Update on Health Care Reform

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March 5, 2012

Agenda

- Medicaid issues
- Updates on market impact
- Risk Adjustment & Reinsurance
- Essential Health Benefits
- Health Insurance Exchanges (HIX)
- Medical Loss Ratio (MLR)

Website: nationalhealthcare.in.gov

PPACA Medicaid Changes

- Provider enrollment
- Primary care rate increase- 2013
- Medicaid eligibility – 2014
  - "Modified Adjusted Gross Income (MAGI)"
    - Aged, Blind, Disabled, & Waiver programs exempt
  - No asset test
  - Changes in how family unit is calculated
  - Federal hub for tax data; other electronic sources of data
  - Self-attestation
  - Consolidates categories
- States eligibility issues
  - New eligibility system & readiness for MAGI
  - Re-do processes & integrate with federal hub
  - When to use self-attestation
  - Federal or State application for eligibility?

Medicaid Challenges

- FMAP
  - Federal participation rate for “newly eligibles”
    - 100% until 2017; then gradually lowers to 90% by 2020
  - Determine newly eligible or previously eligible
- Addition of 350,000-500,000 new Medicaid participants
  - Administrative cost impact

Medicaid Challenges

- Some Medicaid programs will overlap with federal premium tax credits
  - Spend Down (2011 SEA 461 allows for elimination of this program)
    - Working with the SSA to use federal disability determinations starting in 2014
    - No definitive response from CMS
    - Breast & Cervical Cancer Program & pregnant women overlap

Medicaid Challenges

- Future legislative issues if PPACA survives
  - Primary care rate increase & provider rates
  - State match for health care costs starting in 2017
  - Administrative costs will increase starting end of 2013
  - Other overlapping programs?

Healthy Indiana Plan (HIP)

- SEA 461(2011) called for HIP to be the coverage vehicle for newly eligible population
- State Plan Amendment submitted – late spring 2011
  - CMS unable to provide a decision
- Submitted waiver renewal – December 2011
  - Requested maximum 3 year extension
  - Extends HIP with SEA 461 changes
- Current HIP waiver expires December 31, 2012
  - Need 6 months to dismantle program, if not approved
  - Desire a CMS decision by summer of 2012

