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Cascade Care: Washington State's Public Option Legislation

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Cascade Care is considered the nation's first attempt at providing a public option for health insurance (see *Public Option*). Passed via WA SB 5526 in May 2019, Cascade Care includes the creation of public option insurance plans that provide a way to stabilize the individual insurance market and offer additional choice and competition in so-called "bare counties" with only one health plan on Healthplanfinder, the state's Health Benefit Exchange (HBE).[1] These public option plans will be offered exclusively as individual market coverage on Healthplanfinder.[2] In addition, Cascade Care reflects a set of changes that affect other, non-public option plans offered on the HBE.

Public Option Plans

In general, "public option plans" denotes those with access to publicly determined payment rates.[3] In this way, public option plans are analogous to longstanding programs such as Medicare, Medicaid, and the Children's Health Insurance Program.[4]

Similar to these programs, public option plans can either function as government-run insurance plans or can be contracted out to private insurers held to the government's rate limits and other requirements.[3] The overall goal of public option plans is to increase direct competition by providing alternatives to private health insurance options, thereby driving down premiums and underlying health care costs.[4] Due to their potential to generate more affordable premiums, public option plans can also be seen as a possible mechanism for reducing the uninsured rate.[5]

Attention to Cascade Care reflects continued interest in public option plans since the idea was considered but ultimately excluded from the Patient Protection and Affordable Care Act of 2010.[4] In 2019, four different bills involving a federal public

option plan were introduced by members of Congress. As of May 2020, at least 18 states have considered legislation to create public option plans or expand Medicaid eligibility in order to allow individuals to purchase coverage under plans with publicly determined payment rates.[3]

Given this momentum, this issue brief outlines key elements of the public option plans within Cascade Care for the coverage period beginning January 1, 2021. Discussion of elements beyond the public option (e.g., those pertaining to other plans offered on Healthplanfinder) are beyond the scope of this brief. Readers interested in these elements are encouraged to visit the HBE website.

Cascade Care Public Option Plans: Key Elements

Plan Administration. Public option plans under Cascade Care are administered through insurers that agree to adhere public option requirements, rather than the state government itself. In July 2020, the Washington State Health Care Authority (HCA) identified five insurers for the proposed public option plans: Bridgespan, Community Health Network of Washington, Coordinated Care, LifeWise, and UnitedHealthcare.[6]

Insurer Participation. Voluntary; those that do not offer public options can still participate in the Exchange.[7]

Provider Participation. Voluntary.[8]

Provider Payment Rates. While the initial intent was to set payment rates in Cascade Care equal to those used in Medicare, plan rates excluding prescription drugs were ultimately capped at 160% of Medicare.[5] Payment floors were established for primary care services (no less than 135% of Medicare rates) and critical access and sole community hospitals (101% or more of "allowable costs" as defined by The Centers for Medicare and Medicaid Services).[7]

Prior analyses by the HBE suggest that this 160% rate cap would be lower than rates provided by private plans offered through the HBE (average of 174% of Medicare rates).[9] Beginning in 2023, the HCA will have the option to waive the 160% rate cap if health plans' actuarially estimated inflation-adjusted premium rates are no greater than their rates in the prior year.[7]

Other requirements. Public option plans will also be required to incorporate Bree Collaborative and Health Technology Assessment (HTA) program recommendations. The Bree Collaborative is a multi-stakeholder group tasked with developing evidence-

based recommendations to reduce variation and/or frequency in the use of services that pose patient-safety risks or fail to improve health outcomes.[10] The HTA makes coverage decisions for selected health technologies such as stem-cell therapy for musculoskeletal conditions.[11]

Premiums. Actuarial estimations are that the 160% provider payment rate cap will enable premiums to be 5-10% lower than they otherwise would be.[1,9] The Cascade Care bill requires the HBE to submit a subsidy study plan for implementing premium subsidies for potential consumers with incomes up to 500% of the federal poverty line.[7] This plan is due November 15, 2020 and is not a guarantee of state funds to support subsidies.[7]

Cost Sharing. Like other plans offered on the state's health exchange, public option plans will involve unified co-pay and co-insurance amounts that are set by the HBE for each plan tier (gold, silver, bronze), rather than by individual insurers. Plans also ensure preventive care, such as screening, immunization, and routine examinations, are available without cost-sharing, pre-deductible.[7]

Cascade Care Public Option Plans: Potential Impact

In an analysis of possible federal public option plans, researchers at Research and Development (RAND) Corporation evaluated a model based on Cascade Care (e.g., public option plans on the Marketplaces with payment set at approximately 160% of Medicare rates and tax credits available up to 500% FPL), demonstrating that it could lead to 1.2 million fewer uninsured individuals, as well as 11% lower premiums, lower premium tax credits, and $7 billion in federal savings.[3] Given the scale and design elements of Cascade Care, it remains unknown how Washington's public option plans will impact coverage and health care spending.

In considering potential impact, one factor to monitor is provider participation: the combination of rate caps and voluntary participation may prompt providers to avoid public option plans. If this dynamic leads to limited provider networks, enrollment in public option plans could stagnate and insurers may become hesitant to participate.[8] The impact on access and outcomes would be particularly problematic if plan enrollees include vulnerable, high-need individuals. With more time and experience, dedicated evaluations should assess these impacts, and the impact of coverage under public option plans on patient outcomes.

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