

ACA Implementation in NY:

Using the Health Insurance Policy Simulation Model (HIPSM) to Estimate Coverage and Cost Implications

The Urban Institute

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Project Overview

- ***History of Urban Institute-New York collaboration***
- ***Objective:*** Provide analytic support
 - Analyze state policy options for federal reform implementation;
 - Quantify the coverage and cost implications for consumers, employers, and government of various ACA implementation options;
 - Results presented below should not be taken to suggest preference for one policy option over another.
- ***Estimation Approach:*** The Urban Institute's *Health Insurance Policy Simulation Model* (HIPSM).



Policy Options Simulated

- “Standard Implementation”:
 - Merged small group and non-group markets;
 - Small group size \leq 100 workers;
 - Medicaid eligibility level at 138% FPL (No Maintenance of Effort for FHP Parents);
- Alternative options where only one design feature changes:
 - Alternative #1: Non-merged small group and non-group markets;
 - Alternative #2: Small group size \leq 50 workers;
 - Alternative #3: Maintenance of Effort for FHP parents above 138% FPL;
- Alternative # 4: Non-Merged small group and non-group markets, small group \leq 50 workers, Medicaid eligibility level at 138% FPL.
- Basic Health Plan (BHP)



Summary of Options Simulated

	Standard	Alt. #1	Alt. #2	Alt. #3	Alt. #4	BHP
Small Group & Non-Group Markets	Merged	Non-merged	Merged	Merged	Non-Merged	Merged
Small Group Size	≤ 100 workers	≤ 100 workers	≤ 50 workers	≤ 100 workers	≤ 50 workers	≤ 100 workers
Medicaid Eligibility Level	138% FPL	138% FPL	138% FPL	138% FPL + FHP parents to 150% FPL	138% FPL	138% FPL
Basic Health Plan?	No	No	No	No	No	Yes



Simulation Assumptions

- Simulations include the non-elderly population only;
- Full implementation of ACA insurance market regulations, exchange, premium subsidy and cost-sharing schedules, individual mandate criteria, etc. in 2011;
- ACA employer assessment levels and exemption criteria;
- Tax credits for low-wage firms with up to 25 employees purchasing in employer exchange;
- Income groups defined by modified adjusted gross income (MAGI);



HIPSM Simulates Coverage Decisions of Employers, Families, and Individuals

- Uses multiple years of the CPS matched with several national data sets such as the MEPS;
- Simulates state Medicaid eligibility and enrollment;
- Adjusts for the Medicaid undercount in the CPS and other household surveys;
- Accounts for undocumented immigrants;
- Simulated firms model the ESI offer decision;
- Premiums for employer and non-group health insurance risk pools are based on medical expenses, administrative load, and subsidies;
- Individual and family decisions based on a flexible economic expected utility framework;
- State versions of HIPSM are benchmarked to state-specific data.



In HIPSM, the value each individual places on each coverage option depends on:

- Out-of-pocket premiums;
- Value of health care consumed;
- Expected out-of-pocket health care expenses;
- Variance of out-of-pocket health care expenses;
- Premium and cost-sharing subsidies;
- Expected out-of-pocket expense / income.



NY Baseline Targets for HIPSM

- Department of Health
 - Child Health Plus enrollment and premiums;
 - Medicaid and Family Health Plus enrollment and premiums;
 - Immigrants that receive Medicaid coverage with state and local funds
 - Immigrants subject to 5 year ban
 - PRUCOLS
- Department of Financial Services
 - Healthy NY enrollment and premiums



Changes in Nonelderly Insurance Coverage, No Reform vs. Standard Implementation

	No Reform		With Reform		Change
Insured	14,427,000	84%	15,451,000	90%	1,024,000
Employer (Non-Exchange)	9,603,000	56%	8,987,000	52%	-616,000
Employer (Exchange)*	65,000	0%	453,000	3%	388,000
Non-Group (Non-Exchange)	32,000	0%	270,000	2%	238,000
Non-Group (Exchange)*	113,000	1%	615,000	4%	502,000
Medicaid/CHIP	4,265,000	25%	4,777,000	28%	513,000
Other (including Medicare)	349,000	2%	349,000	2%	0
Uninsured	2,724,000	16%	1,700,000	10%	-1,024,000
Total	17,151,000	100%	17,151,000	100%	0

