



To: Interested Parties Date: Updated May 11, 2021

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Subject: State-Level Public Option Proposals: A Look Across States

Many small businesses and individuals experience significant difficulties obtaining adequate insurance coverage for their needs. Recognizing that, states are now turning to public health insurance options to provide coverage that is affordable, [equitable](#), and accessible.

Public option plans are an improvement to the health care system that lower costs and make quality health care more accessible by adding more competition for the health care industry. A public health insurance option, often called a “public option,” is a government-regulated insurance plan that is often privately-run. It can be made available to individuals, small businesses, or other entities, like nonprofit organizations, and can be chosen as an alternative to a traditional private insurance plan, typically at a lower cost. States across the nation are actively considering or implementing public options. This memo provides an overview of public option policies being debated or implemented in several states (listed alphabetically below).

Colorado

Current Legislation

The initial [public option legislation](#) would have provided new and affordable standardized plans in the individual and small group insurance markets. These plans would have been required to reduce people’s premiums by 10% in 2023 and 10% in 2024. If these plans had not reduced premiums by 20% over two years, a full public option would have been triggered and offered through a quasi-governmental entity in 2025.

[The bill](#) has since been [amended](#) and is now the “Standardized Health Benefit Plan Colorado Option.” In place of triggering a public option, the proposal requires an 18% reduction in premiums over three years. Additionally, the state will offer standardized benefit plans through private insurers throughout this three year period, again with the goal of lowering premiums. If the 18% cost reduction target is not met, the state will temporarily gain the authority to set rates

to meet the savings targets. The bill has [been voted out of the House](#); an overview of the original and amended bill can be found [here](#).

It is worth noting that, before legislation had even been introduced, outside interests launched a robust opposition campaign. By April, [millions of dollars](#) were committed to negative advertising buys for cable, social media and news outlets—greater than the state’s projected fiscal cost of the legislation itself.

Past Efforts

Colorado’s current progress builds on previous [2020 legislation](#), which was [pulled](#) due to the COVID pandemic. That proposal would have created an additional coverage option, [estimated](#) to save people up to 20% in premiums, offer more choice, and provide more services before people meet their deductible. The 2020 legislation would have also required health insurance companies that offer individual plans to offer a “Colorado Option” standardized plan (developed by the Commissioner of Insurance) in the counties where they offer the individual plan. The plan’s lower premiums would have stemmed from a new hospital [reimbursement rate](#) tied to a percentage of Medicare, with [special attention](#) paid to certain hospitals, including critical access hospitals. Hospitals would have been required to participate in the plan’s provider network. Similar to insurance reforms instituted in Washington state, the plan would have been standardized to allow people to easily compare health benefit plans and provide them with coverage for certain services offered *before* people meet their deductible.

Connecticut

Current Legislation

This year, Connecticut reintroduced legislation to create a public option to provide small businesses with more affordable health coverage. [The legislation](#) is designed to leverage the state employee health plan to provide affordable, comprehensive options for people working at small businesses and non-profit organizations. [Our polling](#) makes it clear that an overwhelming number of voters in Connecticut—fully 70%—support this effort. The legislation would provide individuals with additional state-level financial assistance, funded through a state fee assessed on insurers (see [here](#) for how Colorado recently did this). The bill has been heard in two committees, and an [amended version](#) most recently passed the joint [Finance committee](#).

Past Efforts

[The Connecticut Plan](#) was introduced in the 2020 legislative season, which would have allowed small businesses, nonprofits, and union-negotiated health plans the ability to buy into the state health plan. It also created a public option for individuals. Similar to Colorado, the bill was

shelved due to the COVID pandemic in early 2020. A similar [bill](#) in 2019 was originally designed to open the state health plan to small businesses and nonprofits, but was overhauled twice and ultimately did not pass.

Nevada

Current Legislation

Nevada lawmakers recently [introduced a bill](#) to create a public health insurance option that will reduce costs and make health care more affordable for many individuals and small businesses. [The bill](#) does this by leveraging the state's Medicaid program's purchasing power to provide new coverage options to people. Medicaid managed care plans will be required to bid and compete to offer the public option, forcing them to negotiate better prices with hospitals and drug companies.

The bill will also build on the state's Medicaid program by lowering eligibility standards for new moms, and will create initiatives to cover the individuals who are eligible (but not currently covered by) Medicaid. Importantly, the public option will be offered as a qualified health plan with no tax cost to Nevadans.

