



2022 HEALTHCARE AFFORDABILITY STATE POLICY SCORECARD

A CASE STUDY ON WASHINGTON

Polling data repeatedly shows that healthcare affordability is a top issue—often the number one issue—that state residents on both sides of the political aisle want their policymakers to work on. To inform policy conversations and support policymaker responsiveness, the Altarum Healthcare Value Hub’s Healthcare Affordability State Policy Scorecard ranks states’ performance on a broad set of policies to make healthcare more affordable, within the following four policy domains:

- Curbing Excess Prices in the System;
- Reducing Low-Value Care;
- Extending Coverage to All Residents; and
- Making Out-of-Pocket Costs Affordable.

Washington was one of the states that saw the most healthcare affordability policy progress in 2021. While we strongly discourage comparing scores and ranks between iterations of the Scorecard, we also want to highlight states that have undergone substantial healthcare affordability policy progress during this time, such as Washington.

Washington has pursued a variety of progressive health policy initiatives over the last several decades, such as the state’s 1978 Basic Health Plan which later became the model for the Basic Health Program under the Affordable Care Act, a five-year strategic plan with five goals to reduce health disparities adopted in 2006 and a mandatory All-Payer Claims Database run by the state Healthcare Authority starting in 2017.^{1,2} Washington’s long history of Democratic majorities is perhaps one factor that has contributed to advocates’ ability to pass progressive health policies. From 1992 to 2022, Washington state Democrats held both Senate and House majorities, as well as the governor’s office in nonconsecutive 16 years. They also had at least two out of three branches in all but two years during that period.³

This report provides a deep dive into the specific policies that Washington implemented in 2021, which focus on the domain, “Extend Coverage to All Residents.” Within this domain, Washington implemented the following policies: Public option health insurance plans and premium subsidies.

PUBLIC OPTION HEALTH INSURANCE

In 2021, Washington began offering public option-style plans, called Cascade Select Plans, on the state exchange as part of the Cascade Care program, which was signed into law in 2019.^{4,5} In this program, state officials contract with private insurers who then offer the plans on the exchange. These plans have aggregate payment rates to doctors and hospitals capped at 160% of Medicare rates and minimum reimbursements for primary care services and rural hospitals, intended to lower costs and save consumers money without negatively impacting access.^{6,7} Cascade Select plans have the same standard benefit design as regular Cascade Care plans, which emphasize lower deductibles and offers

certain services pre-deductible, including primary care, mental health services and generic drugs.⁸ Cascade Select plans also have additional requirements including community quality standards, value-based purchasing and ensuring aggregate limits on provider reimbursement.⁹ Compared with traditional exchange plans, they have lower deductibles and provide more services pre-deductible.¹⁰ Starting in 2024, all Cascade Care plans will be available for purchase regardless of enrollee immigration status.¹¹

On average, Cascade Care plans (including regular and public option) had deductibles \$1,000 below non-standard plan deductibles in the same metal tier;¹² although, out of the Qualified Health Plan enrollees with an integrated deductible, roughly 65% had a deductible over \$2,000.¹³ In 2021, public option premiums, overall, were 11% higher than the lowest Silver plan premiums; however, the public option plans were the lowest-premium standard silver plan in 9 out of the 19 counties in which they were offered.¹⁴ Subsequently, overall public option premiums decreased the following year,¹⁵ and Cascade Select subsidized premiums were \$147 compared to \$187 for Cascade Care standard plans in 2022.¹⁶

As of 2022, public option plans were available in only 25 of the state's 39 counties. To ensure that public option plans are available in all counties, effective 2023, any hospital that contracts with the state for Medicaid or public employee health benefits that resides in an area without public option plan availability must contract with at least one public option plan that submits an offer.¹⁷ Enrollment in public option plans increased from 1% of Exchange beneficiaries in 2021 to 4% of beneficiaries in 2022, with 8,500 people selecting Cascade Select public option plans in 2022.¹⁸

The public option is intended to provide an insurance plan with both lower cost-sharing for high-value services AND lower premiums by relying on a capped reimbursement rate. Cascade Select is the first active state-based public option plan in the country, so there is limited external evidence supporting the effectiveness of this specific model in other states. However, Montana's reference-based pricing agreements with hospitals was found to save the state a combined \$47.8 million for inpatient and outpatient services for state employees from 2017 to 2019.¹⁹ These savings were realized at a higher Medicare reference price (220–225% for inpatient services and 230–250% for outpatient services) applied to approximately 31,000 state employees, a far larger population than Cascade Select currently has enrolled.