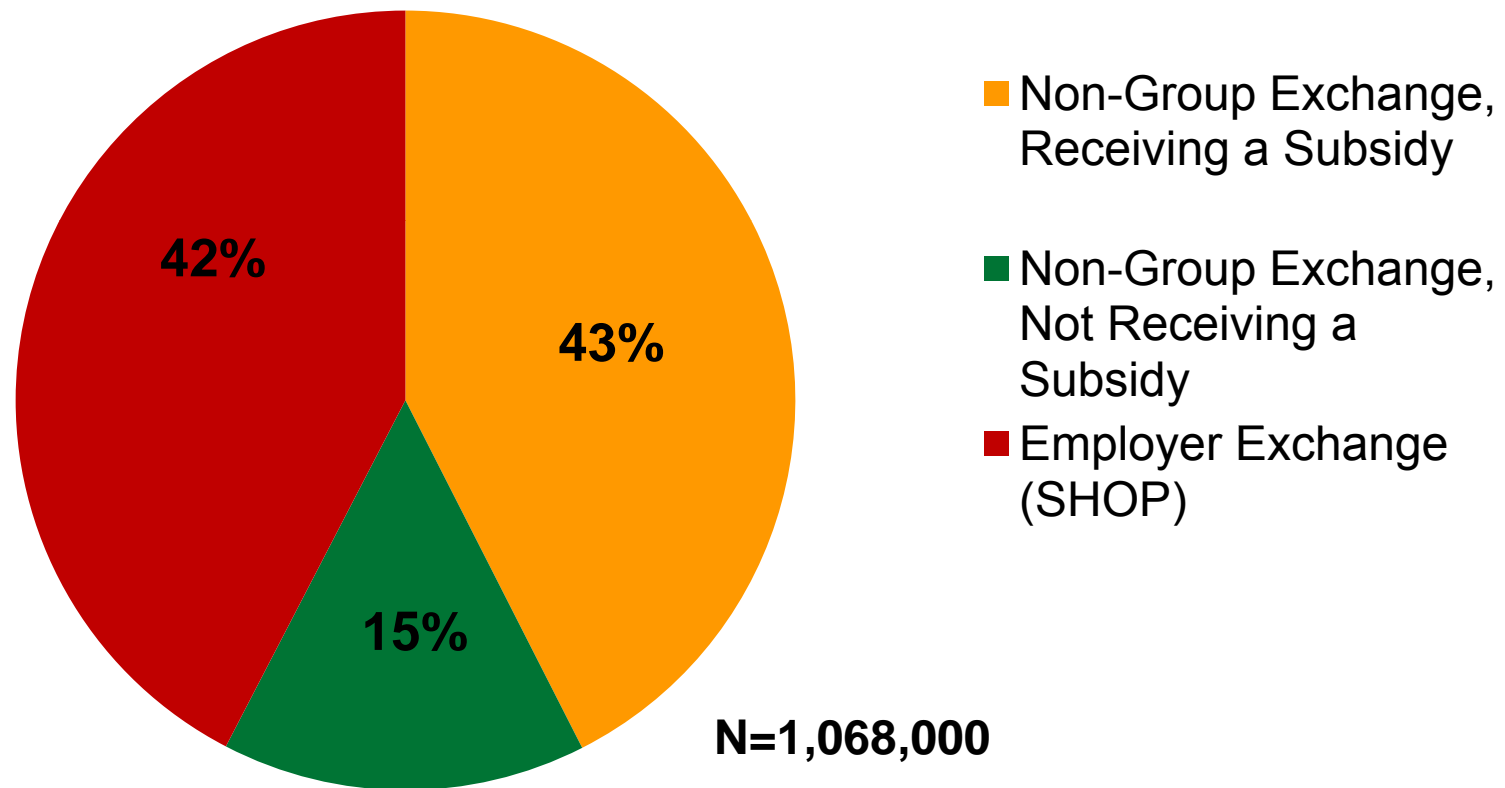
Source: Urban Institute analysis, HIPSMS 2011.

