
Basic Health Program Funding Methodology Proposed Notice
Fact Sheet
10/21/2015

The Centers for Medicare & Medicaid Services (CMS) today issued a proposed notice establishing the methodology for determining federal funding for the Basic Health Program (BHP) in program years 2017 and 2018. The BHP provides states with the option to establish a health benefits coverage program for low-income individuals as an alternative to Health Insurance Marketplace coverage under the Affordable Care Act. This proposed notice is substantially the same as the final notice for program year 2016.

Overview

Section 1331 of the Affordable Care Act provides states with a new coverage option, the BHP, for individuals who do not qualify for Medicaid, the Children's Health Insurance Program (CHIP) or other minimum essential coverage and generally have income between 133 percent and 200 percent of the federal poverty level.

Benefits will include at least the 10 essential health benefits specified in the Affordable Care Act; states can add benefits at their option. The monthly premium and cost sharing charged to eligible individuals will not exceed what an eligible individual would have paid if he or she were to receive coverage from a qualified health plan through the Marketplace, including advance payment of premium tax credits and cost-sharing reductions; a state can lower premiums and other out of pocket costs at its option. A state that operates a BHP will receive federal funding equal to 95 percent of the amount of the premium tax credit and the cost sharing reductions that would have otherwise been provided to (or on behalf of) eligible individuals if these individuals enrolled in qualified health plans through the Marketplace in the same benefit year. Two states, New York and Minnesota, have established a BHP.

On March 12, 2014, CMS released the [final rule](#) for the BHP. CMS established standards for state and federal administration of the program, including provisions regarding eligibility and enrollment, benefits, cost-sharing requirements, and oversight activities. Where possible, CMS aligned BHP rules with existing rules governing coverage through the Marketplace, Medicaid, or CHIP to simplify administration for states and promote coordination between the BHP and other health insurance programs. The [final rule](#) also specifies that CMS will annually publish a proposed and final BHP Payment Notice.

The proposed notice issued today provides the methodology and data sources necessary to determine federal payment amounts made in program years 2017 and 2018 to states that elect to use the BHP to offer health benefits to low-income individuals otherwise eligible to purchase coverage through the Marketplace. The proposed notice uses the same methodology as the final 2016 BHP payment notice.

CMS plans to issue a final notice by February 2016, as announced in the BHP regulations. The February timeframe gives states time to make necessary program adjustments to participate or to begin implementation.

Key Provisions in the Proposed Notice

CMS proposes to use the same funding methodology for program years 2017 and 2018 as established for 2016, along with updated values for several factors.

- The proposed methodology calculates monthly payment rates for each state for various rate cells, which are defined by age, geographic area (county), income, household size, and the number of persons in a household enrolled in the program. The proposal also makes adjustments for members of federally recognized tribes enrolled in the program.
- The proposed methodology calculates payment rates based on the premium tax credit amount and the cost-sharing reductions for the applicable benefit year. The premium tax credit is calculated by estimating the average premium tax credit that persons would have received for each rate cell, which is the difference between the second lowest cost silver plan premium available and the amount of annual income that a household would be required to pay in premiums if the members of the household were enrolled in the second lowest cost silver plan in the Marketplace. Cost-sharing reductions are calculated by estimating the average advance cost-sharing reductions payment that would have been provided to persons for each rate cell for the benefit year.
- The proposed methodology gives states the option to use either the 2017 and 2018 Marketplace premiums or the 2016 or 2017 premiums projected forward by an estimated trend rate to calculate the BHP payment rates for program years 2017 and 2018, respectively. States would also have the option to propose a methodology to calculate the difference in health status between the BHP population and persons enrolled in the individual Marketplace.
- The proposed methodology calculates payments quarterly. Payments will be based on the last quarter of enrollment (or estimated enrollment for states that implement a new BHP) and reconciled once enrollment data is submitted for each quarter.

This proposed BHP payment notice for 2017 and 2018 is on display at <https://www.federalregister.gov/public-inspection> and will be posted on <https://www.federalregister.gov/>