Implementing the Health Coverage Tax Credit Program: Model for the Future?

A TECHNICAL BRIEFING FEATURING:

Keith Taylor  
*Director*  
Health Coverage Tax Credit Program  
Internal Revenue Service

Thomas F. Jerkovitz  
*Executive Director*  
Comprehensive Health Insurance Plan  
State of Illinois

Kathryn Dostie  
*Trade Program Manager*  
Department of Labor  
State of Maine

Manfred Emmrich  
*Director*  
Employment Services Division  
North Carolina Employment Security Commission

Colleen M. Gallaher  
*Director of Regulatory Affairs*  
Highmark Inc.

Peter Trinidad  
*Contract Coordinator*  
United Steel Workers of America  
Burns Harbor, Indiana  
International Steel Group

Roy Ramthun  
*Senior Advisor to the Secretary*  
U.S. Department of the Treasury

Friday, May 7, 2004

11:45 am–12:15 pm — *Lunch*
12:15–2:30 pm — *Discussion*

Reserve Officers Association of the United States  
One Constitution Avenue, NE  
Congressional Hall of Honor — Fifth Floor  
(Across from the Dirksen Senate Office Building)

To register:  
Please call Tiombe Diggs at  
202/872-1392 as soon as possible. Space is limited.

For additional information on this topic:  
Implementing the Health Coverage Tax Credit Program: Model for the Future?

With the number of uninsured at record levels and a presidential election on the horizon, it is not surprising that federal policymakers are turning their attention to the “problem of the uninsured.” One approach, advocated by both Republicans and Democrats, is to help uninsured Americans purchase coverage with federally funded tax credits such as those currently provided through the Health Coverage Tax Credit (HCTC) program. Created under the Trade Act of 2002, the program provides a tax credit of 65 percent of health insurance premiums for qualified health plans to certain trade-impacted workers and early retirees. Automatically qualified health plans include continuation coverage under the Consolidated Omnibus Budget and Reconciliation Act (COBRA) and certain spousal and previously purchased individual plans. States may also elect to designate as qualified other plans that meet requirements in the legislation. (See The Basics: HCTC for more details.)

As of January 2004, approximately 9,300 individuals out of an estimated 200,000 eligibles had claimed the credit through an

SESSION OVERVIEW

This technical briefing will provide an overview of early experiences with the Health Coverage Tax Credit program, with a special focus on implementation issues at both federal and state levels. Officials from the Internal Revenue Service and Department of Treasury will describe the program, which subsidizes the cost of health insurance for certain trade-displaced workers and retirees, including the infrastructure put in place to provide advance payments to insurers on behalf of participants. The experiences of states in implementing the program through high-risk pools and private insurance plans will also be examined. Commentary will be provided by health plan and consumer representatives. The opportunities and challenges associated with program expansion will be explored.
advanced payment option that became available in August 2003. Additional individuals are likely to claim the credit on their 2003 income tax returns.

Most observers praise the teamwork that enabled this new, complex program to be mounted in record time. They agree, however, that the impact of the current HCTC program on reducing the number of uninsured will be modest at best. The pool of individuals eligible for the program is small nationwide and may not be sufficient in some states to warrant creating options beyond the three that qualify automatically. Moreover, even with the 65 percent subsidy, premiums are still too high for many workers, further limiting participation.1

Nevertheless, a number of policy experts believe the HCTC program offers important lessons for providing tax credits to the uninsured.2 Some have even suggested that the most significant aspect of the current program may be the experience gained at both federal and state levels in successfully implementing a complex tax subsidy program featuring electronically transmitted advance payments to private health plans. Such experience would be invaluable for crafting any future large-scale federal tax credit program for the uninsured.

**KEY QUESTIONS**

- What are the basic features of the HCTC program? How does the electronic infrastructure, which exchanges information about program eligibles and also provides payments to health plans, operate? What, if any, modifications would improve the performance of the existing infrastructure? Is the current infrastructure scalable?

- Where do the states stand in terms of implementing state option plans? What barriers are states encountering in their attempts to create qualified options?

- What have states done to reach out to HCTC eligibles? How have states worked with their federal, health plan, and labor partners on outreach?

- What information, outreach, or other barriers do individuals face in signing up for the program?

- From a health plan perspective, what are the key considerations in deciding to work with states to create state qualified options? What can plans do to help keep premiums affordable?

- Is the HCTC program a viable model for expanding coverage to the uninsured? What modifications would be needed to improve the rate of participation?
SPEAKERS

This roundtable discussion will focus on the mechanics of the HCTC program at the federal level as well as the experiences of states and health plans in implementing the program. Speakers and discussants will describe how the program works, what adjustments might make the existing program more effective and efficient, and what modifications might be needed if the program is expanded in the future to include different target populations.

**Keith Taylor**, director of the Health Coverage Tax Credit program in the Internal Revenue Service Wage and Investment Division, will begin the briefing with an overview of the program followed by more detailed information about the infrastructure that has been put in place to collect and transmit payments to private insurers. As director, Taylor is responsible for leading the Program Office and the multiagency team charged with forging the public-private partnership to develop and deliver the HCTC program. He has had an extensive career at the IRS which includes serving as the assistant director of Legislative Affairs.

**Thomas F. Jerkovitz**, executive director of the Illinois Comprehensive Health Insurance Plan, will describe how Illinois has used its existing high-risk pool to implement the HCTC. His government service in Illinois includes a stint as former Governor George H. Ryan’s senior policy advisor for Health and Human Services. He also was a division chief of the Illinois Bureau of the Budget in the area of public health, welfare, medical programs, child and family services, and insurance.

**Kathryn Dostie**, trade program manager in the Maine Department of Labor, will discuss her state’s experience with the HCTC, including the establishment of its state-qualified option, Blue Choice, which is similar to a group health insurance policy offered to state employees. Maine was the first state in the country to pilot the HCTC program.

**Manfred Emmrich**, director of the Employment Services Division of the North Carolina Employment Security Commission, will discuss how the state has made ongoing use of National Emergency Grant monies to pay 65 percent of the premium between the time a participant’s name “goes to Washington and the time he/she gets a check.” This period can stretch to 60 days or two payment cycles.

A health plan perspective will be provided by **Colleen M. Gallaher**, director of Regulatory Affairs for Highmark, a BlueCross BlueShield plan providing coverage to HCTC eligibles in Pennsylvania. Highmark has over 700 members enrolled in HCTC direct pay programs and over 2,190 contract holders enrolled in either state qualified plans, other qualified plans, or COBRA.
Peter Trinidad, contractor coordinator with the United Steel Workers of America (USWA) at Burns Harbor, Indiana, will discuss his experience working with the state of Indiana to create a state plan option, as well as bring a consumer perspective to the discussion. As chairman of the Insurance Commission for the USWA local, Trinidad has extensive experience counseling steel workers about the HCTC and other insurance benefit issues.

Roy Ramthun, senior advisor to the Secretary of the Treasury for health initiatives, will discuss the “lessons learned” from current HCTC implementation efforts as well as the implications for a broader tax credit. Ramthun coordinates Treasury’s development of specific policies and strategies to expand availability of and access to affordable health insurance for the uninsured, reduce health care costs, improve health care quality, and other related activities. Before joining the Treasury Department, Ramthun held a variety of positions during his eight-year tenure at the health insurer Humana Inc. His federal service includes five years with the Republican staff of the Senate Committee on Finance and several years with the Health Care Financing Administration as a legislative analyst.

ENDNOTES
