

## Public Option Health Insurance Plans on the Individual Market

### Background

In recent years, Washington State has made great strides in increasing health care coverage by expanding Medicaid eligibility and creating the Health Benefit Exchange (exchange). As a result, the state's uninsured rate is 5.5 percent (about 400,000 people) – among the lowest in the nation and in Washington State history. Hospitals were and continue to be at the forefront in advocating for increased access to health care and health insurance.

Despite these efforts, some people seeking coverage on the individual health insurance market, usually middle-income people who do not have employer-sponsored coverage and do not qualify for Medicaid, face affordability challenges. This includes higher premiums, smaller service areas, and narrower provider networks. This instability has been intensified by the federal government recently removing the penalty for not having health insurance coverage. As a result, premiums and deductibles continue to rise. During the 2019 open enrollment period, over 220,000 Washingtonians enrolled in a health plan through the exchange – slightly lower than last year.

To help address the remaining number of uninsured, our state's lawmakers are examining ways to stabilize the individual insurance market. One chief way being considered is creating a public option health insurance plan for individuals who may not otherwise be able to afford to purchase coverage on the exchange.

### WSHA Position

WSHA supports efforts to expand access to health care and health coverage. Washingtonians should have comprehensive, high-quality health care, and not solely in an emergency room. During the last several years, WSHA was a leading advocate for expanding health care coverage to children and adults.

WSHA supports a comprehensive strategy to develop funding mechanisms to increase coverage for low- and middle-income Washingtonians. However, hospitals have concerns about any proposal that would reimburse providers below the cost of delivering patient care. This includes benchmarking any provider and hospital rates to Medicare. Currently, hospital and health system financing is a delicate balance with commercial plans, including those on the exchange, paying above the cost of care in order to offset the known underpayments from Medicare and Medicaid.

### Key Messages

- Hospitals support expanding coverage to Washingtonians across the state. Stable insurance markets can help ensure access, which in turn, can help patients get the right care, at the right time, and in the right place.
- Washingtonians need access to a robust network of caregivers. Currently, Medicare patients find it difficult to access an array of services, such as specialty care and rehabilitative services, because Medicare rates are artificially low and do not reflect the cost of care. If more people have coverage that reimburses at Medicare rates, then this difficulty in accessing necessary services at hospitals and throughout the full spectrum of care will only increase. Coverage without access creates a false promise to patients.
- Through the Affordable Care Act (ACA), hospitals took cuts in Medicare and disproportionate share hospital payments to help finance expanded Medicaid coverage and subsidized commercial coverage in the exchange.

The ACA provided a comprehensive array of funding mechanisms and incentives to providers. On balance, the cuts and increased access in the ACA made sense. However, a plan that pulls funding entirely from provider payments is untenable. Our state's hospitals stand ready to care for all Washingtonians, but they need a stable and feasible financial structure.

- Any solution involving a public option for Washingtonians will have a significant impact on our state's health care system. It needs to be thoughtful and factor in core principles of insurance including adequate provider reimbursement rates, utilization management, and network adequacy standards. Hospitals want to be part of addressing affordability issues.
- Safety-net and rural hospitals, those with high concentrations of patients on Medicare and Medicaid, will have significant difficulty providing care to patients while absorbing the additional losses from a public option plan.
- While this coverage expansion is aimed at the individual market, if the premium costs are lower, it is likely that small groups would move their enrollees to it, further destabilizing the balance of the insurance market.

## Contact Information

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