

# National Association of Insurance Commissioners

Health Innovations Working Group

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*Review of Affordable Care Act State Flexibilities:  
Section 1331, The “Basic Health Program”*

Georgetown University

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# Georgetown University Center on Health Insurance Reforms

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- Legal & policy analysis
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# The Basic Health Program: Level Set

**ACA Section 1331 creates option for states to run a coverage program that replaces the Marketplace for people up to 200% FPL (\$31,300/year for a single person)**

- Federal government makes payments to state BHP of 95% of premium tax credits (PTCs)
- Premiums, cost-sharing, benefits must be on par with Marketplace qualified health plans (QHPs)
- Any surplus must be used to enhance benefits or reduce premiums or cost-sharing
  - Federal funds cannot be used to cover administrative costs
- Feds review state BHP “Blueprints” but unlike Sec. 1332 waivers, limited statutory discretion for HHS to approve/disapprove

# BHP: State Experiences

New York*	Minnesota
<ul style="list-style-type: none"><li>• Pre-ACA used state funding to cover low-income individuals not eligible for Medicaid</li><li>• Built on Medicaid chassis</li><li>• Provider rates benchmarked to Medicaid (increased over time)</li><li>• \$0 premiums for enrollees (reduced over time)</li><li>• No deductibles</li><li>• Minimal cost-sharing</li><li>• Additional benefits (adult vision/dental)</li><li>• Program costs fully covered by federal funding</li></ul>	<ul style="list-style-type: none"><li>• Pre-ACA used state funding to cover low-income individuals not eligible for Medicaid</li><li>• Built on Medicaid chassis</li><li>• Provider rates close to Medicaid rates</li><li>• Premiums generally lower than for Marketplace plans</li><li>• Cost-sharing generally lower than Marketplace plans (plans must have AV of 94%)</li><li>• Additional benefits (eyeglasses)</li><li>• State contribution required in some years</li></ul>

***\*New York transitioned its BHP to the “Essential Plan” via Sec. 1332 waiver in April 2024; Oregon launched its BHP in July 2024***

# BHP: Key Tradeoffs

Benefits	Risks
<ul style="list-style-type: none"><li>• Cost-effective* mechanism to provide generous, affordable coverage for low-income residents</li><li>• Can ensure continuity of care for individuals transitioning from Medicaid to commercial coverage</li><li>• Avoids reconciliation of APTCs</li><li>• Can have fewer administrative burdens for enrollees</li></ul>	<ul style="list-style-type: none"><li>• Potential cost increase for Marketplace enrollees &gt;200% FPL</li><li>• Potential changes in provider access</li><li>• Changes to BHP payment methodology</li><li>• State or federal policies that reduce PTCs could lower funding for BHP<ul style="list-style-type: none"><li>• Proposed Marketplace rule</li><li>• Expiration of enhanced PTCs</li></ul></li></ul>

*\*Cost-effectiveness depends on BHP design decisions and market conditions*

# BHP Market Interactions

## Marketplace Enrollees

## Unsubsidized Individual Market

- Many enrollees >200% FPL could see reduction in APTCs
  - Primarily impacts gold and bronze plan enrollees
  - Impact of silver loading\*
  - Harm could be mitigated with state-funded subsidy
- Potential impact for issuer participation

- Removal of large % of heavily subsidized individual market enrollment from risk pool
- Effect on premiums depends on risk profile of BHP enrollees
- Predicting and pricing for market effects can be challenging

*\*Silver loading is the practice, guided or directed by state DOIs, of increasing silver-plan premiums to account for the cost of cost-sharing reduced Marketplace plans required under the ACA*

# The Basic Health Program: State Fiscal Considerations

Design decisions and policy changes will affect state financial exposure

- Scope of benefits (EHB is floor)
- Premiums and cost-sharing
- Differentials in provider payment rates
- Future of e-APTCs
- Impact of Marketplace proposed rule
- Future of silver loading?

# Questions?

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*Corlette S, Levitis J, Wengle E, Swindle R, “The Basic Health Program: Considerations for States and Lessons from New York and Minnesota”*

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<https://www.urban.org/research/publication/basic-health-program>