HIP Waiver Issues

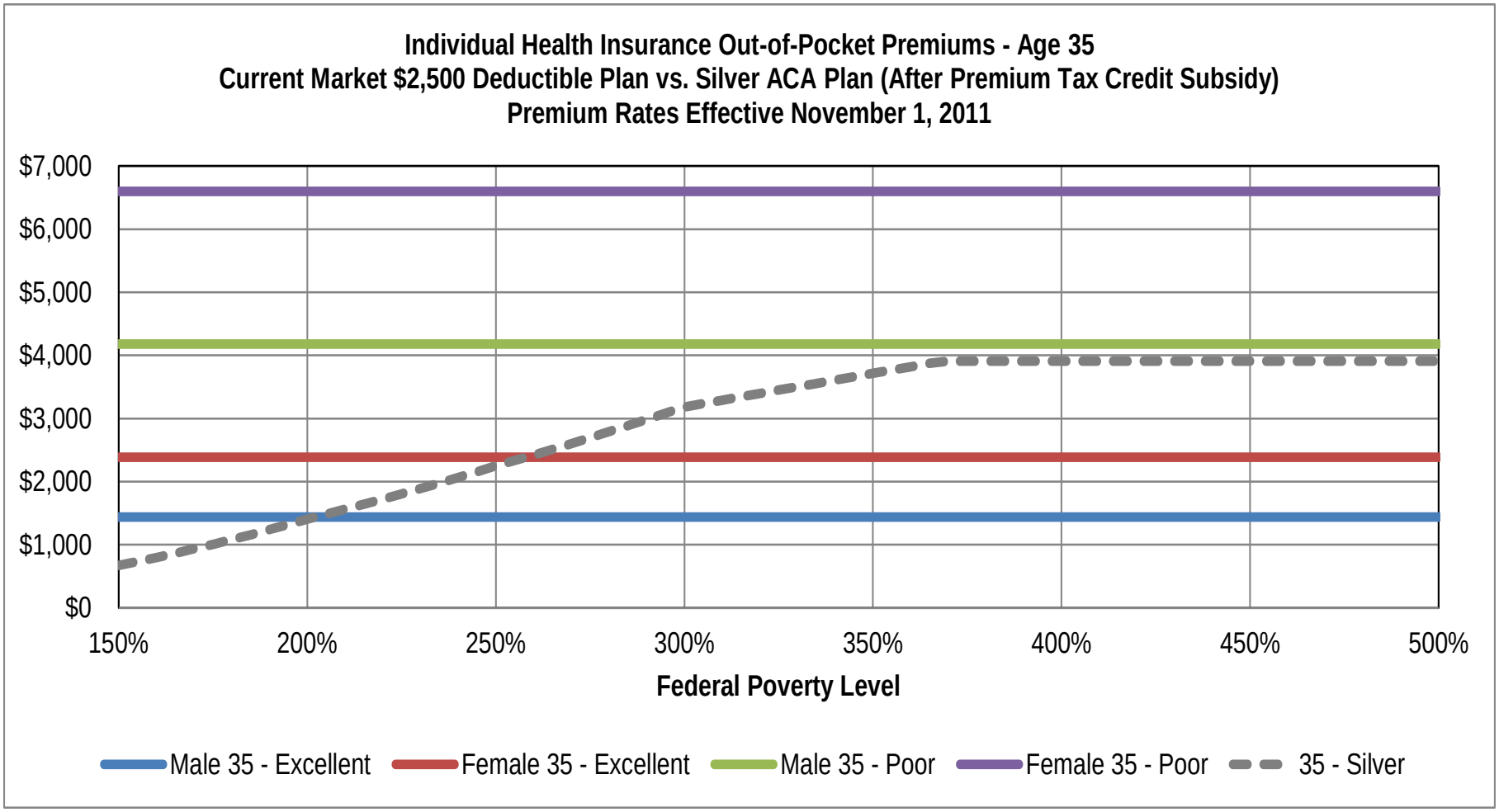
- Budget Neutrality
  - Seeking restoration of Disproportionate Share Hospital Payments (DSH) that were diverted under the current 1115 waiver
  - 2014 childless adults are eligible, which eliminates budget neutrality requirement

Market Impact of PPACA: Premium Growth

- Small Group
  - 5-10% increase by 2020*
  - Movement of some groups to ASO model
  - Some employers dropping coverage
- Individual Market
  - 75-95% increase by 2020*
  - Elimination of ICHIA
  - New insurer taxes
  - Essential benefits
  - Provider cost shifting
  - New case mix in individual market