As the first state-level public option proposal in the country to go into effect, Cascade Care faced a variety of challenges during the policy process. At the time, many stakeholders did not expect the policy to progress; no health plans immediately supported the proposal, and some opposed it openly. However, various factors aligned to allow its passage: Democrats held majorities in the House, Senate and Governor's office, and certain powerful advocacy groups, such as the Washington State Medical Association, chose not to immediately oppose the measure and instead remained neutral in order to secure a seat at the table for rate negotiations.²⁰ Perhaps most notably, legislators originally proposed matching Medicare's reimbursement rate at 100%, but after fierce opposition from doctors and hospital associations, they raised the cap to 160% of Medicare rates. While it was likely essential to increase the cap in order to secure the votes needed to pass legislation, it is unclear whether the higher payment cap is enough to reduce premiums further.^{21,22} The hospital participation requirement was also controversial when it passed in 2021.²³

PREMIUM SUBSIDIES

Starting in 2023, Washington will implement the Cascade Care Savings program, which offers premium subsidies for residents who enroll in Silver and Gold Cascade Care plans, including public option plans, and earn up to 250% of the Federal Poverty Level (FPL).²⁴ According to preliminary estimates, more than 40% of people who get their health insurance through the Marketplace could qualify for the Cascade Care Savings program.²⁵ The amount of state-funded premium subsidies varies based on age, income and location, but most eligible enrollees can get coverage for less than \$10 per month, including some enrollees paying \$0 per month.²⁶ To pay for the program, the legislature allocated \$50 million in state funding to implement premium assistance in plan year 2023 and an additional \$5 million for non-federally subsidized enrollees.²⁷ Starting in 2024, Cascade Care Savings will be available regardless of enrollee immigration status.²⁸ Notably, state-based funding skirts the previous requirement that at least \$1 per month be allocated to an abortion coverage fund that cannot be paid with federal premium subsidies, thereby allowing the state to achieve a true \$0 premium for some enrollees as a small number of other states have done.²⁹

Washington's preliminary studies found that 22.8% of Washington's uninsured population earns 201-300% FPL, and another 15.0% earn 301-400% FPL.³⁰ While there are a variety of reasons for being uninsured, cost remains one of the most frequently reported reasons, including in Washington state.³¹ This suggests that premium subsidies would be valuable for enrollees across the income spectrum. State-based subsidy programs up to the 250% FPL level have found success elsewhere, such as with Massachusetts's ConnectorCare program, which provides subsidies to individuals earning up to 300% of FPL, resulting in zero- or low-dollar premium plans for roughly 185,000 enrollees as of August 2021, or 59% of the total marketplace purchases.³² However, these plans also offer zero-or low-dollar copays and do not have deductibles or coinsurance, making them quite different from Cascade Care plans.³³

FINAL THOUGHTS

These new programs demonstrate that Washington State continues to be a pioneer in terms of policies to improve healthcare affordability. Washington is the first state in the country to implement a "public option," now with substantial state-based subsidies, as well as the first state to make such plans available regardless of immigration status. Given Washington's robust healthcare affordability landscape and commitment to testing and improving innovative policies, there is hope that these plans will provide an affordable coverage option for residents across the state.

NOTES

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Contact the Hub: 3520 Green Court, Suite 300, Ann Arbor, MI 48105
(734) 302-4600 | www.HealthcareValueHub.org | [@HealthValueHub](https://twitter.com/HealthValueHub)