

Optimizing state subsidies to lower premiums

Issue: Washington’s state-funded premium subsidy (branded Cascade Care Savings, or CCS) launched plan year (PY) 2023 with a \$55 million annual budget. The defined subsidy budget and fixed maximum per-member, per-month (PMPM) amounts for customers cannot keep pace with the 10% average annual premium increases experienced the last three consecutive years (based on initial 2025 rates). In anticipation of PY 2026, the Exchange is focused on sustaining and maximizing federal and state subsidies for customers as the enhanced federal subsidies (referred to as ARPA subsidies) are set to expire next year and the State Legislature appropriates state subsidy funding for the FY 25-27 biennium.

State subsidy program goals:

- Serve the Exchange’s core mission of reducing the uninsured in Washington state.
- Advance health equity.
- Provide a bridge for individuals transitioning between Medicaid and QHP eligibility.
- Soften impact for customers most affected by the potential loss of federal subsidies.
- Maximize impact of state investment into affordable individual market coverage.
- Positively impact the individual market risk pool.
- Grow enrollment.

Key Milestones



2024 Exchange Customer Experience

Eligibility	State Subsidies for Federally Subsidized	State Subsidies for Non-Federally Subsidized	Customer Feedback
<p>All QHP eligible customers who are:</p> <ul style="list-style-type: none"> • Up to 250% FPL* • Enrolled in any Cascade Care silver or gold plan (standard & public option) <p>~30% of customers with incomes eligible for subsidy are enrolled in plans not eligible for state subsidies (bronze & non-Cascade silver)</p>	<p>~ 95K enrollees receiving CCS.</p> <p>Lowers monthly premiums by up to \$155 PMPM; average use is ~\$35 (those close to 250% FPL & tobacco users use more).</p> <p>Average monthly net premium: ~\$50</p>	<p>~5K enrollees receiving CCS.</p> <p>Lowers monthly premiums by up to \$250 PMPM; customers use it all.</p> <p>Average monthly net premium: ~\$200</p>	<p>“She was able to access the subsidies available through Cascade Public option plan. Our payments are now going to be approximately \$108/month and the most we will pay for cancer treatment is \$2,500!!! ... The weight lifted by this opportunity is truly life changing.”</p>

What are the Exchange's opportunities for market stewardship to lower premiums for customers who need it most to get and stay covered?

Considerations:

Stewardship

- The Exchange's approach thus far is to get as much subsidy as possible to low-income customers (without overspending the appropriation), and with a focus on lowering premiums for customers who do not receive federal subsidies.
- To make progress toward the Exchange's 3% uninsurance goal, many Exchange stakeholders advocate for approaches targeted to populations that require additional support to be insured.
- With state subsidy currently available to lower premiums for all Cascade Care silver and gold plans, there are few incentives for carriers to manage plan premium growth or costs.
- While there are some indicators of choice error, some income-eligible Exchange enrollees actively choose plans for which state subsidies are not eligible.

Sustainability

- This fall, the Exchange will request a biennial (FY 25-27) appropriation for state subsidy.
- Subsidy policy currently includes only one Exchange lever (setting annual maximum subsidy amounts available to eligible customers) to manage the annual subsidy budget in our dynamic and increasingly expensive market.

Stability

- State subsidy is important in an environment where enhanced federal subsidies expire. Independent actuaries predict that up to 55,000 Exchange enrollees will drop coverage when enhanced federal subsidies expire.
- Actuarial modeling demonstrates that a greater percentage of customers up to 250% FPL utilize the subsidy and utilize more of it on a monthly basis in a no-ARPA environment.

Simplicity

- State subsidy is available and applied to eligible customer plan premiums relatively broadly today (up to 250% FPL and enrolled in Cascade Care silver or gold plan).
- Legislative proviso articulates the 250% FPL cap, Exchange policy defines the subsidy-eligible Cascade Care silver and gold plans.

*250% FPL is about \$36,000 annually for an individual.