

# *Massachusetts: Map for Missouri?*

## Premium Assistance Program

One of the ground-breaking features of the Massachusetts legislation is the Commonwealth Care Health Insurance Program, which provides sliding scale premium assistance to uninsured residents with incomes up to 300 percent of the federal poverty level (FPL). This brief addresses the issue of a premium assistance program and its role in a Massachusetts-like universal coverage initiative in Missouri. This brief derives from a longer report prepared for the Missouri Foundation for Health by researchers at Saint Louis University.

### Background

A premium assistance program is a health insurance purchasing strategy in which a state uses public funds to pay for a portion of the insurance premium costs for eligible populations. As of 2001, states have been allowed to adapt their Medicaid programs to create federally matched premium assistance programs. In the case of Massachusetts, the premium assistance program targets low-income and uninsured individuals. Taking into account a weak employer-sponsored insurance market in Missouri and a less generous Medicaid program as compared to Massachusetts, preliminary estimates indicate that 47 percent of Missouri's uninsured population would be eligible for a premium assistance program.

### The Proposal for Premium Assistance

Using the Massachusetts approach, a premium assistance program in Missouri would have the following characteristics:

- ◆ **Eligibility.** Uninsured residents with incomes up to 300 percent of FPL who are not eligible for Medicaid would qualify for premium assistance. Employees whose employers pay for health insurance would also be able participate, but the employer would need to contribute toward the cost of premium assistance.
- ◆ **Plan Availability.** The program would provide individuals with a choice of certified plans participating in the program.
- ◆ **Sliding Scale of Premiums.** An individual's premium cost would be calculated on a sliding scale based on family income. Individuals with incomes below 100 percent of FPL would pay no premium, and their costs would be fully subsidized. Individuals with incomes between 100-300 percent of FPL would contribute based upon a sliding scale.

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## Policy Considerations

The success of a Massachusetts-like premium assistance program in Missouri would depend on several factors:

- ◆ **Costs of Premium Assistance.** Health insurance premiums would need to be competitive and cost controls would need to be in place in order to keep the costs of providing subsidized premiums from escalating.
- ◆ **Affordability.** Individual premiums would need to be set at a level to attract participation among individuals. Some research suggests that to be considered affordable health insurance premiums need to be less than 5 percent of an individual's income, for those at income levels that qualify for premium assistance.
- ◆ **Federal Matching.** Implementing a premium assistance program would depend on obtaining federal approval to use Medicaid matching funds to defray the cost.

## Summary

Replicating a Massachusetts-like premium assistance program in Missouri could cover almost 50 percent of the uninsured in the state. However, the success of an assistance program would hinge on the feasibility of obtaining federal matching funds and on the state's ability to guarantee access to affordable health coverage.

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*The information presented here is taken from a series of issue briefs prepared by the Saint Louis University Health Policy Legislative Analysis Team. Other subjects covered by the series include Medicaid expansion, an insurance purchasing pool, and individual and employer mandates. The authors of this brief are Sidney Watson, JD, Professor of Law; and Timothy McBride, PhD, Professor of Health Management and Policy, School of Public Health.*