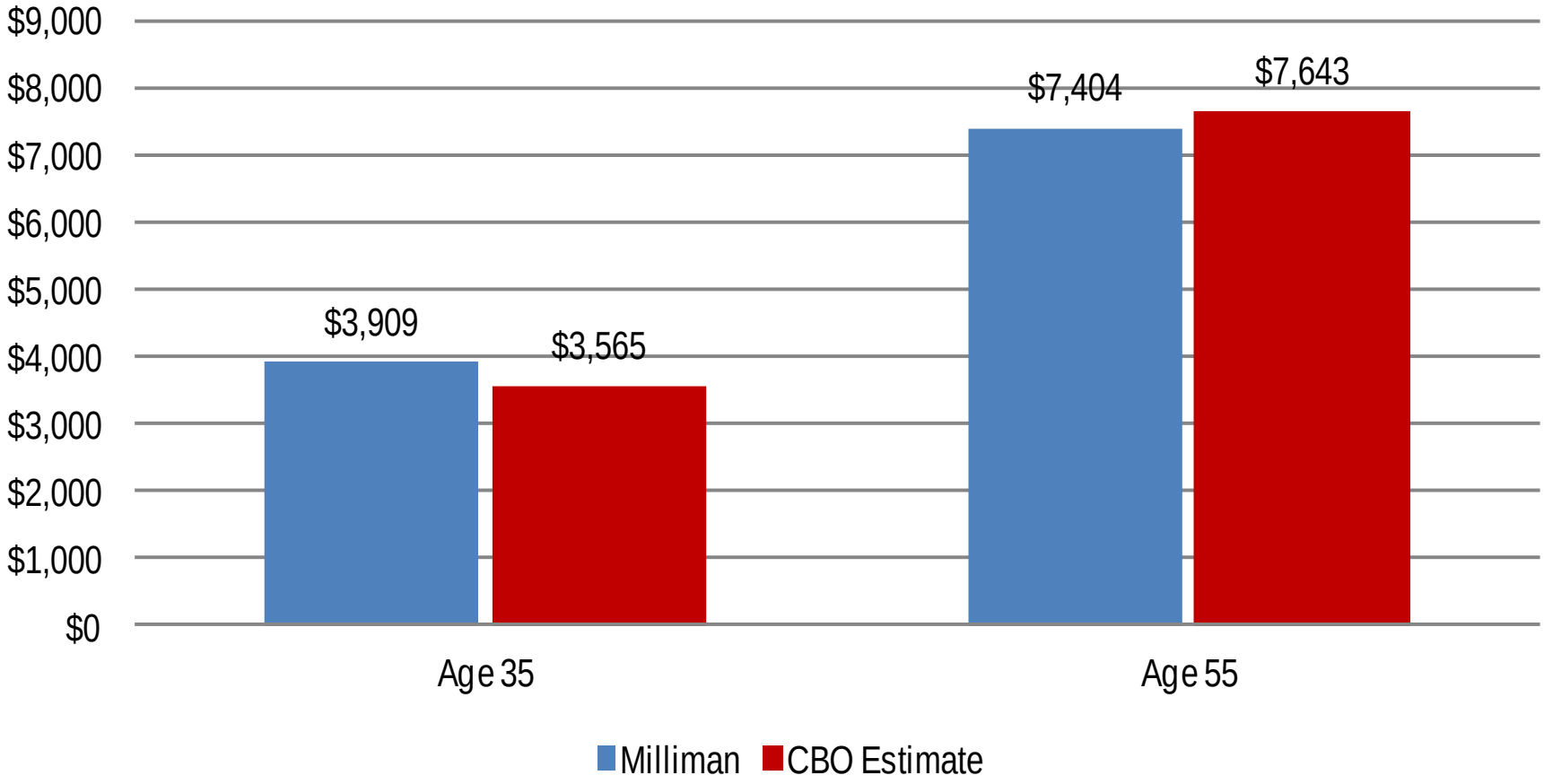
*Source: Herbold, Jill S. and Paul R. Houchens. Milliman, Inc. "Individual and Small Group Premium Changes Under the ACA." May 2011. See nationalhealthcare.in.gov for full paper.

