOUT THE GRANTEE

The Community Service Society of New York (CSS) is a 168-year-old institution that works to identify problems that create a permanent poverty class in New York City and advocate the systemic changes required to eliminate such problems. CSS employs a variety of tools—advocacy, direct service, research and policy analysis, and strategic partnerships—to create appropriate policy for low-income New Yorkers. CSS is also a founding member organization of Health Care for All New York, a statewide coalition dedicated to promoting affordable, comprehensive, and high-quality health care for all New Yorkers.

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