

**SENATE BILL 703 (HERNANDEZ)  
BASIC HEALTH PROGRAM OPTION**

**SUMMARY**

This bill would require the Managed Risk Medical Insurance Board (MRMIB) to establish a Basic Health Program (BHP) and specifies MRMIB's responsibilities and authorities to administer the program accordingly. Section 1331 of the Affordable Care Act (ACA) provides for a state option to establish one or more "Basic Health" insurance plans to individuals between 133 percent and 200 percent of the federal poverty level instead of offering those individuals coverage through the Exchange. Coverage is provided through competitive contracting with standard health plans. Plans must provide at least the essential health benefits and individual premiums must be no greater than the corresponding silver plan on the Exchange. Federal payment for the cost of coverage in a Basic Health Program would be up to 95 percent of the coverage in the Exchange.

**EXCHANGE STAFF COMMENTS/RECOMMENDATIONS**

Sufficient information is not available to assess the long-term costs and benefits of implementing a Basic Health Program in California. Given the differences between the various projections of BHP enrollment and demographics, the effect of a BHP on the Exchange population, risk mix, and contracting possibilities is very unclear. Additional analysis and federal guidance is needed to inform the decision about whether to establish a Basic Health Program.

**ANALYSIS**

This bill would require, among other duties, that, MRMIB enter into a contract with the United States Secretary of the Department of Health and Human Services (DHHS) to implement the BHP to provide coverage to Eligible individuals and requires enrollment on January 1, 2014.

Authorizes MRMIB to determine benefits, if any, to offer BHP participants that are in addition to the essential health benefits packages required by ACA.

Requires DHCS and the Exchange to include information on the availability of coverage through the BHP in all eligibility outreach efforts, and MRMIB to also include information on the availability of coverage in the Medi-Cal Program and Exchange.

Requires MRMIB to contract with a broad range of health plans in an area, if available, to ensure that subscribers have a choice of health plans from among a reasonable number and different types of competing health plans.

Requires MRMIB to take all reasonable steps to ensure that the range of choices of health plans available to each applicant includes health plans that include in their

provider networks, and have signed contracts with, traditional and public and private safety net providers.

Requires MRMIB to designate a community provider plan (CPP) in each geographic area that is the participating health plan that has the highest percentage of traditional and public and private safety net providers in its network. Requires that subscribers selecting such a health plan be given a premium discount in an amount determined by MRMIB.

Continues enrollment for an eligible individual enrolled in the BHP for a period of 12 months from the month eligibility is established, to the extent permitted by federal law.

Requires MRMIB to make sure of a simple and easy to understand mail-in and Internet application process, provide for the operation of a toll-free telephone hotline to respond to requests for assistance, maintain an Internet Website, utilize a standardized format for presenting health benefits plan options, as specified, and establish a process to inform individuals who lose eligibility for the BHP of the availability of coverage through Medi-Cal, and the Exchange and to transmit their eligibility-related information to those programs electronically to facilitate enrollment.

Requires MRMIB in the event that MRMIB reasonably expects that the cost of BHP will exceed the available funds, to transfer individuals at their annual redetermination to coverage in the Exchange.

Requires MRMIB to request an evaluation of the BHP to determine, among other factors, the extent to which the BHP has achieved objectives to provide low-income Californians with equal or better benefits and lower premiums and cost sharing than would be available in the Exchange. The evaluation is to be provided to the Legislature by July 1, 2017.

## **POTENTIAL ENROLLMENT IMPACT ON THE EXCHANGE**

A report by Mercer estimates approximately 1.8 million would enroll in the Exchange (even with a BHP). Mercer suggests that the BHP population could represent a less healthy (and more costly) risk profile than the remaining Exchange population above 200% FPL because people with lower incomes tend to have more health issues. The level of premiums and cost-sharing in BHP and in the Exchange will have a direct impact on the risk of the population that enrolls in either place. Higher premium and cost-sharing levels increase the level of adverse risk and lead to higher enrolled population risk, because only those people who really need coverage will be willing to pay for it, especially at higher premium and cost-sharing levels. Lower premiums and cost-sharing levels, as would be offered in the BHP as compared to what the same population would get in the Exchange, could result in better risk in BHP because lower income people with more health issues would not be in the Exchange risk pool. Mercer indicates that plan participation, consumer choice, and risk dynamics for the Exchange population are complicated and beyond the scope of their analysis.

A report by the Institute for Health Policy Solutions (IHPS) indicates that the BHP would substantially reduce the size of the Exchange's core tax credit population by more than half. IHPS uses estimates developed by the Urban Institute that indicate that there are over 2.3 million Californians with income up to 400% FPL, and half of them have income under 200% FPL and would be eligible for BHP. IHPS states that this reduction in the Exchange population would greatly diminish the Exchange's ability to attract and offer high-value health plans that would compete for three out of four individual market purchasers.

### **FISCAL IMPACT**

According to the Senate Appropriations Committee:

1. Start-up funding is likely in the millions of dollars annually.
2. Ongoing cost to operate BHP is likely in the billions of dollars annually in federal and private dollars as BHP is to be funded by federal funds and subscriber premiums.

### **SUPPORT/OPPOSITION**

Support:

Local Health Plans of California (sponsor)  
California Association of Health Insuring Organizations  
California Association of Public Hospitals and Health Systems  
California Chiropractic Association  
Congress of California Seniors  
Disability Rights Legal Center  
Molina Healthcare of California  
Planned Parenthood Affiliates of California  
Santa Clara County

Oppose:

American Federation of State, County and Municipal Employees  
AFL-CIO  
California Right to Life Committee, Inc.  
Orange County Board of Supervisors