PPACA Premium Rate Impact

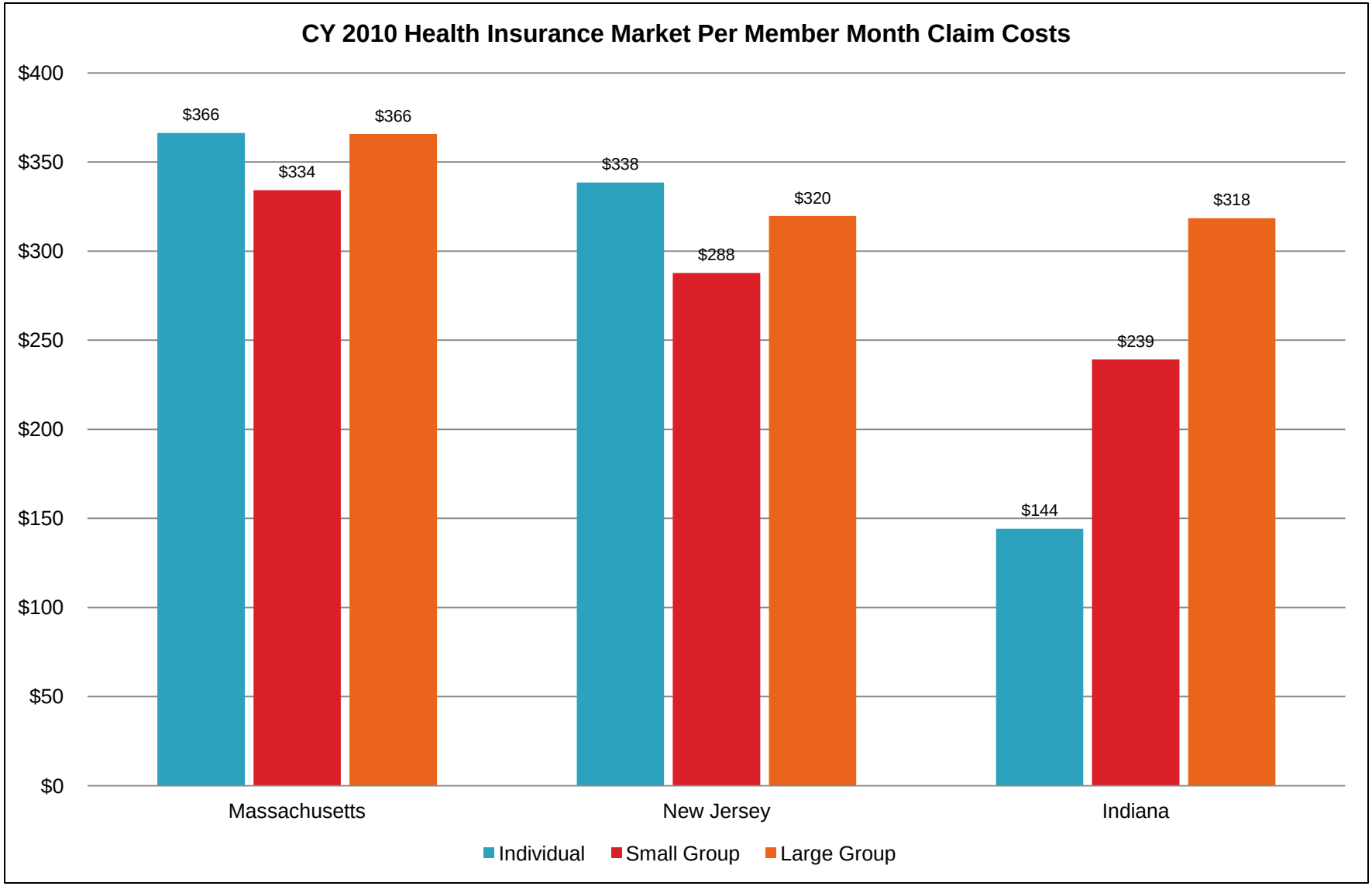


Source: Milliman. "***T****he estimated ACA premium rate impact for a given person by age, gender, health status, and income level is represented by the dollar difference between the current premium rate and estimated out-of-pocket premium for the silver plan.* For example in figure 1, 35 year old males in excellent health status will receive a premium decrease if income is below 200% FPL, but all other income levels for the 35 year old male in excellent health status will receive a premium increase." Full paper will be available at nationalhealthcare.in.gov.

Comparison Between Milliman and CBO Estimated Premium Rates
Estimated Individual Market Silver Plan Premium Rates
12 Month Coverage Period Ending October 31, 2012



Source: Houchens, Paul. Milliman. "Premium Rates Variability." Will be available on nationalhealthcare.in.gov.



Notes:

•Source: Milliman. December 31, 2010 Supplemental Health Exhibit filings collected during June 2011 using Insurance Analyst Pro®, Highline Data.

