IMPLEMENTING BUDGET CUTS IN THE BASIC HEALTH PLAN: A CASE STUDY (B)

May 13, 2009

The day of the public forum had arrived. Many stakeholders attended, including BH enrollees, journalists, and representatives from the governor’s office, community clinics, health plans, legal aid groups, and Friends of Basic Health (an advocacy coalition of many organizations). Preston Cody began by explaining the purpose of the forum, outlining the legislation related to the budget cut, and presenting several options. He introduced the forum’s purposes:

- To explain that the HCA must move forward to enact the Basic Health budget
- To focus on how to meet the enrollment level needed to stay within budget
- To share information collected to date regarding the budget, enrollment levels, and criteria for disenrollment
- To receive feedback on current ideas and to capture new ideas

Cody announced that HCA had to decide on how to implement the budget cuts by mid-June and that enrollment must be reduced to approximately 64,000 by January 2010 in order to stay within the appropriated budget. The target of 64,000 was a balance between the largest number of enrollment slots that could be supported by the appropriated budget and the smallest number of people needed to keep the risk pool stable.

Cody first noted that House Bill 2341 directed BH to identify and disenroll members already receiving Medicaid (~7,000 members). Steve Hill, as the HCA administrator, was charged with determining the criteria for disenrolling others. Cody then outlined BH’s guiding principles (Part A). Finally, he categorized the proposed disenrollment criteria:

**Options that are allowed by current policy:**

- Disenroll members dually *enrolled* in Medicaid (required by law)
- Encourage members *eligible* for Medicaid to sign up for Medicaid (they could then be disenrolled from BH)

This case was written by Anne D. Renz, MPH. Health Services Project Manager at the University of Washington. The case is intended solely as a vehicle for classroom discussion, and is not intended to illustrate either effective or ineffective handling of the situation described.

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- Check for members that are dually enrolled in other insurance programs
- Increase recertification of eligibility (e.g., from annually to once every six months)

**Options that conflict with current policy or have system limitations:**

- Limit enrollment to citizens
- Apply a more rigorous asset test
- Disenroll or subject to a waiting period after a missed payment

**Options that have been most frequently suggested:**

- Disenroll members who have been enrolled the longest
- Disenroll members who enrolled most recently
- Disenroll by lottery
- Disenroll members in higher income bands

Cody then opened the floor for discussion with this question: “If you had to make the decision, what criteria would you use?”

One attendee noticed that “there was a lot of weight in the room. It wasn’t particularly contentious, but it felt deflated. Folks were at varying degrees of willingness to accept the problem.” Many people had helped build up BH, and it was painful to discuss such deep cuts.

There was significant discussion of the benefits, drawbacks, and potential effects of the options, but little consensus. Options that protect the most vulnerable tended to conflict with budgetary limits. Some policy analysts thought a lottery would be fairest, but it was the least popular option among enrollees. Some consumer advocates pushed for significantly raising the share of the premium that members pay as a way of making disenrollment “voluntary,” but others worried that would disproportionately drive out the lowest income band (harming the most vulnerable) and the healthiest (endangering the risk pool). BH enrollees tended to discuss the options based on how it affected their situation. One observer noted, “It’s hard to be objective when your self-interest is at stake.” A summary of the discussion about options follows:

*Preserve seniority (disenroll newest members):* Members may be long-term because they have chronic conditions and are most in need of coverage. They have a record of paying on time.

*Give others a turn (disenroll longest-term members):* Many recent enrollees have lost jobs and only need short-term coverage; they will leave the program sooner and open up more slots.

*Cut higher income bands:* Members in the highest income bands have the best chance of affording other coverage. However, because they pay a higher share of their BH
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premiums, 10,000 more slots would have to be cut than if lower-income members left first.

*Preserve coverage for the sickest:* This option protects those who are most in need. However, it would raise rates, undermine the risk pool, and may cause the risk pool to become too small.

*Lottery:* This option is objectively the fairest because it does not single out any group. It also preserves the risk pool actuarially. However, many found it to be the most morally troubling option because it also does not protect the sickest and lowest income enrollees.

May 22, 2009

Hill and Cody met with the Basic Health Advisory Committee, a 12-member committee appointed by the HCA administrator that meets quarterly. The advisory committee included legislators, tribal members, actuaries, small-business owners, health services researchers, and leaders from labor, the Department of Health, health plans, and community clinics.

Hill asked the committee not to make recommendations, but rather to discuss the benefits, risks, and ramifications of the options. The committee considered how each one would affect the people who needed health care the most and were least able to finance it, based on BH’s mission of providing care for the working poor. There was dissatisfaction with each option for different reasons. However, the committee recognized that Hill had done his best to solicit broad input in a short time, and nobody envied his position in making such a difficult decision.

In groups of 3–5, discuss the following:

1. How did the options presented by HCA compare with the options your group chose?
2. How did HCA’s reasoning about each option compare to your rationale?
3. Are there other stakeholders or information sources you would like to consult?
4. Which option(s) would you choose? Why? What do you think the effects will be? (You can choose from HCA’s list or your own options, and can choose one or more strategies.)