Is the Basic Health Plan Option Right for New York?



Health Benefit Exchange Stakeholder Meeting

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Outline of Presentation

- Executive Summary
  - CSS best and worse case scenario
- 3 Reasons why New York might want to consider the BHP
- CSS Methodology for determining feasibility of BHP for New York
- Discussion

Take Home Message: BHP is Beneficial for NY's Consumers and the State

1. Both Urban and CSS analyses reveal the profound benefit BHP offers to low-income consumers
   - People below 200% of FPL face co-premiums ranging from $700-$2,300 per year in the Exchange
2. Both methods find significant savings for the State of New York
   - Urban finds $600 million; CSS finds $900 million
   - Urban finds more federal financing than CSS
   - Similar cost estimates
   - Both identify a number of policy options which builds in flexibility for NY
3. Both indicate that the Exchange remains viable with BHP
   - Uncertainty about risk pooling and adjustment

What is the BHP?

- State option for providing coverage instead of opting into the Exchange and getting tax credits
- Two groups of people would be eligible:
  - People between 139 and 200% of FPL
  - State-only funded lawful immigrants with incomes between 0 and 200% of FPL
- Rules
  - State must contract with plans or provider groups
  - Offer essential health benefits, premiums $\leq$ Exchange
  - Actuarial values at least 80% or 90%, depending on FPL

How is the BHP funded?

- For each enrollee, the feds pay the State:
  - 95% of premium subsidy (tax credit) that feds would pay for BHP-eligible people to buy a Silver-level product in Exchange
  - Plus what feds would pay for the cost-sharing subsidies
- Federal government will finance a State trust fund
  - Must be spent on BHP

Why Might NY Consider BHP?
#1: Affordable Bridge to the Exchange

- Steep cliff between free Medicaid and first rung of the Exchange
- BHP offers chance for free or low-cost coverage
- More low-income adults likely to enroll; more family members can enroll in same plan even if they have differing forms of coverage

Family Portion of Annual Insurance Premiums in 2014 Annual Costs for a Family of Three (2 adults, 1 child)				
FPL	Income	Medicaid	BHP*	Exchange
100%	$18,530	$0	$0	$366
139%	$25,571	n/a	$0 - $782	v. $782
150%	$27,465	n/a	$0 - $1,099	v. $1,099
200%	$37,060	n/a	$0 - $2,335	v. $2,335
300%	$55,590	n/a	n/a	$5,281

#1 BHP is an Affordable Bridge for Consumers cont…

BHP Plan (94 % AV)	Cost to Enrollee
Monthly premium	**$0**
Co-payments	
Inpatient	$100
PCP Office visit	$10
Specialists	$10
Emergency Room	$50
Outpatient Surgery	$0
Radiology	$5
Lab	$5
Pharmacy	$5/ $15/ $15

Why Might NY Consider BHP?
#2: Maximizing Federal Funding

Maximize federal funding for a “do gooder” state

- Urban Institute estimate: $597 million in State savings
- CSS estimate: $900 million in State savings (includes FHP/HNY-provider bump)

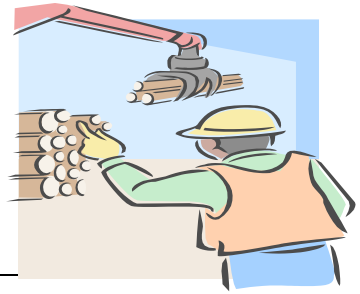
Why NY Might Consider BHP?
#3: Might be Better for Beneficiaries

3. Smooth out churning due to changes in income
   - Some experts say that churning at 200% FPL would be lower among the currently uninsured most likely to participate in the exchange and the BHP than at 138% of FPL.
   - A BHP may slightly decrease overall churn among uninsured adults by shifting the churn point to 200% FPL.
   - BHP can also protect lower-income populations from having to pay back tax credits by pushing the churn point to higher income levels where the population may have more resources and insurance options at their disposal.
   - A low cost BHP might result in fewer uninsured New Yorkers post-implementation
   - *But, Graves, Curtis, Gruber article in NEJM (11/20/11) claims BHP will increase churning.*

Source: Personal communication with S. Rosenbaum.

