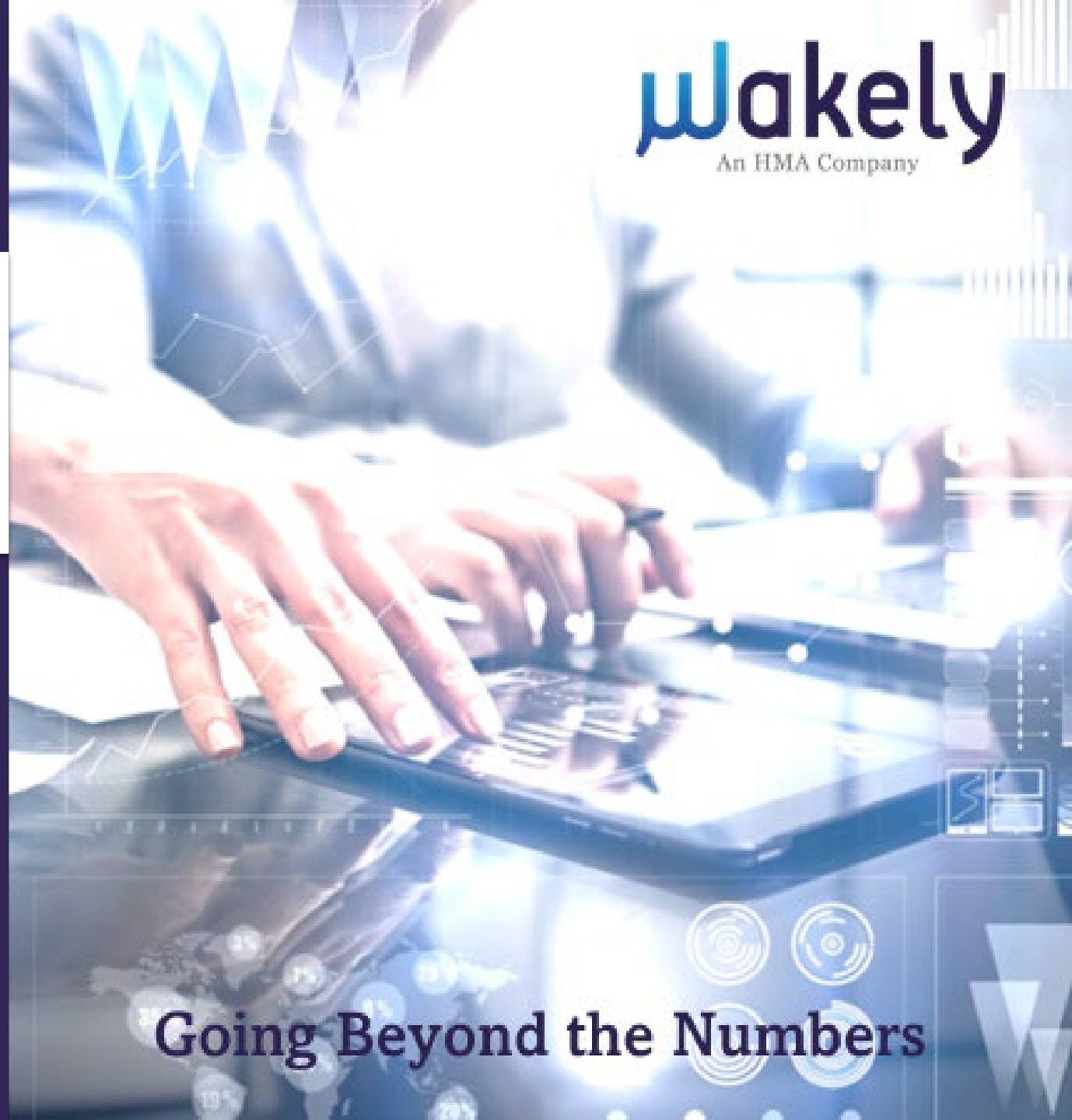
Early Care and Education (ECE) Healthcare Subsidy Program Study

PRESENTED BY

Ren Zhong, ASA, MAAA
Ren.Zhong@wakely.com



Methodology and Data Limitations

Office of Early Childhood (OEC) Surveys

- Employee survey: Approximately 2,100 responses
- Large employer survey: Seven responses

Supplemental Information

Survey data is not sufficiently credible, supplemented with:

- Rate filings
- Public survey results
- Industry publications

Scenario Testing

To reflect significant uncertainty, baseline, low, and high scenarios were developed to illustrate a range of potential outcomes.