•Claim cost experience has not been adjusted for age/gender/in-state geographic/income mix and actuarial value differences between markets.

Risk Adjustment, Reinsurance, & Risk Corridors

- Premium rating rules restrict insurers to rating on age (3:1), tobacco use (1:5:1), geography (no limit), and family size
- Programs intended to help mitigate increases in premiums due to insuring a previously uninsured population
- Risk corridors – federal program – only Exchange plans
- Risk corridors & reinsurance are temporary programs that go away after 3 years

Summary of 3 Rs by Market

	Sold within Exchange		Sold Outside Exchange			Who Administers	
PPACA Provision	IND	SG	IND	SG	Grand-fathered	State HIX	Federal HIX
Risk Adj.	Yes	Yes	Yes	Yes	No	State or HHS*	HHS
Reins.	Yes	No	Yes	No	No	State	State or HHS*
Risk Corridor	Yes	Yes	No	No	No	HHS	HHS

*State can decide to administer or allow HHS to administer. If HHS administers, all parameters will be federal.

Source: Wakely Consulting Group and State Health Reform Assistance Network. "Risk Adjustment and Reinsurance: A Work Plan for State Officials." January 31, 2012.

Risk Adjustment (RA)

- Risk adjustment is intended to:
  - Increase insurance market stability
  - "Promote carrier competition based on medical management & administrative efficiency rather than risk selection"
- The Risk Adjustment program will collect payments from carriers with lower risk populations and distribute payments to carriers with higher risk populations
- HHS will provide a federal Risk Adjustment methodology in fall 2012
- A State may develop its own Risk Adjustment methodology within 30 days of release of federal methodology

Risk Adjustment in Indiana

- Upcoming Risk Adjustment survey of carriers
  - Carrier preferences on risk adjustment options
    - Who should administer?
    - Methodology?
      - Many options or adjustments available; short term & long term processes
- State will test Risk Adjustment methodologies based on carrier feedback
- Carriers need to understand how Risk Adjustment will be administered to develop products for 2014
  - Impacts pricing
  - Technology requirements
- Timing is critical

Reinsurance

- State-based Exchange must perform this function
- Decreases carriers claim exposure on larger claims
- Funded through a carrier assessment- all carriers including TPAs
- State can increase assessment to pay for administration
- Material impact to premium (5-10%)
- State is examining current small group Reinsurance pool and other options

Impacts of the 3 Rs

- Programs funded by carriers through assessments or movement of dollars from one carrier to another
- May have short term impact, but once program ends prices will go up
- Protects carriers
- Does not lower costs for consumer

Essential Health Benefits (EHB)

- In 2014, all health plans in the individual and small group markets must offer the EHB
- PPACA defined benefits:
  - Ambulatory patient services
  - Emergency services
  - Hospitalization
  - Maternity and newborn care
  - Mental health and substance use disorder services, including behavioral health treatment
  - Prescription drugs
  - Rehabilitative and habilitative services and devices
  - Laboratory services
  - Preventive and wellness services and chronic disease management
  - Pediatric services, including oral and vision care

Essential Health Benefit Bulletin

- December 16, 2011- HHS released EHB Bulletin
- States allowed to choose its own EHB benchmark plan based on options below:
  - Small group market: The largest plan by enrollment within each of the three largest products in Indiana's small group market
  - State Employee Health Plan
  - HMO- largest commercially insured HMO offering in the State
  - Federal employee health plans- three plans with the largest enrollment
- Based on plans offered in the first quarter of 2012
- First three options include State mandated benefits
- The plan chosen from among these options will serve as the benchmark EHB plan for all small group and individual plans sold in Indiana

Essential Health Benefits

- A State must choose an EHB Benchmark Plan for 2014 by September 2012
- If a State does not choose an EHB Benchmark plan, the default plan will be the largest plan by enrollment or covered lives within the largest product in the small group market

