

Basic Health's Advantages

Testimony of Janet Bauer, Policy Analyst, Oregon Center for Public Policy
House Health Care Committee, June 10, 2013

Chair Greenlick and members of the committee: My name is Janet Bauer. I am a policy analyst with the Oregon Center for Public Policy.

Basic Health has the potential to boost Oregon's recent efforts to extend coverage and care to all Oregonians — at little cost to the state.

A Basic Health Program is an option states have under the Affordable Care Act for providing coverage to low-income residents. Basic Health would function as an alternative to purchasing individual coverage through Cover Oregon. The state could operate Basic Health seamlessly with the Oregon Health Plan.

Who could be covered? Basic Health would cover residents earning under 200 percent of the federal poverty level, who are under age 65 and who aren't eligible for Medicaid or Children's Health Insurance Program (CHIP).

Because most children under 200 percent of the federal poverty level are eligible for Healthy Kids and most adults under 138 percent of the federal poverty level will be eligible for the Oregon Health Plan, Basic Health would primarily serve adults with incomes between 138 and 200 percent of the federal poverty level. To fall within that range this year, a family of three would earn between about \$27,000 to \$39,000.

For all who qualify, Basic Health would provide their coverage. They would not be able to shop in the exchange.

The Urban Institute estimates that some 110,000 Oregonians would be eligible for a Basic Health Program and 72,000 of them would enroll.

As I mentioned, Basic Health would cost the state relatively little. Funding would come from the federal government. Rather than subsidize the Basic Health-eligible population's purchase of health insurance in the exchange, the federal government would give the state the money it would have spent on those subsidies. The state would use those funds to run Basic Health.

Another key advantage of Basic Health is that it would likely offer much more affordable health coverage than that found in the exchange. The Urban Institute study found that a Medicaid-like benefit package for a low-income adult in an exchange would have a national annual average cost of \$1,218 after subsidies are subtracted, while a Basic

Health Program could offer the same package for \$100. They also estimated annual out-of-pocket costs such as deductibles and co-payments also to be substantially lower.

It's those dramatically lower enrollee costs that make Basic Health a potential vehicle for boosting health coverage. For some low-income families, the cost of health care coverage through Cover Oregon may be out of reach.

The single-page handout I've provided illustrates maximum potential costs for families at two income levels in Cover Oregon under a silver-level Standard plan. At this level, the households would be able to access the federal premium subsidies and subsidies for their out-of-pocket costs.

The examples in the second row show the premiums and maximum annual out-of-pocket costs for households at 160 percent of the federal poverty level. In the worst-case scenario, these households would be spending 13 percent and 17 percent of their income on health care costs. Those costs likely are prohibitive, meaning that these households would likely not get the care they need.

Looking at the examples in the first row showing households at 60 percent of the federal poverty level, they very likely will experience the same challenges. This example is included because, while most families at this income level will be eligible for OHP and would not shop in the exchange, federal law bars from Medicaid legal immigrants with Medicaid-level incomes who have resided in the United States for less than five years. These legal immigrants, however, will be able to shop in the exchange.

Our assessment is that these immigrant families will be nearly certain to struggle with even the modest premiums. Oregon tried imposing premiums on very low income households in OHP Standard in 2003 with troubling results. Nearly half of the enrollees dropped from the program within six months.

Basic Health also has the potential to remove disruption in coverage and access to familiar providers for low-income Oregonians.

Although the potential benefits from Basic Health are very promising, we need more information to get a better sense of whether Basic Health is a good fit for Oregon. That's why we think it's important to conduct feasibility study. That study would need to examine at least the following factors:

- Basic Health premium levels;
- change in the number of uninsured Oregonians;
- impact on Cover Oregon premiums;
- state fiscal impact above federal funding; and
- options for increased provider payments above those in OHP.

Thank you for your interest in Basic Health and its potential for improving coverage and access to care for vulnerable Oregonians. And thank you for your ongoing commitment to improving health care in Oregon.