ECE Workforce Insurance and Economic Status

ECE Workforce Insurance Status

Insurance Status	Distribution	Employee Count
Insured ECE Workers	82%	25,400
Uninsured ECE Workers	18%	5,600
Total	**100%**	**31,000**

Distribution of Sources of Insured ECE Workforce

Source of Coverage	Distribution	Employee Count
Through my employer	20%	6,200
Through AHCT Individual Marketplace *	17%	5,200
Through a spouse/partner's or Other** plans	28%	8,800
Through Medicaid or Husky Health	15%	4,600
Medicare	2%	700
Uninsured	18%	5,600
Grand Total	**100%**	**31,000**

* *An estimated one-third of enrollees in the AHCT Individual Marketplace have Covered CT, which is available to individuals with household incomes below 175% of the Federal Poverty Level.*

** *"Other" source of coverage include parent's plan, COBRA, from another job, Tricare, and unspecified sources.*

*** *Employee counts are rounded to the nearest hundred, and the grand total is rounded to the nearest thousand.*

ECE Worker Average Income

ECE Worker 2026 Income Estimate

	Low	Baseline	High
Median Hourly Wage	$16.94	**$17.30**	$18.20
Median Annual Income	$35,000	**$36,000**	$38,000
% of Federal Poverty Level	219%	**226%**	238%

- *Hourly wages rounded to the nearest $0.10, with the lower bound set at the state minimum wage.*
- *Annual income rounded to the nearest thousand.*
- *Percentages of FPL are based on the 2026 Federal Poverty Level of $15,960 for a single individual.*

Employee Healthcare Premium Contribution

- *Approximately 600 survey respondents reported their share of healthcare premiums.*
- *Across all tiers - single, dual, and family, average employee premiums are lower in the individual marketplace than in employer-sponsored plans, reflecting the impact of federal premium subsidies and the Covered CT program that help reduce costs for eligible enrollees.*

Employee Monthly Premium for Employer Sponsored Plan

Monthly Contribution Range	Single	Dual	Family	Total
Less than $100	18%	0%	4%	14%
$100–$299	57%	28%	32%	50%
$300–$499	19%	34%	14%	19%
$500+	6%	38%	50%	17%
Grand Total	100%	100%	100%	100%
Distribution by Type of Coverage	72%	8%	21%	100%
Average Employee Monthly Premium	**$215**	**$464**	**$481**	**$289**

Employee Monthly Premium for Individual Marketplace Plan

Contribution Range	Single	Dual	Family	Total
Less than $100 *	41%	28%	23%	33%
$100–$299	41%	17%	20%	31%
$300–$499	4%	31%	19%	12%
$500+	15%	24%	38%	23%
Grand Total	100%	100%	100%	100%
Distribution by Type of Coverage	56%	13%	31%	100%
Average Employee Monthly Premium	**$207**	**$345**	**$400**	**$286**

State Subsidy Strategies

Solutions Under Discussion

Solutions	Target Population	Approach
Plan-based subsidy	*ECE workers with HSA-compliant health plans*	*Provide subsidies as HSA contributions to offset high deductibles for HSA-qualified plans.*
Plan-based subsidy	*ECE workers with non-HSA health plans*	*Provide premium assistance for non-HSA plans; subsidies are paid directly to the carrier (or employer on behalf of the enrollee) and not issued as cash to individuals.*
ICHRA (Individual Coverage HRA)	*ECE workers enrolled in employer-sponsored coverage*	*Use Access Health CT's BusinessPlus platform to support adoption and administration of ICHRA.*
Income-based subsidy	*ECE workers enrolled in AHCT Individual Marketplace on-exchange plans*	*Provide income-tiered subsidies, with higher support for lower-income employees.*
Universal subsidy	*All eligible ECE workers*	*Provide a flat-dollar subsidy regardless of income level or plan type.*

Solutions Under Discussion

The Work Group also discussed potential for a hybrid model that applies different mechanisms depending on the source of coverage.
For example, employees enrolled in employer-sponsored plans could receive support through employer-facilitated arrangements, while those purchasing coverage in the individual marketplace could receive assistance structured to complement existing federal and state subsidies.