Essential Health Benefits: Progress and Next Steps

- Developed & administered two surveys of health plans to determine enrollment and benefit options looking at last quarter of 2011
- Will identify Indiana's EHB options and analyze the costs of each plan
- Release results of the survey
- Invite stakeholder input on the options
- Additional survey this spring needed to obtain data for the 1st quarter of 2012

Indiana's EHB Benchmark Options

Small Group EHB Benchmark Options

Product	Enrollment Q2 '11
Anthem PPO	107,935
United POS	37,490
Lumenos HSA	36,325

HMO EHB Benchmark Option

Carrier	Total HMO Enrollment	Product
Advantage	55,992	1001

*Will have to re-survey the market once quarter one of 2012 is complete.

Exchanges (HIX): Understanding the Implications for Indiana

- **No decision to move forward on HIX**
  - Supreme Court decision pending
  - Lack of federal regulations; some drafts released
  - No federal model of Exchange offered
  - Lack of details on federal State partnership options
  - No bricks and mortar, staffing, IT system, or Board appointees
- Research efforts to date
  - Completed business process models (operations & staffing needs)
  - Monitoring & reviewing of draft federal regulations
  - IT systems analysis & release of RFIs
  - Market analysis & cost model research
  - Research: legal issues, organizational structure, policy

Potential Users in Indiana of an Exchange

Individuals	Households	Enrollees
Currently uninsured, 139-399% FPL	259,077	376,212
Currently with individual coverage, 139-399% FPL	76,734	123,933
Subtotal	*335,811*	*500,145*
Small Businesses < 50 employees	**Employees**	**Enrollees**
Offering insurance, potentially eligible for a tax credits	96,431	165,784 (includes dependents)
Not offering insurance, potentially eligible for tax credits	244,301	244,301+ (dependents not available)
Subtotal	*340,732*	*410,085+*
TOTAL	------	**910,230+**

Source: State Health Access Data Assistance Center (SHADAC) at the University of Minnesota. Full report at nationalhealthcare.in.gov.

Individuals in Indiana Less Likely to Use an Exchange Product

Individuals	Households	Enrollees
Uninsured, above 400% FPL	38,343	50,713
Individual Coverage, above 400% FPL	54,980	95,727
Subtotal	*93,323*	*146,440*
Businesses	**Employees**	**Enrollees**
ESI with fewer than 50 employees, not eligible for tax credit	87,795	157,477
Not offering ESI with fewer than 50 employees, not eligible for a tax credit*	60,917	60,917+ (dependents not available)
ESI with 50-99 Employees	96,896	169,684
50-99 employees, currently not offering insurance*	12,656	12,656+ (dependents not available)
Over 100 employees, currently offering insurance*	1,590,568	1,590,568+ (dependents not available)
Over 100, currently not offering insurance*	7,993	7,993+ (dependents not available)
Subtotal	*1,856,825*	*1,999,295+*
TOTAL	-----	**2,145,735+**

If employers drop insurance, some of these individuals may use the Exchange.

* Employees at these businesses may have insurance through another source (ie. spouse) or may be included in the totals for uninsured and individually purchased. Caution should be used to avoid double counting.

Source: State Health Access Data Assistance Center (SHADAC) at the University of Minnesota. Full report at nationalhealthcare.in.gov

Legislation for State Based Exchanges

- Executive Order:
  - Sufficient authority to establish Exchange **IF** the State decides to move forward
  - No legislation needed to establish Indiana based HIX
- Legislation would be required for HIX operations
  - Assumes a model of a not-for-profit that contracts with FSSA and IDOI for eligibility and plan management functions
  - Data sharing/privacy issues between HIX & FSSA
  - New authorities for IDOI
    - Risk Adjustment & Reinsurance
    - Quality of Health Plans & certification of QHPs
    - Potential oversight of Navigators
  - Exchange Funding
  - Private Exchanges?

