



**Department  
of Health**

**Office of  
Health Insurance  
Programs**

# **Essential Plan New York's Basic Health Program**

**Annual Report to the Governor and Legislature  
December 2015**

The Basic Health Program (BHP) provides New York the opportunity to offer many consumers a lower-cost health insurance option than is available through New York State of Health (NY State of Health) today. The BHP also generates hundreds of millions of dollars in annual State savings. Rarely does a program offer both consumer advantages and fiscal advantages to the State.

The Basic Health Program, branded as The Essential Plan in New York, was available through NY State of Health beginning November 1, 2015 for coverage beginning January 1, 2016. Section 28-a of Part B of Chapter 57 of the Laws of 2015 requires the Department of Health to prepare an annual report by the end of each year. This first annual report describes program enrollment as of September 30, 2015, including the income and immigration status of program participants. As required by statute, it also describes the impact of Essential Plan on the Marketplace and the financial interest of the State, including the Medicaid Global Cap.

## **Background**

Section 1331(a) of the Affordable Care Act (ACA) directs the Secretary of Health and Human Services to establish a Basic Health Program that provides a new option for states to offer health coverage for individuals with family incomes between 138 and 200 percent of the Federal Poverty Level (FPL) and for individuals with family incomes below 138 percent FPL who are lawfully present in the United States but do not qualify for Federally financed Medicaid due to their immigration status. The BHP is intended to offer a more affordable coverage option for individuals than the Qualified Health Plans (QHP) available through existing State and Federal marketplaces. In March 2014, The Centers for Medicare and Medicaid Services (CMS) issued final regulations governing the Basic Health Program.

The BHP was established by law in New York in 2015. The Department of Health submitted a Blueprint to the Federal government describing administration of the BHP trust fund, eligibility and enrollment, standard health plan contracting, premiums and cost-sharing, and program operations. The State received Federal approval to establish a BHP on March 27, 2015.

The BHP, which is branded in New York as the Essential Plan, is available to consumers under age 65, not eligible for Medicaid or the Children's Health Insurance Program (CHIP), without access to affordable Minimum Essential Coverage, and who have income at or below 200 percent of the FPL (\$23,540 for a household of one; \$48,500 for a household of four in 2015). Consumers with income at or below 150 percent of the FPL (\$17,655 for a household of one; \$36,375 for a household of four in 2015) have no monthly premium. Those with income greater than 150 percent of the FPL, but at or below 200 percent of the FPL have a low monthly premium of \$20. In accordance with Federal requirements, all plans cover essential health benefits including inpatient and outpatient care, physician services, diagnostic services and prescription drugs among others, with no annual deductible and low out-of-pocket

costs. Preventive care such as routine office visits and recommended screenings have no out-of-pocket cost to enrollees.

New York began the transition to the Essential Plan on April 1, 2015. Lawfully present non-citizens with incomes at or below 138 percent of the Federal Poverty Level (FPL) who were enrolled in Medicaid, but not eligible for Federal Financial Participation (FFP), were transitioned to the Essential Plan. During the transition period from April 1-December 31, 2015, these individuals were permitted to remain in their Medicaid managed care plans. These individuals will be transitioned to an Essential Plan insurer on January 1, 2016 or at their renewal starting in 2016.

New Yorkers with incomes above the Medicaid levels had the ability to enroll in the Essential Plan during the 2016 NY State of Health open enrollment period which began on November 1, 2015. For eligible consumers who were enrolled in Qualified Health Plan (QHP) coverage through NY State of Health during 2015, the Essential Plan will reduce their monthly premium costs and their out-of-pocket costs when they receive services. Enrollment in the Essential Plan is available through the Marketplace website, by telephone with Customer Service or in-person with one of the trained and certified Marketplace assistors.

There are four categories of Essential Plan enrollees by their income eligibility:

- **Essential Plan 1** – Individuals with income greater than 150 percent of the FPL and less than or equal to 200 percent of the FPL.
- **Essential Plan 2** – Individuals with income greater than 138 percent of the FPL and less than or equal to 150 percent of the FPL.
- **Essential Plan 3** – Individuals with income equal to or greater than 100 percent of the FPL and less than or equal to 138 percent of the FPL and not eligible for Medicaid due to immigration status.
- **Essential Plan 4** – Individuals with income below 100 percent of the FPL and not eligible for Medicaid due to immigration status.

Eligibility rules largely follow Marketplace rules, with the exception that applicants may enroll all year long instead of only during open enrollment. The Essential Plan is available to tax filers and non-filers alike. Eligibility for tax filers is determined using the Modified Adjusted Gross Income (MAGI) rules for Advanced Premium Tax Credits (APTC) eligibility, while Medicaid non-filer rules are used for applicants who do not plan to file taxes.