The statute states that the healthcare subsidy be structured on a fiscal year basis, while marketplace coverage follows a calendar year. This misalignment may create administrative complexity and partial-year coordination issues. Aligning the subsidy with the January plan year could simplify administration and improve the member experience.

Solution 1: Cost Sharing Subsidy for HSA Plans

Solution 1. Cost Sharing Subsidy for HSA Enrollees

Program Highlights

- Structure the subsidy as a percentage of the single deductible for HSA plans, capped so that the combined state subsidy and employer HSA contributions do not exceed the deductible.
- Employees who enroll in an HSA plan receive direct state contributions to their HSAs.
- Employees can make additional tax-free HSA contributions, and lower taxable income while building savings for healthcare expenses.
- HSA funds roll over year to year, enabling long-term accumulation for future medical needs.

Solution 1. Cost Sharing Subsidy for HSA Enrollees

Pros

- ✓ Higher deductibles receive more support
- ✓ Aligns benefit with actual cost-sharing exposure

Cons

- Large range of deductible by plan, from a few thousand to over ten thousand dollars
- High administrative complexity, requires plan-specific deductible verification
- Creates uneven subsidies across employees with similar incomes
- Incentivize selection of higher-deductible plans to maximize subsidy
- Budgeting is unpredictable for the state

Solution 1. Cost Sharing Subsidy for HSA Enrollees

- *Projections are developed separately for employer plan enrollees and individual Marketplace enrollees.*
- *Covered CT enrollees are excluded from the population, therefore only 67% of Individual Marketplace enrollees would benefit from ECE subsidy.*
- *Assumes 5 percentage point increase in ECE employer-sponsored plan enrollees shifting from spouse/partner plans due to subsidy incentives.*
- *Assumes 5 percentage point increase in individual marketplace enrollees from take-up among uninsured population.*

.

Total Potential Insured ECE Workers

Projected Employees with Employer's Plan	Low	Baseline	High
% of ECE Workforce in Employer's Plan *	22%	25%	28%
Projected ECE Employees Potentially Benefit from Subsidy**	6,800	**7,800**	8,700

Projected Employees with Individual Marketplace Plan	Low	Baseline	High
% of ECE Workforce with Individual Marketplace Plan *	19%	22%	25%
% of Enrollees in Individual Marketplace Not Having Covered CT	67%	67%	67%
Projected ECE Employees Potentially Benefit from Subsidy**	4,000	**4,600**	5,200

Total Projected Insured Employees Benefit from the Subsidy**	10,800	**12,400**	13,900

** Percentages reflect the share of total ECE employees.*
*** Estimated employee counts rounded to the nearest hundred.*

Solution 1. Cost Sharing Subsidy for HSA Enrollees

HSA Enrollment Estimate

Percentage of Employees with HSA	Low	Baseline	High
Employer Sponsored Plans	24%	26%	29%
AHCT Individual Marketplace Plans	13%	15%	18%
Number of Employees with HSA	**Low**	**Baseline**	**High**
Employer Sponsored Plans	1,600	2,000	2,500
AHCT Individual Marketplace Plans	500	700	900
Total HSA Employees	2,100	2,700	3,400

HSA Average Deductible Estimate

Average Single Deductible	Low	Baseline	High
Employer Sponsored Plans	$3,200	$3,700	$4,200
AHCT Individual Marketplace Plans	$5,500	$6,000	$6,500

Solution 1. Cost Sharing Subsidy for HSA Enrollees

- *For illustrative purposes only.*
- *Estimated subsidy assumes 25% of average HSA plan deductibles or $1000 Flat dollar amount, based on projected eligible employees, in Low/Baseline/High scenarios.*
- *Total funding does not reflect offsets from employer HSA contributions or other federal/state subsidies.*

HSA Subsidy Illustration - % of Deducible

Average Single Deductible	Low	Baseline	High
Employer Sponsored Plans	$3,200	$3,700	$4,200
AHCT Individual Marketplace Plans	$5,500	$6,000	$6,500

Subsidy Percentage of Single Deductible	***25%***

Subsidy Amount Per Employee	Low	Baseline	High
Employer Sponsored Plans	$800	$925	$1,050
AHCT Individual Marketplace Plans	$1,375	$1,500	$1,625