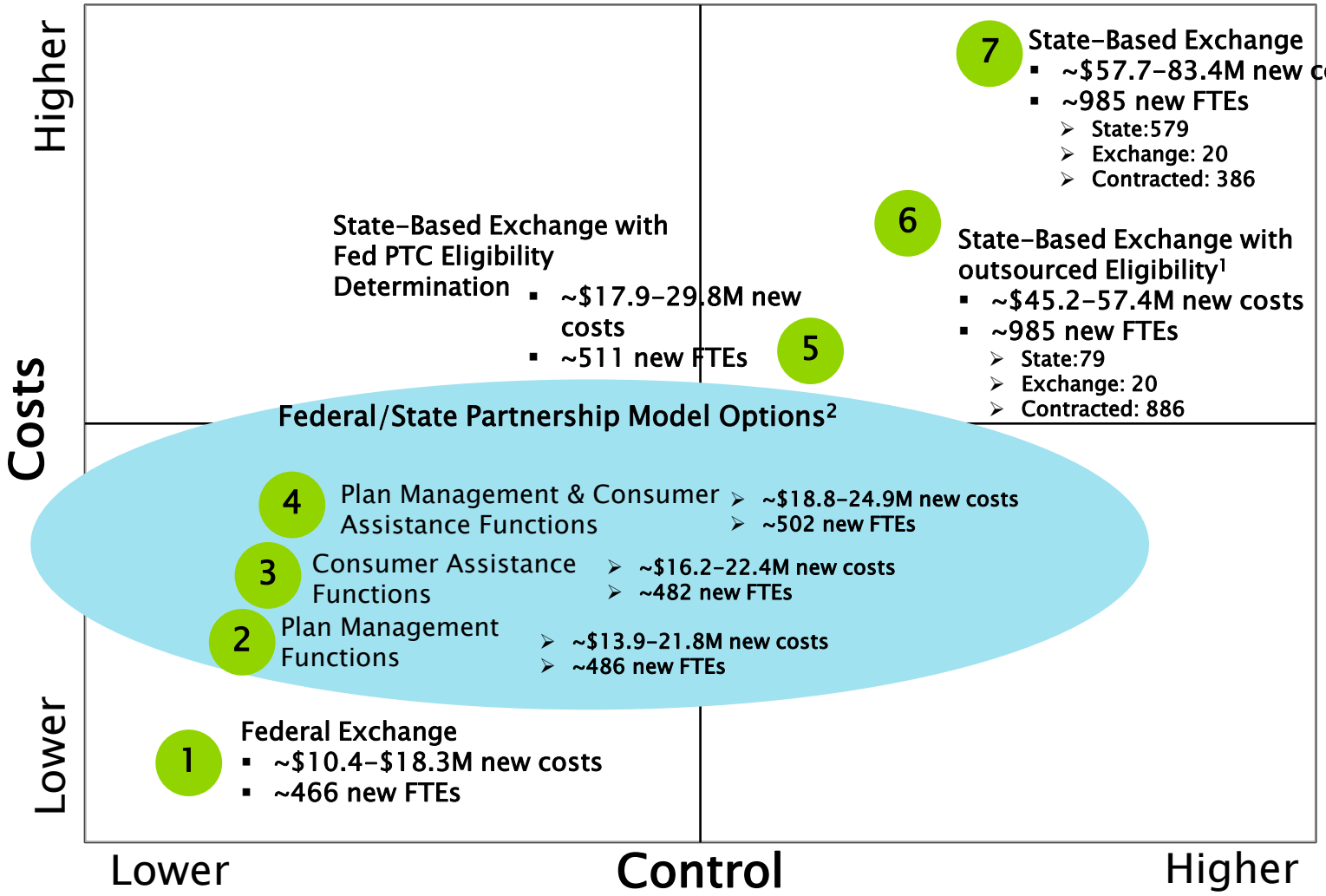
Federal Requirements

- Funding extensions
  - Grants will be extended through 2014 for planning & operations
- Federal State Exchange Readiness Review
- Partnership models- State can select one or more of these partnership options
  - Plan management- determine what plans are offered on the HIX
  - Eligibility- for premium tax credits and/or Medicaid
  - Consumer functions

Cost of Exchanges

- Preliminary estimates based on limited information on federal Exchanges & partnership options
- Key Variables
  - Number of Exchange users
  - Application processing time for premium tax credits
  - Federal partnership models
    - Even if Indiana defers to HHS for federal HIX, or just for eligibility for premium tax credits, Hoosiers will come to FSSA for eligibility processing
      - Increased call center support requirements & in-person support for all HIX options
  - Medicaid match on front door activities?