CSS Study:
5-Prong Approach to Designing a BHP

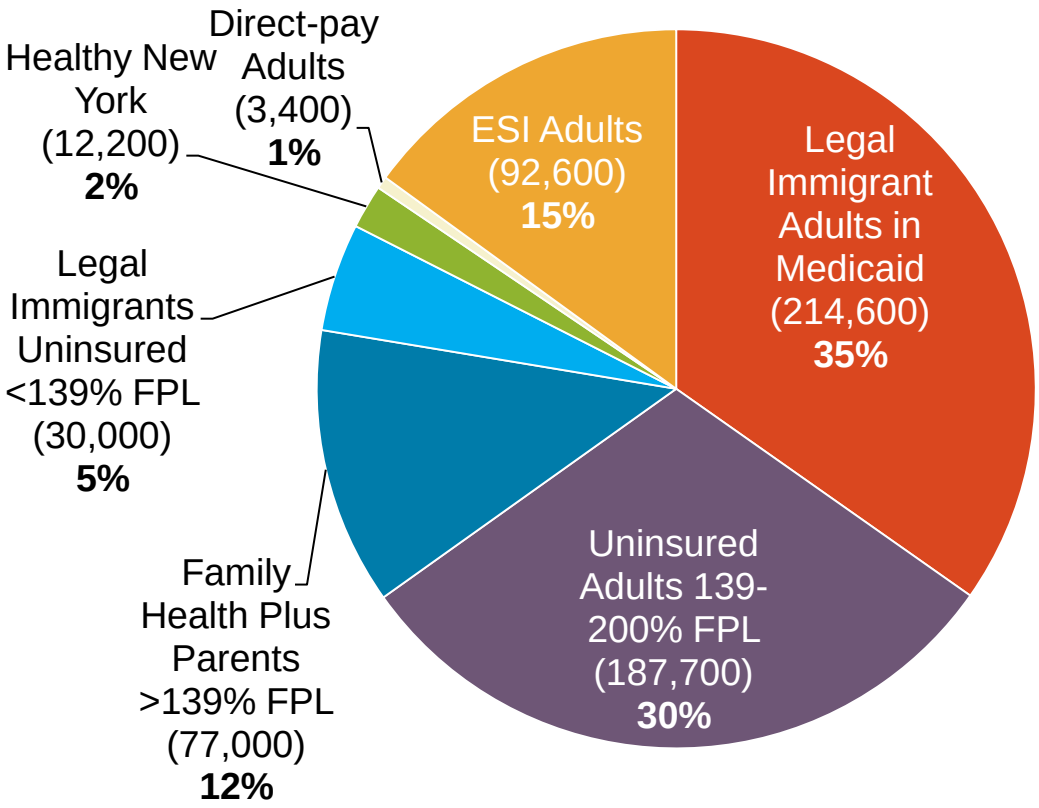
1. Who is likely join? (membership projections/take-up)
2. Funding
   - How much federal funding will New York get?
   - How much can New York State save?
3. How much will it cost New York to offer a BHP?
4. What kind of benefit design would a BHP offer?
5. What impact will a BHP have on New York's:
   - Exchange?
   - Rates of uninsurance?



1. Who will join? (Membership Projections/Take-up)

- Objective: To understand the enrollment levels ("take up"), demographic profile and relative risk of the population that will enroll in BHP
- Methodology:
  - Assess universe of BHP eligible groups (uninsured, people eligible for Medicaid or state expansion program, immigrants, direct-pay, people with expensive ESI, or other products)
  - Establish **take-up** assumptions for these populations
    - Literature on take-up, crowd-out, adverse selection
    - Consider BHP/exchange price and plan design
  - Estimate **relative risk** of these populations
    - Assess demographics, claims costs, health status

New York State BHP Membership Projection by Current Coverage (Adults only)



Total: 617,500

2. Funding: How Much Federal Funding Can New York Get to Run a BHP?

- ACA Rule: State gets 95% of premium subsidy (tax credit) + cost-sharing that feds would pay for BHP-eligible people to buy a Silver product in Exchange
  - Estimate price of 2nd lowest-cost Silver plan in State's Exchange in 2014
    - Conduct a market survey of small group premiums
    - Add trend, and regional adjustments
  - Negative adjustments
    - Exchange co-premiums (what members would pay)
    - Mandated benefits
  - Add federal cost-sharing estimates (i.e. increase the actuarial value to 94% and 87%)
- Determine State Savings
  - State-funded programs shifted to feds (FHP, legal immigrants, HealthyNY)

*NB: An issue that federal regulators, states, and advocates will need to address is that price estimates—but not necessarily actuarial values—can vary widely based on plan design (e.g. HMO v. PPO).

