Full Cost Buy-Ins

Prepared for the SJR 22 Subcommittee on Health Care and Health Insurance
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Full Cost Buy-In(FCBI) programs are distinct from Employer Buy-In (EBI) programs in that FCBI allows the uninsured an opportunity to pay the full premium associated with a state-run insurance program like SCHIP.[1] An FCBI expands eligibility to public programs by ignoring income thresholds. Five states, Connecticut, Florida, Minnesota, New York, and Washington have developed FCBI programs that are targeted primarily toward increasing coverage for children. Minnesota and Washington had expanded their programs to include adults, but have since closed those programs and returned to a child-only FCBI..[2]

Like EBI programs, FBCI programs are designed to target low-income workers. In the case of the states mentioned, the targeted population includes workers without access to employer-sponsored health insurance and cannot afford coverage in the individual market or those workers who opt not to enroll in employer-sponsored plans due to their inability to meet the premium cost. The main objective behind these programs is not to constrain insurance prices, but to offer an additional opportunity for affordable access to insurance.[3]

There are a number of issues associated with an FCBI program that require a state to design a program that does not provide incentives that result in problems in the future. Two of the more important issues include:

? competition with the private insurance market offerings;

? potential for attracting a disproportionately unhealthy population; and

? potential for blending state high-risk pools with FCBI's.

Under the first design issue, a state-offered program like an FCBI begins to compete with the private market's insurance offerings as eligibility to public programs increase. In effect, if low-income workers decide to enroll in a state-sponsored program like an FCBI, it may have a detrimental impact on private insurance.

The second issue reflects the need for a state to design a program that avoids an influx of unhealthy people that could raise premium levels. Some ways to address this include pre-

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[1] *Full Cost Buy-Ins: An Overview of State Experiences*, State Coverage Initiatives, Issue Brief, August 2001.

[2] *Ibid.*

[3] *Ibid.*

existing conditions exclusions and waiting periods.

Finally, a third issue relates to the potential for a FBCI to inadvertently become another state high risk pool. Ensuring that an FCBI does not become the de facto high risk pool is important for a FCBI programs longevity and success. States can avoid this blending by prohibiting migration from one program to the other or providing specific programmatic requirements that act as a disincentive to switch from one program to the other. Limiting benefits and avoiding capping premiums for FCBI programs have been successful in some states.[4]

More detailed analysis is required before the Subcommittee determines whether a FCBI program will reduce the number of uninsured Montanans. However, evidence from states that have adopted FCBI's suggests that with the right blend of goals and objectives, coupled with design features that reduce the chances of crowd-out and adverse selection, is an option to expand coverage without using public funds. This approach identifies one component within the uninsured population; low-income workers without access to employer-sponsored plans and with income levels above eligibility thresholds for enrollment into public programs. The principle goal behind FCBI's is access to insurance, not necessarily affordability, and policymakers need to be cognizant of designing a program that holds harmless, to the extent they can, the private insurance market.[5]

[4] *Ibid.*

[5] *Ibid.*