

Healthy Wisconsin

Proposal #1: Primary Insurance for Part of
Small Group Market with Reinsurance
Component

November 9, 2006

Proposal Elements

Primary Coverage

- ❑ Create a statewide insurance program targeted at uninsured individuals working for small employers (2-50 employees) (roughly 96,000 lives.)
- ❑ The primary insurance product could be adjusted from limited coverage to broader coverage of services.
- ❑ Preliminary Per Member Per Month comparisons for low income adults

BadgerCare Adults (MA Level of Service Coverage)	\$269
BadgerCare Benchmark Plan	\$205
Healthy NY	\$180

Proposal Elements

Primary Coverage

- Insurers (insurance companies, HMO's, etc.) would be required to offer the primary product. Premiums for the program would be set by the insurers.
- The state could subsidize the program (amount of subsidy and funding source TBD).

Proposal Elements

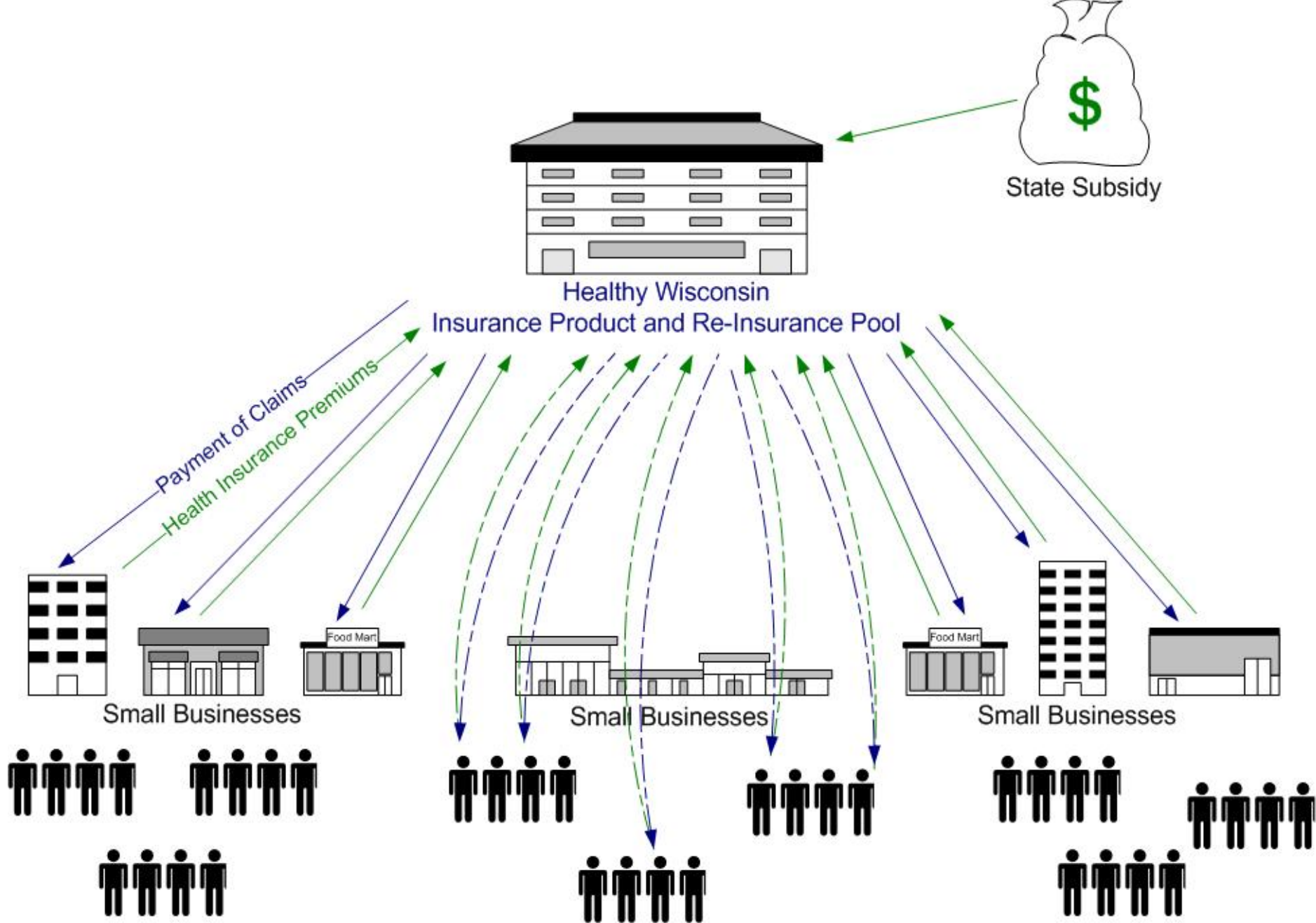
Reinsurance Coverage

- ❑ Create a statewide reinsurance program coordinated with the primary product.
- ❑ The reinsurance program would pay a large portion of catastrophic claims above a specific attachment point or within a specific corridor.
- ❑ Insurers (insurance companies, HMO's, etc.) would be required to pay premiums to the reinsurance program for each life they cover under the basic plan.
- ❑ The state would subsidize the program through the payment of catastrophic claims (amount of subsidy and funding source TBD).

Proposal Elements

Administration

- The program would be administered by a quasi-government entity (similar to HIRSP Authority)
- Authority develops the primary product
- The organization will be governed by a balanced board. Major decisions would require a super-majority.
- Over time, funds in program may grow and be invested. As the fund grows, efforts can be explored to either reduce program premiums or to lower the attachment point to increase the effectiveness of the program.



Strengths

Insurance program:

- ❑ Directly lowers premiums due to creation of a basic primary insurance product that is subsidized.
- ❑ Addresses one of the most problematic sectors of the health insurance market – low income individuals and small groups.
- ❑ Provides an opportunity to pilot the reinsurance idea without instituting problematic geographic restrictions. If successful, program could be expanded.



Strengths (cont.)

- Program is relatively easy to administer. A small number of insurers write the majority of small group policies.
- Small businesses would not be required to modify their behavior. They would continue to purchase health insurance as they do now.
- A balanced board would ensure that decisions are made based on the interest of all parties.

Weaknesses

- The source of the subsidy would need to be identified. Funding within the state budget may be hard to identify so other sources may be explored. For example, other states have identified tobacco money or assessments on providers or insurers.
- Not all businesses would benefit under this pilot approach.
- Need to prevent crowd-out.

Weaknesses (cont.)

- Insurers would need to be assured that they would not be worse off.
- The size of the benefit to small businesses would depend on the level of program premiums and the size of the subsidy. A limited decrease in premiums and/or no subsidy would have minimal impact.