Number of Employees with HSA	Low	Baseline	High
Employer Sponsored Plans	1,600	2,000	2,500
AHCT Individual Marketplace Plans	500	700	900
Total HSA Employees	2,100	2,700	3,400

Total Subsidy Amount	Low	Baseline	High
Employer Sponsored Plans	$1,280,000	$1,850,000	$2,625,000
AHCT Individual Marketplace Plans	$687,500	$1,050,000	$1,462,500
Total HSA Subsidy on Deductible	$1,967,500	**$2,900,000**	$4,087,500

HSA Subsidy Illustration – Flat Dollar Amount

Subsidy as Flat Dollar Amount	***$1,000***

Total Subsidy Amount	Low	Baseline	High
Employer Sponsored Plans	$1,600,000	$2,000,000	$2,500,000
AHCT Individual Marketplace Plans	$500,000	$700,000	$900,000
Total HSA Subsidy on Deductible	$2,100,000	**$2,700,000**	$3,400,000

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Solution 2: Premium Assistance for Non-HSA Plans

Solution 2. Premium Subsidy for Non-HSA Enrollees

Program Highlights

- Complementary to Solution 1 (HSA subsidies), Solution 2 provides subsidies for non-HSA enrollees.
- Employees enrolled in non-HSA plans receive a premium subsidy as a percentage of annual premium, applied after any other eligible state and federal subsidies.
- To avoid unintended tax burdens, the subsidy is used to offset the employee's share of the premium that is deducted from the employee's paychecks. Subsidy for AHCT Individual marketplace enrollees will be directly paid to the insurance companies.

Solution 2. Premium Subsidy for Non-HSA Enrollees

Pros

- ✓Higher-premium plans receive proportionally higher subsidies, helping employees afford more expensive coverage.
- ✓The subsidy as a percentage of premium can be adjusted over time to meet budget or policy goals.

Cons

- Administrative complexity: Requires ongoing calculation of each employee's premium share after accounting for employer contributions and federal/state subsidies.
- Unpredictable state costs: Total subsidy expenditures vary with premium levels and plan choices, making budgeting less certain.
- Potential inequity across employees: Employees selecting lower-cost plans receive smaller subsidies, even if their financial need is similar.
- Incentivizes higher-cost plans: Employees might choose more expensive plans to receive a larger subsidy.

Solution 2. Premium Subsidy for Non-HSA Enrollees

- *For illustrative purposes only.*
- *Estimated subsidy assumes 5% of average annualized premium based on projected eligible employees, in Low/Baseline/High scenarios.*
- *Total funding does not reflect offsets from other federal/state subsidies.*

Non-HSA Premium Assistance Illustration

Average Monthly Premium for Single Coverage	Low	Baseline	High
Employer Sponsored Plans	$960	$1,010	$1,060
AHCT Individual Marketplace Plans	$1,070	$1,130	$1,190

Subsidy Percentage of Premium	***5%***

Annualized Subsidy Amount Per Employee	Low	Baseline	High
Employer Sponsored Plans	$576	$606	$636
AHCT Individual Marketplace Plans	$642	$678	$714

Projected Non-HSA Employees	Low	Baseline	High
Employer Sponsored Plans	5,200	5,800	6,200
AHCT Individual Marketplace Plans	3,500	3,900	4,300
Total Non-HSA Employees	8,700	9,700	10,500

Total Annualized Subsidy Amount	Low	Baseline	High
Employer Sponsored Plans	$2,995,000	$3,515,000	$3,943,000
AHCT Individual Marketplace Plans	$2,247,000	$2,644,000	$3,070,000
Total Annualized Premium Subsidy	**$5,242,000**	**$6,159,000**	**$7,013,000**

Key Considerations of Plan-Based Subsidies

Potential for Unintended Plan Selection Incentives

Different subsidy structures based on plan type (HSA tied to deductibles vs. non-HSA tied to premiums) may create unintended incentives and plan migration.

Inconsistent Support for Individuals with Similar Economic Status

Plan-based subsidies may create inequities by not targeting low-income households, potentially limiting support for those with the greatest financial need.

Administrative Complexity and Cost

Programs that require eligibility verification, such as confirming employee income levels, verifying enrollment in specific plan types, or coordinating subsidies with existing federal and state marketplace assistance, can involve significant operational effort.