Past Efforts

During the 2019 legislative session, Nevada passed [Senate Concurrent Resolution No. 10](#), which commissioned a [study](#) to examine the viability, feasibility, and optimal design of a public option to be considered in 2021. Even earlier, in 2017, Nevada became the first state to pass a Medicaid buy-in when the legislature approved a [bill](#) that was designed to allow individuals—who had previously not been eligible— to purchase a Medicaid plan. This coverage option would have been offered alongside qualified health plans on an exchange, but was ultimately [vetoed](#) by the then-governor.

Oregon

Current Legislation

Public option legislation is under consideration in Oregon as well, with a bill [introduced](#) in late February and amended in April. The bill originally would have created a public option based on results of a legislatively-mandated [study](#) commissioned, outlined below. The [new legislation](#) requires the Oregon Health Authority and the Department of Consumer and Business Services to create an implementation plan for a public option, which will be delivered as a report to the

general assembly no later than January 1, 2022. The bill has been heard in one committee and is being referred to another.

Past Efforts

[Legislation](#) in 2019 directed the state to conduct a [study](#) to determine feasible options for a state public option or Medicaid buy-in. Its goal was to improve affordability and increase access to care. The analysis identified three delivery models that would achieve these goals:

- **A coordinated care organization (CCO) model**, under which the state would use existing CCOs to extend a public option to the population;
- **A carrier-led model**, under which the state would utilize commercial insurance carriers to provide a public option; and
- **A state-led model in partnership with a third-party administrator (TPA)**, under which the state would serve as the insurer, but utilize the TPA for processing claims and implementing plans. This model was touted as offering the most flexibility in the plan's design and implementation, but would have also presented the most financial risk for the state.

Washington

Overview

Washington was the first state in the country to pass and implement a public option. Known as [Cascade Care](#), the program was created in 2019 and began offering its first plans to consumers in 2021. The [goal](#) of Cascade Care is to increase the availability of quality, affordable health coverage in the individual market and to ensure residents in every Washington county have a choice of more affordable coverage.

The [Washington approach](#) requires the state to contract with insurance companies to offer standardized plans. Those plans provide uniform cost sharing for covered services and make it simpler for consumers to shop for and compare plans that best suit their needs.

The legislation also:

- Created requirements for more affordable and standardized bronze, silver, and gold health plans to be offered on the state's exchange. These plans provide services to people before they meet their deductible—services including primary care visits, mental health services, and generic drugs.
- Reduced premium costs by establishing new reimbursement rates for providers. For hospitals, this rate is not to exceed 160% of Medicare rates for all covered services other than pharmacy benefits. Additionally, rural critical access hospital and sole community hospital reimbursement rates may not be less than 101% of allowable rates defined by CMS. Additionally, primary care reimbursements may not be less than 135% of Medicare

rates, in order to make sure that patients have access to these important services and providers.

- Directed the state to develop a plan, including funding sources, for offering premium subsidies for those with incomes up to 500% of the federal poverty level.

Implementation is underway, with a state coverage option now available to people in 19 of Washington's 39 counties. In addition to qualified health plans sold on the exchange, people can now choose from two new coverage options, including "Cascade Select" public option plans. These plans have standard plan designs, utilize provider reimbursement rates tied to a percentage of Medicare, and must meet additional quality and value requirements. Statewide, fifteen Cascade Select plans are offered by five issuers. And early research on costs to people is promising; [existing data](#) from November 1, 2020 to January 15, 2021 suggests that deductibles for Cascade Care plans are, on average, \$1,000 lower than non-standard plan deductibles in the same tier.

Evaluation & revision is in process:

- Enacted legislation requires issuers offering the new standardized plans to pay providers no more than 160% of total statewide Medicare rates, but final data on actual reimbursement levels has not been released yet.
- [Legislation](#) recently [signed](#) by the Governor focuses on increasing the number of Select plans offered in each county, with the aim of further reducing people's costs by creating new provider reimbursement rates and by providing state-level premium assistance and cost-sharing subsidies to enrollees.

Helpful Resources

California Health Care Foundation: [State Public Options: Comparing Models from Across the Country](#)

State Health and Value Strategies: [The State of Play: Public Option at the Federal and State Level and What to Expect in 2021](#)

United States of Care: [Public Option: A state solution to bring more people affordable health care](#)