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Using Waivers to Improve Health Care Affordability and Access to Health Insurance in Connecticut

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Introduction

Despite improvements in health insurance coverage in Connecticut over the past decade, the combination of insurance premiums and out-of-pocket costs at the point of service makes access to affordable health care difficult for some Connecticut residents. This brief considers how the state government might use program waivers as a policy tool to improve affordability and access for Connecticut residents. For more detail on waiver mechanics, see our companion brief, “How Waivers Work: ACA Section 1332 and Medicaid Section 1115.”

Thanks to the Affordable Care Act’s (ACA) coverage expansions through HUSKY (the state’s Medicaid program) and the availability of subsidized insurance through Access Health CT, Connecticut’s uninsured rate fell to four percent of the population as of 2014.¹ Extending health insurance to more of the population is an important strategy for states pursuing the “Triple Aim” for their health care systems: improving the patient experience of care (including quality and satisfaction); improving the health of populations; and reducing the per capita cost of health care.

However, recent HUSKY reductions may partly reverse Connecticut’s insurance coverage gains.² In addition, recent affordability research shows that while insurance facilitates access to health care, insurance doesn’t guarantee access.³

Connecticut has addressed cost concerns in several ways. A multi-payer initiative to reform

States may use waivers to make health insurance more accessible and affordable for their low income residents by:

- Simplifying the health care system through administrative reforms and/or publicly-financed coverage.
- Making Medicaid available to more people.
- Using Medicaid funds to purchase private insurance.
- Streamlining eligibility processes.

health care delivery is being financed by a federal State Innovation Model (SIM) grant.⁴ Recent state legislation addresses transparency and patient billing practices.⁵ In addition to these efforts, it may be appropriate for Connecticut to consider pursuing federal waivers of Medicaid law or the ACA to further facilitate affordable health care.

Waivers could address the following concerns:

Many may still find health insurance coverage unaffordable. Connecticut is both a wealthy state and a costly state to live in. A family of four with an income of \$47,000 – twice the federal poverty level (FPL) – would pay about \$3,000 per year in premiums (6.3 percent of its income) for a subsidized health plan through Access Health CT, plus additional out-of-pocket expenses when receiving care, in the form of deductibles and copayments. In a recent survey of Access Health CT customers, 30 percent of respondents who purchased private coverage said they thought they were paying too much for insurance. The same survey reported that lack of affordability was the most frequent reason given for terminating coverage, cited by about one respondent in five.⁶

Facing high costs, families of limited means may choose to delay or forgo needed care.⁷ The Connecticut Health Care Survey, conducted in 2012 and 2013, found that one-tenth of respondents with health insurance did not get care they needed during the prior year, and another one-quarter delayed care. Many of these respondents cited health care costs as the reason for forgoing care.⁸ Many parents who lost Connecticut Medicaid coverage during the summer of 2015 due to state budget action may find their health care costs are much higher on Access Health CT.⁹ Waivers could be used to make health insurance more affordable to Connecticut residents.

Some face challenges maintaining their coverage. Individuals and families may lose coverage temporarily because of income that fluctuates between eligibility levels for HUSKY and for subsidized coverage through Access Health CT.¹⁰ The loss of health insurance, even for a short time, can negatively affect a person's health care access, finances, and health status. Waivers could be used to reduce the negative effects of this eligibility volatility, known as churn.

Some working families cannot access federal subsidies. Individuals may purchase subsidized insurance through Access Health CT if they do not otherwise have access to affordable health insurance.¹¹ Affordability of employer-sponsored insurance, the most common source of insurance, is determined based on an employee's contribution for individual coverage, not family coverage. High premiums for employer-sponsored family coverage may thus be considered affordable under the law, which excludes an employee's spouse and children from access to subsidies through Access Health CT. Waivers could be used to extend help to these working families.

Some immigrants cannot access federal subsidies. The ACA allows only U.S. citizens, nationals, and lawfully present immigrants to use Access Health CT.¹² Undocumented immigrants are not allowed to purchase insurance on Access Health CT, even at full price. Individuals who lack marketplace access have little or no option to insure themselves for future catastrophic care. Having this population insured would reduce hospitals' liabilities for uncompensated care. Waivers could be used make Access Health CT available to more immigrants.

Some individuals may have an unexpected tax liability. Individuals purchasing subsidized insurance through Access Health CT receive their premium tax credits in advance. The total credit is calculated when the individual files her federal tax return. If income has fluctuated during the year the advanced credits might exceed the total credit, in which case the individual would need to return some of the overpayment to the federal government. The Kaiser Family Foundation estimates that about half the people who received subsidies in 2014 owed some amount in repayment to the federal government.¹³ Waivers could help mitigate or eliminate such unexpected tax liabilities.

