Employer Buy-In Programs

Prepared for the SJR 22 Subcommittee on Health Care and Health Insurance
by Gordy Higgins, Legislative Services Division

Over the past several years, some states have worked to allow public funds to be used to subsidize private health insurance coverage, essentially buying in to private, employer-sponsored coverage. In large part, these efforts have been designed to target low-income workers who have access to employer-sponsored coverage, but opt not to enroll due to high contribution rates. There are four states that have engaged in this type of a program; Oregon (who does not receive federal dollars and runs a state-only plan), Massachusetts, Wisconsin, and Mississippi. Of the three states receiving matching federal matching funds, strict federal rules apply, including:[1]

? benchmark equivalency tests, requiring that employer-sponsored plans offer benefits at least equal to one of three federally designated benchmark plans;

? A cost-effectiveness test to assure that a subsidy is no greater than the payment the state would make if the child was enrolled in a separate SCHIP plan;

? A crowd-out prevention provision, prohibiting subsidization of any child who was privately insured during the previous 6 months; and

? A minimum employer contribution of 60 percent of the premium.

Each of the states administering these programs identified several public policy objectives, including:[2]

? maximizing coverage of uninsured children and encourage private contributions toward health insurance coverage;

? reaching children whose parents have access to employer sponsored coverage but are hesitant to enroll directly into a public program;

? encouraging parental self-sufficiency through employment as states implement welfare reform;

? gaining experience in developing programs that enhance public-private partnerships without extending stretched public programs; and

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[1] *Employer Buy-In Programs, How Four States Subsidize Employer-Sponsored Insurance*, State Coverage Initiatives, March 2001.

[2] *Ibid.*

? keeping families together under a single health plan to increase the likelihood that children receive the needed care.

In November of 2000, the State of Maryland was approved by the Health Care Financing Administration to expand its SCHIP from 200 to 300 percent of the Federal Poverty Level, providing health coverage to an additional 19,600 uninsured children. The challenge was to design a program that provided premium assistance program that used the existing employer-sponsored insurance plans.

Of the other four states mentioned previously, Mississippi has not yet implemented its program, and Wisconsin, as of June 2000, had only seven publicly subsidized children in employer-sponsored insurance plans. Oregon, the only state operating its program outside of federal guidelines, seems to be the most successful. In May of 2000, Oregon covered nearly 4,500 children through a public-private partnership.[3]

A consulting group worked with Maryland officials to design a structure which met the federal requirements associated with the HCFA approval process, and avoid the pitfalls experienced by the other states as they implemented their buy-in programs. If the Subcommittee is interested in probing this policy idea in greater detail, staff will collect more information, enlist support from the Department of Public Health and Human Services, the Legislative Fiscal Division, the private sector, and other interested stakeholders to design an effort to review and analyze whether a similar program could be developed and implemented in Montana.

[3] *Ibid.*