Estimated Federal Financing for the Premium Subsidy/Tax Credit (PMPM basis) in NY

	PREMIUM TAX CREDIT		
	Premiums Based on HMO		
	< 150% FPL 0.94 AV	150-200% FPL 0.87 AV	
Second Lowest Cost Silver Plan CY 2011	$367	$367	
Projected CY 2014	$487	$487	x Trend
Mandated Benefits	-$30	-$30	- Mandate
Member Premium	-$50	-$89	- Premiums
Premium Subsidy/Tax Credit	$407	$368	= Subsidy
95% of Premium Tax Credit	**$387**	**$350**	x 95%

Estimated Federal Financing for the Cost-Sharing Subsidy (PMPM basis) in NY

	COST SHARING SUBSIDY	
	Premiums Based on HMO	
	< 150% FPL 0.94 AV	150-200% FPL 0.87 AV
Projected CY 2014 Silver Premium	$487	$487
Administrative Estimate	-$88	-$88
2014 Silver Medical Claims Estimate	$399	$399
Adjustment for Target Medical Claims*	$536	$496
Estimated Cost-sharing Subsidy	**$137**	**$97**

*Adjusted by ratio of 0.94/0.70 for individuals up to 150% FPL and 0.87/0.70 for individuals 150% to 200% of FPL.

- Admin

= Medical claims

↑ Actuarial values

= $536 - $399

Adoption of a BHP Leads to $1.2 billion in State Savings

Based on 10.5 months average enrollment	
FHP 139% to 150% FPL	77,000
Premium Cap*	229
Total Dollars	$185,516,000
CY 2014	$236,771,000
50% Funding	$118,385,000
Legal Immigrants	214,600
Medical Expense**	327
Total Dollars	$842,310,275
CY 2014	$1,023,833,000
Healthy New York	12,200
Subsidy***	86
Total Dollars	11,017,000
CY 2014	14,060,000
Grand Total State Savings	**$1,156,278,000**

*FHP premium cap from MMCOR.
**Legal immigrant medical expense from DOH
***Healthy NY subsidy from 2010 Healthy NY annual report.

Total Federal and State BHP Funding Estimates Ranges from $6.2 to $4.6 Billion per Year

	TOTAL BHP FUNDING ESTIMATE	
	Premiums based on PPO	Premiums Based on HMO
Take Up	617,500	617,500
Premium Tax Credit	$4,082.5 M	$2,735.4 M
Cost Sharing Subsidy	$1,233.5 M	$869.7 M
Total Financing (No Utilization Reduction)	$5,316 M	$3,605.1 M
Total Financing (Utilization Reduction)	**$5,083.5 M**	**$3,441.2 M**
Total State Cost Saving Offsets	$1,156.1 M	$1,156.1 M
Total BHP Funding (No Utilization Reduction)	$6,472.1 M	$4,761.1 M
Total BHP Funding (Utilization Reduction)	**$6,239.6 M**	**$4,597.2 M**

3. How Much Will It Cost to Offer BHP?

- Objective: To determine BHP design options for New York, building off of Medicaid look-alike product
- ACA Rules:
  - Cannot be a Medicaid program (doesn't necessarily mean can't have Medicaid or Medicaid-like benefits and reimbursement system)
  - Beneficiaries must not pay premiums above 2nd lowest Silver plan
  - Beneficiaries must not pay more OOP or co-pays:
    - Than platinum level if below 150% of FPL (90% AV)
    - Than gold level between 150-200% of FPL (80% AV)

*NB: An issue that federal regulators, states, and advocates will need to address is that BHP beneficiaries could be enrolled in relatively low (90% and 80%) Actuarial Value plans. But if their State did not opt for BHP, these beneficiaries would be eligible for cost-sharing subsidies in the Exchange for higher (94% and 87%) Actuarial Value plans.