Reduced Predictability in State Funding

Basing subsidies on plan characteristics can make state funding obligations less predictable and more difficult to budget accurately.

Solution 3: Employer Sponsored Plans

Solution 3. Employer Sponsored Plans

ICHRA (Individual Coverage Health Reimbursement Arrangement)	QSEHRA (Qualified Small Employer Health Reimbursement Arrangement)	SHOP (Small Business Health Options Program)
An employer-funded HRA that reimburses employees for individual market health insurance premiums and qualified medical expenses. Employees must be enrolled in individual coverage to participate. Reimbursements are generally tax-free.	An employer-funded HRA available to small employers that do not offer a group health plan. It reimburses employees for individual health insurance premiums and qualified medical expenses on a tax-free basis, subject to annual contribution limits set by the IRS.	An Affordable Care Act marketplace for small employers to offer group health insurance to their employees.

** HRA – Health Reimbursement Arrangement, is an employer-funded account that reimburses employees for qualified medical expenses and health insurance premiums. Contributions are made solely by the employer, and reimbursements are generally tax-free to employees.*

*** Small employers are those with fewer than 50 full-time equivalent employees.*

Solution 3. Employer Sponsored Plans

Program Highlights

Access Health CT has created a platform, BusinessPlus, to facilitate the adoption and administration of ICHRA among employers, with a particular focus on small businesses and nonprofit organizations. This platform is designed to streamline the process for brokers and employers to offer ICHRA, lowering administrative barriers and expanding access to employer-sponsored coverage options.

Access Health CT offers small business employers the opportunity to purchase group health insurance plans through its Small Employer Health Options Program (SHOP). An ECE subsidy through small business employers could also be implemented through the Access Health CT SHOP.

Solution 3. Employer Sponsored Plans

Pros

- ✓ Flexibility: ICHRA allows flexible contributions tailored by employee class
- ✓ Portability: employees retain coverage if they change employers.
- ✓ Tax advantages: pre-tax contributions increase take-home pay.
- ✓ Suitable for part-time or non-traditional workforce common in ECE workforce.

Cons

- Administrative complexity for employers and employees.
- High contributions can reduce ACA premium tax credits if not coordinated.
- Large employers must ensure affordability to avoid ACA penalties.

Solution 4: Income-Based Subsidy

Solution 4. Income-Based Subsidy

Income-Based Subsidy Program Highlights:

- Operationally feasible only for individuals enrolled in on-exchange individual market coverage due to income verification
- The 2026 Federal Poverty Level guidelines will be used to determine eligibility for the 2027 benefit year
- Apply a sliding scale from 175% up to a certain percentage of FPL eligible for subsidy
- Provide a flat-dollar subsidy amount within defined income bands

Advantages of Income-Based Subsidies

- More directly target assistance to low-income families, particularly for uninsured and home based ECE workers
- Ensure individuals with similar incomes receive comparable levels of support
- Avoid unintended plan selection incentives
- Improve predictability of state funding requirements

Solution 4. Income-Based Subsidy

For illustrative purposes, the baseline scenario assumes:

Current individual market enrollees (17% of the total ECE workforce) potentially eligible for the ECE subsidies (those above 175% FPL, estimated at 67%).

A 80% uptake rate among currently uninsured ECE workers (18% of the total ECE workforce), assuming 80% are above 175% FPL.

A 15% migration rate of ECE workers from ECE employer-sponsored plans into the individual market exchange, driven by subsidy incentives.

Source of Coverage	% of Total ECE Workforce	Income >175% FPL*	Potential Eligible ECE Workers	Take-Up Rate	Potential Enrollees
Through AHCT Individual Marketplace	17%	67%	3,500	100%	3,500
Uninsured	18%	80%	4,500	80%	3,600
ECE Employer Sponsored Plan	20%	100%	6,200	15%	900
All Other Sources **	45%	NA	NA	NA	NA
Baseline Enrollment Estimate	100%		14,200		**8,000**

** Individuals with income below 175% FPL are assumed eligible for the Covered CT program.*

*** "Other sources" include coverage through a spouse's or parent's plan, COBRA, TRICARE, Medicare, Medicaid, Husky, and other unspecified sources.*

Solution 4. Income-Based Subsidy

Important Modeling Considerations

Individuals between 175%–400% FPL are more likely to receive federal premium tax credits and state assistance, which may already significantly reduce premiums and limit the incremental value of the ECE subsidy.

