

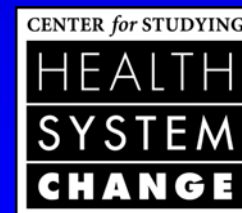
**Providing Insights
that Contribute to
Better Health Policy**

A New Approach to Coverage Expansion via Risk Subsidies

**Len M. Nichols, Vice President
Alliance for Health Reform Briefing
May 19, 2003**

Overview

- Joint effort of John Holahan, Linda Blumberg, and Yu-Chu Shen at the Urban Institute
- Covering America assignment: think outside the box and dream big
- Proposal based on:
 - ▶ Three key moral principles
 - ▶ Realism about insurance markets
 - ▶ Substantial new federal subsidies + state subsidies => collective willingness to pay exists



Key Moral Principles

- No person should have to pay more than $x\%$ of income for health insurance
- No person should have to pay more than y times the standard amount for health insurance
- Choice: No one should be forced into any health insurance arrangement against their will

Operational Principles

- Full subsidies up to 150% of FPL, sliding scale up to 250% of FPL; no one pays > 20%
- Create pool in which all *MAY* buy at (hypothetical) community rate
- Federal share of subsidies enhanced, pooled with state subsidies; states administer to fit local conditions
- Equity trumps target efficiency



Realism about Insurance Markets

- NO MANDATES!
- Allow all who would prefer to buy insurance outside the big state pool to do so
- Offer new subsidies only *inside* the pool
- Do not add regulations outside the pool
- Leave existing tax subsidies alone!

Likely Outcomes

- About 1/2 of the uninsured would get coverage
- About 1/2 would enter the pool
- About 1/3 would get an “excess risk” subsidy
- Most of subsidies would go to already insured
- Moral principles would be in place
- Federal taxes would have to be raised