Projected BHP Expenses is Ranges from $3.4 Billion ($3.8 B with Provider Bump)

NY BHP Projected Expenses	Uninsured Adults	FHP	Legal Immigrants in Medicaid	Uninsured Legal Immigrants	Healthy New York	Direct-Pay	ESI	Total
Total	$253	$253	$253	$253	$253	$253	$253	$253
Morbidity Adjustment	-$39	-$50	$9	-$39	$114	$507	$0	-$18
Selection	$28	$0	$0	$28	$0	$0	$0	$13
Pent Up Demand	$12	$0	$0	$12	$0	$0	$0	$6
Total Medical Claims	$254	$203	$270	$254	$367	$760	$253	$254
Area Adjustment	$10	$8	$11	$10	$15	$31	$10	$10
Annual Trend Assumption	$124	$99	$132	$124	$178	$369	$124	$124
CY 2014	$388	$310	$413	$388	$560	$1,160	$387	388
Admin	15%	15%	15%	15%	15%	15%	15%	15%
Total Expenses	$456	$365	$486	$456	$659	$1,365	$455	456
Membership Take Up	187,700	77,000	214,600	30,000	12,200	3,400	70,000	466,700
Total	**$1,029 M**	**$337 M**	**$1,251 M**	**$164 M**	**$97 M**	**$56 M**	**$505**	**$3,440 M**
Total With 10% Provider Reimbursement Increase	**$1,132 M**	**$371 M**	**$1,377 M**	**$181 M**	**$106 M**	**$61 M**	**$556 M**	**$3,784 M**

*Adjustments to Expenses are expressed in dollar format. Note dollar amounts will change depending on order of adjustments. Dollar adjustments provide directional information. Dollars are in millions.

4. What Kind of Benefits will a BHP Offer?

- The Final Reconciliation bill (incorporated in the ACA) granted more affordability subsidies for people below 200% of FPL who purchase coverage in the Exchange
  - 94% AV for people between 139-150% of FPL
  - 87% AV for people between 150-200% of FPL
- But the BHP section of the ACA allows States to use lower Actuarial Values
  - 90% AV for people between 139-150% of FPL
  - 80% AV for people with incomes between 150-200% of FPL

Typical BHP Plan Design Options

Co-payments	FHP	BHP Option 1	BHP Option 2	BHP Option 3	BHP Option 4
Inpatient	$25	100	250	500	1000
PCP Office Visit	$5	10	10	15	35
Specialists	$5	10	15	20	50
Emergency Room	$3	50	75	75	100
Outpatient Surgery	$0	0	125	250	500
Radiology	$1	5	5	10	20
Lab	$0.50	5	5	10	20
Pharmacy					
- Generic	$3	5	10	10	10
- Brand	$6	15	15	25	35
- Non Formulary	$6	15	15	25	50
Estimated Actuarial Value	**98%**	**94%**	**90%**	**87%**	**80%**

Varying the Plan Design Influences the Costs of a BHP Program

Benefit Analysis	BHP Baseline Scenario	BHP - Scenario 1	BHP Scenario 2	BHP Scenario 3	BHP Scenario 4
Up to 150 FPL	0.98	0.94	0.90	0.94	0.90
150 to 200 FPL	0.98	0.94	0.90	0.87	0.80
Total Expenses	$3,440.2 M	$3,299.8 M	$3,159.3 M	$3,176.7M	$2,983.6 M
PMPM	$464	$445	$426	$429	$403
PMPM % Savings		-4.1%	-8.2%	-7.5%	-13.1%
Total Dollar Savings		**$ (140.4 M)**	**$ (280.8 M)**	**$ (263.5 M)**	**$ (456.6 M)**

Big Picture for New York: BHP Best and Worst Case Scenarios

	Best Case Premiums Based on PPO	Worst Case* Premiums Based on HMO	Best Estimate
Number of New Yorkers Covered			**617,500**
Federal Financing Available	$5,083,545,000	$3,441,187,000	**$3,441,187,000**
BHP Program Costs (98% AV Plan)	$3,440,176,000	$3,440,176,000	$3,440,176,000
Sub-Total: BHP Net Operating Margin	$1,643,369,000	$1,110,000	**$1,110,000**
State Cost Savings Offsets	$1,156,278,000	n/a*	**$1,156,278,000**
Increase in Provider Reimbursement (10%)			**($344,018,000)**
Plan Design Scenario 1 (AV for all beneficiaries would be 94%)			**$ 140,415,000**
Net Financial Impact of BHP for New York State	$2,799,647,000	$1,110,000	**$953,686,000**

*Assumes $1,156,278,000 in savings reclaimed by State for non-health purposes.

