STATE PUBLIC OPTION ACT

Introduced by Senator Brian Schatz and Rep. Ben Ray Luján

To establish a state public option through Medicaid to provide Americans with the choice of a high-quality, low-cost health insurance plan.

THE ISSUE—Building on the progress of the Affordable Care Act (ACA)

- The ACA provided historic insurance gains in the United States, with 20 million more Americans insured. Additionally, consumers have better protections with coverage for pre-existing conditions and young adults are now able to stay on their parents' plans until age 26.
- Even with the progress of the ACA, **nearly 30 million people remain uninsured**, in part due to instability in the insurance markets and the lack of Medicaid expansion in 19 states. Additionally, some Americans have premiums and cost-sharing that they find to be **too expensive**.

THE SOLUTION—A state-based public option through Medicaid

- Medicaid is an efficient federal/state partnership program that provides comprehensive coverage at relatively lower cost. It also gets high ratings from patients; has demonstrated effectiveness; and provides state-level flexibilities for innovation.
- Allowing all Americans to **buy into Medicaid** would provide better options for individuals to get state-driven, high-quality health insurance at lower cost.

THE BILL—The *State Public Option Act* does the following:

Section 2: Medicaid buy-in

- Structure:
  - Creates a new state option to expand Medicaid eligibility to all state residents that are not concurrently enrolled in another insurance plan, subject to premiums or other cost-sharing charges (with limitations noted below).
  - Those residents that would otherwise be eligible for Medicaid under different state option eligibility criteria would have their benefits and cost-sharing protections maintained as under the original Medicaid program.
  - States that take up this option must offer the Medicaid buy-in on the health insurance exchange, and may establish enrollment periods.
  - States would receive a 90 percent increased Federal Medical Assistance Percentage (FMAP) match for administrative expenses associated with the buy-in.
- Coverage package:
  - The buy-in benefit package must be at least equal to benchmark coverage (similar to the Alternative Benefit Package in Medicaid expansion), with coverage of the ACA's 10 Essential Health Benefits.
- Premiums:
  - States may impose premiums, deductibles, cost-sharing, or other similar charges.
    - The premium rate may only be adjusted based on factors and weighting allowable as under the ACA (including age, tobacco use, family size, and geography).
    - Eligible individuals may apply their exchange subsidies ("Advance Premium Tax Credits" or APTCs) toward the Medicaid buy-in program.
    - For those not eligible for APTCs, premiums cannot exceed 9.5 percent of household income.
  - Other cost-sharing protections (out-of-pocket limits) are consistent with those in the ACA.
- Financing: States must first use their premium revenues and APTCs to pay for buy-in enrollees' medical assistance expenditures. They then share risk with the federal government as follows:

- To the extent that the state has excess expenses associated with the buy-in program (more medical assistance expenditures than premium revenues), the federal and state governments shall share any excess expenses at the regular FMAP rate.
- To the extent that the state has excess revenues associated with the buy-in program (more premium revenues than medical assistance expenditures), the state shall share the savings with the federal government at a rate of 50 percent of any excess revenues.

Sections 3, 4 and 5: Improving access in Medicaid

- Section 3: Data collection: The bill creates a $200M fund for the development of standardized, state-level metrics of access to, and satisfaction with, providers under Medicaid. The fund would be administered by the Agency for Healthcare Research and Quality in consultation with the Center for Medicaid and CHIP Services, state Medicaid directors, and stakeholders. Funds may be awarded to states to implement the metrics.
- Section 4: Primary care bump: The bill includes the *Ensuring Access to Primary Care for Women & Children Act* (S. 737 and H.R. 2253 in the 114th Congress, introduced by Senator Brown and Representative Castor, respectively), which extends the primary care payment increase to Medicare levels, as established under the ACA, for more primary care providers. However, this bill makes that payment bump permanent (not just extended for two years).
- Section 5: Medicaid state access grants: The bill creates a $100B fund (available for three years) to award to states that apply with a plan to increase access to Medicaid in their states, including through fee-for-service or population-or episode-based models, and to address primary or specialty care access issues. Some of the grants can also be used for implementation of the buy-in.

Section 6: State incentives to take up Medicaid expansion

- The bill includes the *States Achieve Medicaid Expansion (SAME) Act* (S. 2787 and H.R. 4627 in the 114th Congress, introduced by Senator Warner and Representative Green, respectively), whereby states can get the same enhanced Federal Medical Assistance Percentage (FMAP) for expanding Medicaid regardless of which year they expand.