After the enhanced Premium Tax Credits expire in 2026, individuals above 400% FPL are expected to pay the full unsubsidized premium; even with state support, they would likely utilize the full ECE subsidy.

Some employers may adopt arrangements such as ICHRA or QSEHRA, prompting employees to shift from group to individual coverage to use employer contributions and access ECE subsidies, even if they are ineligible for federal subsidies.

Large employers (50+ full time equivalent employees) should consider employer mandate and potential penalty implications, as employees are generally ineligible for federal premium tax credits if offered affordable employer-sponsored coverage under ACA rules.

Solution 4. Income-Based Subsidy

- *This example is for illustrative purposes only.*
- *Final decisions regarding subsidy amounts and income eligibility thresholds are policy determinations to be made by the committee. Once established, these parameters can be incorporated into the modeling framework to produce refined estimates of the cost.*

Illustrative Income Based Subsidy Program

Baseline eligible employees

Household Income % FPL	Enrollment %	Employees	Annual State Subsidy
175%-250% FPL	15%	1,200	$1,200
250% to 400% FPL	35%	2,800	$1,100
Over400% FPL	50%	4,000	$1,000
Baseline Employees and Total Funding	100%	**8,000**	**$8,520,000**

Low eligible employees

Household Income % FPL	Enrollment %	Employees	Annual State Subsidy
175%-250% FPL	15%	1,100	$1,200
250% to 400% FPL	35%	2,500	$1,100
Over400% FPL	50%	3,600	$1,000
Low Scenario	100%	**7,200**	**$7,670,000**

High eligible employees

Household Income % FPL	Enrollment %	Employees	Annual State Subsidy
175%-250% FPL	15%	1,300	$1,200
250% to 400% FPL	35%	3,100	$1,100
Over400% FPL	50%	4,400	$1,000
High Scenario	100%	**8,800**	**$9,370,000**

	Household Income Range by Size		
Household Income % FPL	**1 person**	**2 persons**	**3 persons**
175%-250% FPL	$27,930 to $39,900	$37,870 to $54,100	$47,810 to $68,300
250% to 400% FPL	$39,901 to $63,840	$54,101 to $86,560	$68,301 to $109,280
Over400% FPL	Over $63,841	Over $86,561	Over $109,281

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Solution 5: Universal Subsidy

Solution 5. Universal Subsidy

A further simplified approach that minimizes administrative burden by eliminating income verification altogether. Under this model, eligible ECE employees would receive a uniform, flat-dollar subsidy regardless of income level or plan type. While such an approach may be less precisely targeted, it could substantially reduce administrative costs, improve program transparency, and allow a greater portion of available funding to flow directly to workers.

Recommendation

Income-Based Subsidy

An income-based subsidy framework could:

- Apply a sliding scale from 175% up to a certain percentage of FPL eligible for subsidy
- Provide a flat-dollar subsidy amount within defined income bands.

This approach would:

- More directly target assistance to low-income families,
- Avoid unintended plan selection incentives,
- Ensure individuals with similar incomes receive comparable levels of support, and
- Improve predictability of state funding requirements.

Implementation of ECE Worker Subsidy

- Administer through the Access Health CT enrollment system for the Open Enrollment period for Plan Year 2027, which begins on November 1, 2026
- Development of the program eligibility rules and identification of necessary data sources for verification of eligibility (by May 31, 2026)
- IT Development work to implement the ECE worker subsidy in the AHCT enrollment system including testing (June-October 2026)
- Develop framework and agreements for subsidy funds to flow to insurance carriers (May-September 2026)
- Develop reporting requirements to report to Early Childhood Education Endowment Advisory Committee and the Office of Early Childhood

Outreach Plan

Communicating information on the new program (July through October 2026)

- Develop letter to be sent to all eligible Early Childhood Centers (focus on Family Child Care Home Providers
- Develop collateral materials for Centers and Distribution
- Develop paid Social Media Campaign
- AHCT to host Outreach events to build awareness and education on the new program
- OEC outreach through trusted messengers

Enrollment Assistance

- AHCT to host Outreach events to provide enrollment assistance to eligible workers