5. What Impact Will A BHP Have on NY's Exchange and Rates of Uninsurance?

- Issues New York Should Consider
  - Should New York use public or commercial carriers?
  - What impact will a BHP have on the Exchange's purchasing power?
  - Need 100,000 to have adequate purchasing power

- What impact will a BHP have on the Exchange's risk-pooling capacity?
  - Unclear if BHP population would be sicker or healthier than Exchange population
  - BHP folks estimated to have 20% lower utilization than commercial enrollees
  - But ACA language seems to indicate it is possible to pool risk between BHP and Exchange folks

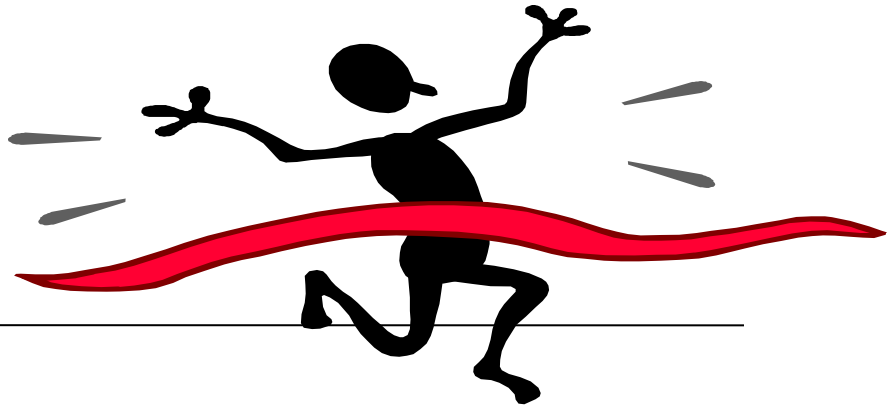
Adoption of BHP Means Nearly 100,000 More New Yorkers will Have Coverage in 2014

Impact of BHP on Rates of Uninsurance (Includes Uninsured 139-200% and FHP Parents 139-150%)	With BHP	Without BHP – Exchange Only		
		Scenario 1	Scenario 2	Scenario 3
Eligible Uninsured & FHP population	345,200	345,200	345,200	345,200
Take-up rate	77%	60%	50%	40%
Insured	264,700	207,100	172,600	138,100
Remaining Uninsured	80,500	138,100	172,600	207,100
Additional Uninsured without a BHP	**-**	**57,600**	**92,100**	**126,600**

Unresolved Issues for Federal Regulators

- How will premium costs for a silver plan be estimated (Indiv/HMO/PPO)?
- How will cost-sharing subsidies be estimated and delivered?
  - How will CCIIO/CMS calculate the value of cost-sharing subsidies?
    - Based on 95% of premium + 95% of cost-sharing (or 100% of cost-sharing?)
    - What utilization and cost basis will CCIIO use to value of cost-sharing subsidies?
  - What is the method for delivering cost-sharing subsidy (e.g. to State, plans, or consumers?
- Will states be able to use the 90/80 AV? Or will they impose the 94/87 AV?
- Risk pooling
  - Will BHP and Exchange have 2 separate risk pools or one? If one pool, how could the risk be shared?
- Could CCIIO/CMS address the anxiety expressed by States about CCIIO/CMS potentially clawing back funding in an annual reconciliation process.
- Who pays for administering BHP?

Conclusions



- **Reasons NY Might Adopt a BHP**
  - Adoption of BHP should generate significant savings annually for certain States (e.g. New York State)
  - BHP would provide higher quality benefits and more affordable coverage for low-income families and individuals between 139-200% of FPL
  - BHP could result in greater continuity of care for low-income families
  - BHP could ensure greater numbers of low-waged residents would have insurance coverage
- **Issues that Require Further Exploration**
  - Uncertainty about key issues which require CCIIO/CMS's resolution (see prior slide)
  - Need a fuller discussion about BHP's impact on the individual market in the Exchange
  - Provider reimbursement levels

Thanks!

- The **New York State Health Foundation** for its support of our work on the Basic Health Plan
- The New York State Department of Health
- The New York State Department of Insurance
- Urban Institute
- Health Care for All New York
- Manatt Health Solutions & Gorman Actuarial