What are Waivers?

Connecticut might consider reforms to its health care system to address these issues if evidence suggests any of these issues create barriers to quality affordable care that improves the health of the population. Federal waivers are among the policy tools the state could use to accomplish its goals. Two types of waivers that allow broad changes to how health care programs are designed and administered are ACA Section 1332 Waivers and Medicaid Section 1115 Waivers.

The **ACA Section 1332 waiver**, also known as the ACA Innovation Waiver, would allow states to opt out of fundamental elements of the coverage expansion section of the law, including: the creation of a marketplace (Access Health CT); the establishment of qualified health plans available for purchase in the marketplace; federal subsidies for individuals purchasing coverage in the marketplace; and the mandate for individuals to purchase insurance and employers to offer it.¹⁴ To qualify for a waiver, a state would have to demonstrate that its alternative program would provide equally comprehensive coverage to a comparable number of people, provide coverage that is at least as affordable, and not increase the federal deficit. To finance its innovation, a state could receive amounts from the federal government equal to what would have been paid as subsidies to individuals. Section 1332 waivers become available in 2017.

Medicaid Section 1115 waivers have become a basic policy tool for many states' Medicaid programs; 43 states plus the District of Columbia currently have at least one 1115 waiver in place.* With approval of the federal Medicaid oversight agency, a state may waive many aspects of its Medicaid state plan, if the federal agency deems the waiver is "likely to assist in promoting the objectives of the program."¹⁵ Section 1115 waivers may be used to increase income eligibility limits, expand eligibility categories, add benefits not ordinarily covered by Medicaid, launch a pilot program in one area of the state, and more. Programs administered under a Medicaid waiver may not result in federal spending that is greater than what it would be under a traditional Medicaid program. A state may apply for a Section 1115 waiver at any time; these waivers often take months or even years to design and have approved.

Using Waivers to Address Affordability and Access Issues

ACA Section 1332 and Medicaid Section 1115 waivers offer policy makers opportunities to tailor publicly administered or subsidized health insurance programs to the needs of their states. With careful design, these options could address the affordability and access issues that might impede

* Included in this state count are 1115 waivers for the Children's Health Insurance Program (CHIP), which is often integrated with a state's Medicaid program. Not included in this state count are 1115 waivers for TANF and other programs.

Connecticut residents' access to health care. Options include:

Simplifying the health care system. Complexity in the health care system leads to added costs for both providers and participants. Connecticut could use Section 1332 and 1115 waivers to reduce complexity and its associated costs. Several options are available, varying in the level of state involvement required. For example, Connecticut could build on a recent billing statute and use waiver authority to standardize billing and claiming processes across all third party payers.¹⁶ A recent survey of Connecticut physicians found that a majority of respondents considered the lack of uniformity in insurance forms “very challenging.”¹⁷ Connecticut could also offer a publicly financed health plan to compete in the health insurance marketplace. Much of the design for this type of product was accomplished as part of Sustinet, an earlier Connecticut health care initiative. Or, Connecticut could pool public funds with private sources to finance the coverage of all state residents through a single, state-sanctioned structure.

Offering an affordable continuum of care. Connecticut could use ACA Section 1332 and Medicaid Section 1115 waivers to expand HUSKY eligibility to all individuals with incomes under 200 percent of FPL who are not currently eligible. This reform could reduce low income residents' out-of-pocket expenses with subsidized coverage purchased through Access Health CT. This approach is similar to the Basic Health Program (BHP) option in the ACA. The waiver would allow Connecticut to configure this expansion to fit with the existing HUSKY administrative structure.

Offering flexibility to health care entities in order to promote population health. Recent research highlights the contribution of non-medical factors to worse health and higher health care costs. Through its SIM grant, Connecticut is moving to a multi-payer model in which health care entities take more responsibility for population health and health costs, in return for greater flexibility to address health more holistically. Connecticut could use Section 1332 and 1115 waivers to support and sustain the SIM grant work.

Extending health care to more immigrants. By buying health insurance, individuals can both safeguard their financial futures and promote the sustainability of hospitals and other providers who care for them. The ACA excludes immigrants not “lawfully present” from purchasing insurance in an insurance marketplace, even at full price.¹⁸ Using an ACA Section 1332 waiver, Connecticut could extend the offer to buy full-priced insurance to more immigrants.¹⁹ A similar proposal was considered by the California legislature in 2015.²⁰ In addition, Connecticut could use state-only funds to provide subsidies for those individuals.²¹

Streamlining processes to make it easier to maintain coverage. States may use Medicaid Section 1115 waivers to institute processes that would help stabilize enrollment and reduce coverage gaps.²² One example is to allow adults who are enrolled in HUSKY to remain eligible for 12 continuous months, regardless of changes that might affect eligibility such as income or family composition.