Preliminary & Draft Operational Costs for Exchanges



[1] Proposed regulations issued by HHS currently do not permit outsourcing of eligibility determination function

[2] For the Federal Exchange and 3 Federal/State Partnership model options, technology estimates include staff and "other maintenance" costs but do not include a PMPM charge that the Federal government is considering for each member utilizing the Exchange, which may add an incremental $9.0M or more in annual costs. They also do not include a potential additional Design, Development and Implementation (DDI) cost of $10.5M for not performing Eligibility.

Subject to change based on further guidance.

Key Federal Milestones

Date	Action Item
March 2012	Supreme Court case is heard
June 2012 (estimated)	Potential Supreme Court decision, could also be October 2012 or deferred to 2015
September 2012	Essential Health Benefits decision
September 2012 (estimated)	Release of Risk Adjustment methodology
October 2012 (estimated)	State option to apply for HIX certification
January 2013	Federal decision whether State or Federal Government will operate the Exchange
February -March 2013 (estimated)	Exchange health plans file with DOI for certification
October 2013 (estimated)	Potential go-live for Exchange
January 1, 2014	Medicaid expansion Premium tax credits

IDOI PPACA Requirements

- Continue to enforce PPACA provisions enacted September 2010
- Manage Rate Review I and II grant funding
- Maintain recognition for effective Rate Review program
- Implement Medical Loss Ratio requirements
- Evaluate external review requirements
- Review Essential Health Benefit benchmark options
- Evaluate Reinsurance and Risk Adjustment program requirements
- Identify federal/State based HIX IDOI Functions- plan management, consumer services and Navigators/Brokers

Medical Loss Ratio (MLR) Rebate Requirement

- IDOI MLR initiatives
  - Actively involved with NAIC Subgroups/Committees 2010-Present
  - Evaluated carrier preliminary MLR data via Supplement Health Care Exhibit (SHCE) April 2011
  - Held conferences with carriers to discuss MLR data June 2011
  - Submitted Initial MLR Waiver to HHS July 2011
  - MLR small group market bulletin October 2011
  - NAIC conference agent resolution November 2011
  - Discuss MLR alternatives 2011-Present
  - Provide input to NAIC for SHCE waiver – SHCE waiver adopted 2011-Present

Medical Loss Ratio (MLR) Rebate Requirement (cont.)

- IDOI MLR initiatives
  - HHS denied IDOI request for MLR waiver December 2011
  - Held SHCE industry webinar February 2012
- MLR current initiatives
  - States to reconcile HHS rebate form
  - MLR quality improvement expenses
  - Evaluate effects of Risk Adjustment
  - Review 2011 financial report/MLR data
  - Monitor carrier rebate form submissions
  - Monitor carrier rebate distributions and policyholder notifications

IDOI Health Insurance Exchange (HIX) Functions

- Following requirements apply whether operating a federal or State HIX
- Rate filing plan management
  - Rate Review– Manage QHP Certifications– Plans approved by October 2013 for individuals and employers to purchase on HIX
  - Evaluate/review rate and form filings to include EHB
  - Accreditations
    - Network adequacy
    - Quality measures
- Consumer services division – consumer protections
- Navigators/Brokers

IDOI PPACA Action Summary

- Maintain compliance for external review
- Received recognition for effective rate review program July 1, 2011
  - Federal requirements began September 1, 2011
- Provided MLR alternative to HHS for transitional approach to individual and small group market requirements

More information available at Nationalhealthcare.in.gov

Select the “Resources” page