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How States Can Expand Private Coverage with HIFA Waivers

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Waivers granted through the Health Insurance Flexibility and Accountability (HIFA) initiative now give state officials an opportunity to expand health care coverage to the uninsured and help individuals and families escape crumbling public health programs such as Medicaid. State officials should seize this opportunity to offer private health care coverage options to these populations. Utilizing these waivers will not only bring immediate benefits to those who receive coverage, but also promote President George W. Bush's longer-term goal of improving the efficiency and effectiveness of the nation's health care system.

The HIFA Initiative. The HIFA initiative, announced by Health and Human Services (HHS) Secretary Tommy Thompson last year, is based on the Medicaid and State Children's Health Insurance Program (SCHIP) Section 1115 waivers. It gives states the flexibility to design innovative approaches to increase health care coverage for the uninsured by using existing Medicaid and SCHIP resources. The HHS guidelines and templates simplify the application process for state officials and ensure priority review so that waivers do not languish in the federal bureaucracy.

While states are granted broad flexibility, the Administration emphasizes several important design features. The HIFA guidance states that

> The Administration puts a particular emphasis on broad statewide approaches that maximize private health insurance coverage options and target Medicaid and SCHIP resources to populations with income below 200 percent of the Federal poverty level.

States should pay particular attention to the private coverage reference: A decision simply to expand conventional public health care programs, such as Medicaid, will only further escalate costs to taxpayers and inevitably deny low-income individuals and families access to quality health care.

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Progress Through HIFA. HHS has approved seven HIFA demonstration waivers. While not ideal, states have incorporated private coverage elements. The **Illinois** demonstration, for example, covers 300,000 residents at or below 185 percent of the federal poverty level (FPL). It expands coverage to parents of Medicaid and SCHIP children and strengthens its hemophilia and uninsurable programs. Some individuals will be able to receive premium assistance

to help them purchase coverage through their employer instead of receiving direct state coverage.

The **Maine** demonstration expands coverage to 11,500 childless adults. The first phase covers those with incomes 100 percent or below FPL. The second covers those up to 125 percent FPL. The demonstration intends to build on the state's private insurance premium program and utilize employer-sponsored coverage for qualified individuals. In **Oregon**, the demonstration expands coverage to 60,000 residents up to 185 percent FPL. It targets uninsured individuals, including pregnant women, low-income children, parents of Medicaid and SCHIP children, and childless adults. Most important, it intends to expand enrollment in the state's premium assistance program for employer-based coverage and, in some cases, individual policies.

The **New Mexico** demonstration expands coverage to 40,000 adults at or below 200 percent FPL. It targets parents of Medicaid and SCHIP children and childless adults. The state intends to incorporate private coverage by contracting with insurers to provide a state-designed benefit package for employers to offer their low-income, uninsured workers. **Arizona** expands coverage to childless adults, and both **Arizona** and **California** expand coverage to parents with children enrolled in their state Medicaid or SCHIP programs and call for feasibility studies on integrating employer coverage into their proposals. HHS has indicated that it will help to ensure that these states incorporate private coverage by offering technical assistance to them to accomplish this requirement. And in a two-phase demonstration, **Colorado** expands coverage to uninsured pregnant women with incomes that are up to 185 percent FPL and to low-income children and adults. It also plans to develop an employer-based coverage component for the second-phase group.

What States Should Do. While these waivers do coordinate with private coverage, other states interested in pursuing a HIFA waiver should be more aggressive in emphasizing and advancing private health insurance options. Specifically, they should:

- **Offer existing Medicaid/SCHIP beneficiaries a premium assistance option for private health coverage.** With declining access to quality care becoming a growing problem under Medicaid, states should give Medicaid and SCHIP beneficiaries the opportunity to purchase private health insurance by providing assistance through a premium subsidy. States should utilize the HIFA waiver to allow enrollees to change from state-sponsored coverage to a private coverage option of their own choosing. Mainstreaming certain Medicaid and SCHIP populations into private coverage will also help to ease the obligations on state-provided coverage and improve the quality of care for the truly indigent who must receive coverage through the state.
- **Allow premium assistance to be applied to all types of private coverage.** States should permit individuals who receive premium assistance in lieu of state coverage to apply that assistance to their coverage of choice. While employer-sponsored coverage may be a likely choice, it should not be the only or required option. There are many reasons why an individual may not want or be able to participate in employer-sponsored coverage. The individual should be the one to decide whether this option best meets his needs. States should use the HIFA waiver to promote choice and give individuals the freedom to use premium assistance for all types of private coverage, including policies purchased on the individual market.

Conclusion. The Administration's innovative HIFA initiative gives states the flexibility to expand coverage to the uninsured by integrating private coverage options with traditional Medicaid and SCHIP programs. States can also use this opportunity to improve these programs. Building on the progress achieved through welfare reform, states can mainstream individuals and families out of poorly performing public health programs and help them secure private coverage. Such efforts would not only benefit those individuals and families involved, but also be compatible with President Bush's goal of giving low-income individuals and families federal assistance to purchase private health care coverage.

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