Potential Pitfalls

There are potential unintended consequences in using waivers to provide an alternative path to coverage for low-income residents. The projected federal revenue to support a reform could put state finances at risk if the parameters on which projections are based are not accurate. The administrative structure of a new program must mesh well with existing ones, lest uncoordinated transitions across programs cause coverage gaps. Removing a group of people from the marketplace could affect Access Health CT, hindering its clout in the market and curtailing its financing base. And changes in the political climate also present a potential risk for waiver programs that rely on federal approval of future waiver renewals. Policy-makers should be aware of these potential pitfalls and take steps to minimize their likelihood.

An Action Agenda for Connecticut

Connecticut state government and interested observers can take a number of short-term steps to help determine whether and which options discussed in this paper are needed to enhance affordability and access to coverage, including:

Monitor accessibility and affordability. Interested parties can use data to monitor how Connecticut residents are faring under ACA reforms, as indicators of whether it may be necessary to pursue some of the options described here.

Share information. Once access and affordability information is gathered, interested parties could engage in information sharing and advocacy, including informing the public, engaging legislators, and working with the Connecticut Healthcare Advocate.

Develop and pursue options. If the situation calls for further reform, policy options could be developed that use waivers or other tools. In the course of developing options, state agencies, legislators, and other stakeholders should be engaged to explore shared goals and potential solutions to affordability issues.

Conclusion

The Affordable Care Act created a default structure for making available affordable coverage. To increase the likelihood that as many people as possible have the opportunity for adequate, affordable coverage, the ACA also provides options for states to depart from the default. If, as ACA implementation proceeds, it appears that a sizeable number of its residents still cannot afford coverage, Connecticut may consider using one of the waiver options described in this brief to improve access to and affordability of health care coverage for its residents.

Endnotes

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- ⁵ Connecticut Public Act No. 15-146 (2015).
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- ¹⁰ Benjamin Sommers and Sara Rosenbaum. Issues in Health Reform: How Changes in Eligibility May Move Millions Back and Forth between Medicaid and Insurance Exchanges. Health Affairs 30:2 (February 2011).
- ¹¹ ACA § 1401, 26 U.S.C. §36B(c)(2)(C)(i).
- ¹² ACA § 1312(f)(3), 42 U.S.C. § 18032. ACA regulations define people with deferred action as lawfully present (42 C.F.R. §152.2). However, administration policy appears to exclude individuals recently eligible for deferred action under Deferred Action for Childhood Arrivals (DACA) and Deferred Action for Parental Accountability (DAPA). See Remarks by the President in Address to the Nation on Immigration (November 20, 2014), <http://www.whitehouse.gov/the-press-office/2014/11/20/remarks-president-address-nation-immigration> (accessed July 30, 2015).
- ¹³ Cynthia Cox, Anthony Damico, Gary Claxton, et. al., Kaiser Health Foundation. Repayments and Refunds: Estimating the Effects of 2014 Premium Tax Credit Reconciliation (March 2015).
- ¹⁴ ACA § 1332, 42 U.S.C. 18052.
- ¹⁵ Section 1115 of the Social Security Act, 42 U.S.C. 1315.
- ¹⁶ Connecticut Public Act No. 15-146 (2015).
- ¹⁷ Rob Aseltine, Paul Cleary, Elizabeth Schilling, et.al. Physician Perspectives on Care Delivery Reform: Results from a Survey of Connecticut Physicians (April 2015), http://www.healthreform.ct.gov/ohri/lib/ohri/sim/steering_committee/2015-04-09/presentation_physician_survey_04092015_final.pdf (accessed July 30, 2015).
- ¹⁸ ACA § 1312(f)(3), 42 U.S.C. § 18032(f)(3)

¹⁹ Section 1332 of the ACA allows for a waiver of 42 U.S.C. 18032(f)(3), which bans certain immigrants from using Access Health CT.

²⁰ California Senate Bill 10 (2015)

²¹ Using federal funds derived from the aggregate amount in ACA §1332(a)(3) might also be allowable, depending on interpretation of federal law.

²² Centers for Medicare and Medicaid Services. State Health Official/State Medicaid Director Letter #13-003, “Facilitating Medicaid and CHIP Enrollment and Renewal in 2014” (May 17, 2013)

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