The plan invitation was released in April 2015. 13 issuers were certified to offer the Essential Plan for the 2016 coverage year. They are:

- Affinity
- Crystal Run
- Excellus (also Univera Healthcare)
- EmblemHealth
- Fidelis
- Empire Blue Cross Blue Shield HealthPlus
- Healthfirst
- Independent Health
- MetroPlus
- MVP
- United Healthcare
- Wellcare
- Yourcare

Of the 13 plans offering the Essential Plan, all but three offer Medicaid, Child Health Plus and Qualified Health Plans (QHP). Crystal Run, Empire Blue Cross Blue Shield HealthPlus and Yourcare are not offering QHPs in 2016. CDPHP, which offers Medicaid, Child Health Plus and QHPs has elected not to participate in the EP, as has Total Care, which offers Medicaid and Child Health Plus plans. Empire Blue Cross/Blue Shield, Health Now, North Shore LIJ/Care Connect and Oscar all offer QHPs, but are not participating in the Essential Plan in 2016.

### **Essential Plan Enrollment**

As of September 30, 2015 approximately 259,000 individuals were enrolled in the Essential Plan. This number only includes the former Medicaid enrollees who transitioned to Essential Plan, as any new enrollment among those applying during open enrollment will not be effective until January 1, 2016. All enrollees in the Essential Plan in 2015 were lawfully residing immigrants with income below 138 percent of FPL (\$16,240 for a household of one and \$33,465 for a household of four). The vast majority of the enrollees were legal permanent residents with less than 5 years in the country. The transition plan to the implementation of Essential Plan specified that enrollment in 2015 would only include those immigrants who were enrolled in Medicaid at full State cost who are eligible for the Essential Plan. In 2016, the broader population up to 200 percent of poverty will be enrolled in the Essential Plan.

The percent of New Yorkers without health insurance has declined since the launch of NY State of Health. The U.S. Census Bureau reported that between 2013 and 2014, New York State's uninsured rate declined from 10.7 percent to 8.7 percent. More recently, the Centers for Disease Control reported that in the first half of 2015, the State's uninsured rate declined from 9.4 percent in December 2014 to 5.8 percent in June 2015 (National Health Interview Survey).

We expect the rate of uninsured to continue to decline, and that by the end of 2016 there will be a total reduction in the number of uninsured by 1 million people.

### **Essential Plan Costs and Impact on Financial Plan**

The Essential Plan is funded primarily by Federal funds with some State funding. The Federal funds calculation is based on 95 percent of the tax credits and cost-sharing reductions that individuals would have received if they enrolled in QHPs. In State Fiscal Year (SFY) 2015-16, Federal funds covered 92 percent of program costs, with State funding covering 8 percent of the costs. The percentage of Federal funds decreases to 85 percent in SFY 2016-17 as QHP enrollees transition to the Essential Plan. State funds support the lower cost-sharing for consumers in the Essential Plan as compared to the comparable QHP plan. State funds are expected to account for 15 percent of program costs and consumer premium contributions for less than 1 percent of costs. Program administration costs cannot be financed by the trust fund and must be financed with State dollars. The Department expects this split between Federal, State, and consumer funding to be maintained in future years.

In SFY 2015-16 the State Medicaid program is expected to save just over \$1 billion from the transition of lawfully residing non-citizens from Medicaid to the Essential Plan. The savings are expected to decrease to \$804 million with enrollment of the broader Essential Plan eligible population in SFY 2016-17.

The cost to a consumer covered by the Essential Plan is considerably less than the cost for the same individual in a QHP plan. We examined the costs for a consumer at 175 percent of FPL and at 140 percent of FPL, using the same utilization assumptions as follows:

- 2 prescription drugs per month
- 4 visits to a primary care provider
- 1 visit to a specialist
- 2 visits to an urgent care center
- 1 hospital admission

At 175 percent of FPL, the annual QHP premium is \$1082 for the second lowest cost silver plan (SLCS) in New York City with the cost-sharing at the point of service increasing the total out of pocket costs to \$1,830. This annual cost drops to \$732 in the Essential Plan from the lower premium of \$240 and lower cost-sharing, a 60 percent reduction in costs. For the consumer at 140 percent of FPL, the Essential Plan costs are 5 percent of what they would have been in the SLCS plan in New York City. The cost comparisons are similar in other counties throughout the State.

It is estimated that 470,000 New Yorkers will enroll in the Essential Plan by the end of 2016. Nearly half of these individuals would have otherwise been eligible for a Qualified Health Plan. (The balance would have been previously eligible for Medicaid or uninsured.) Essential Plan coverage, with lower premiums and out-of-pocket cost sharing, will be on average \$1,100 less expensive than Qualified Health Plan coverage.

While there may be a modest impact on Qualified Health Plan premiums resulting from healthier consumers migrating from QHPs to EHPs, implementation of the program will result in overall benefits to consumers and the State.