*Note: Individuals with exchange coverage in the baseline are enrolled in Healthy New York.

- The ACA reduces the number of uninsured New Yorkers by approximately 1 million people;
- Exchanges cover about 1.1 million people;
- Medicaid/CHIP enrollment increases by about ½ million;
- Total employer coverage stays very steady at roughly 9.5 million.



Categories of Coverage in the Health Insurance Exchange



Source: Urban Institute analysis, HIPSM 2011.



Enrollment and Subsidies in the ACA Nongroup Exchange by Income Group

	Persons Covered	% of Total	Persons Receiving Subsidies	% of Total	Total Premium Subsidies (millions \$)	% of Total	Total Cost-Sharing Subsidies (millions \$)
<200% FPL	319,000	52%	301,000	66%	1,454	67%	191
200-300% FPL	162,000	26%	144,000	32%	641	30%	29
300-400% FPL	16,000	3%	9,000	2%	61	3%	0
400%+ FPL	118,000	19%	0	0%	0	0%	0
Total	615,000	100%	454,000	100%	2,156	100%	220

Source: Urban Institute analysis, HPSM 2011.

- Nongroup HIX enrollment and subsidies are highly concentrated in the lowest income groups, particularly those < 200% of poverty;
- Small number of those with incomes <400% of poverty enroll in HIX but do not receive subsidies due to having an affordable employer offer.
- More than 100,000 people with incomes above 400% of poverty purchase nongroup coverage in the HIX without subsidies.



Overall Health Care Spending for Acute Care for the Non-Elderly

	No Reform	Post-Reform	Change	Percent Change
	(in millions)	(in millions)	(in millions)	
Net Government Spending*	\$32,531	\$36,583	\$4,052	12%
Medicaid/CHIP	\$32,531	\$34,342	\$1,811	6%
*ALL ADDITIONAL GOVERNMENT COSTS ARE BORNE BY THE FEDERAL GOVERNMENT; SIGNIFICANT STATE SAVINGS ARE REALIZED**				
Net Employer Spending	\$38,261	\$35,757	-\$2,504	-7%
Total Individual Spending	\$19,893	\$21,027	\$1,133	6%
Total Uncompensated Spending	\$5,928	\$3,597	-\$2,331	-39%
Overall Spending	\$96,613	\$96,964	\$350	0%

Source: Urban Institute analysis, HIPSMS 2011.

****Note: Precise estimates of the federal/state spending splits are being finalized.**

- Federal costs increase due to Medicaid expansion and subsidies;
- Employer costs fall modestly due to moderate premium declines and a small decline in employer coverage;
- Increase in individual spending is due to more people obtaining coverage and paying at least some share of the costs;
- Large decline in uncompensated care due to increased coverage.



Health Care Costs of Employers

	No Reform	Post-Reform	Change	Percent Change
	(in millions)	(in millions)	(in millions)	
Employer Spending				
ESI Premiums	\$38,261	\$35,861	-\$2,400	-6%
Employer Assessments	\$0	\$113	\$113	<i>n.a.</i>
Federal Subsidies to Employers	\$0	-\$217	-\$217	<i>n.a.</i>
Net Employer Spending	\$38,261	\$35,757	-\$2,504	-7%

Source: Urban Institute analysis, HPSM 2011.

- Employer spending on premiums falls due to modest declines in average premiums in the small group market and a small decline in employer coverage.



Health Care Costs of Households

	No Reform	Post-Reform	Change	Percent Change
	(in millions)	(in millions)	(in millions)	
Individual Spending				
Net Out-of-pocket Premiums	\$10,720	\$12,452	\$1,733	16%
Net Out-of-pocket Cost-sharing	\$9,174	\$8,574	-\$600	-7%
Total Individual Spending	\$19,893	\$21,027	\$1,133	6%
<200% FPL	\$3,033	\$3,030	-\$2	0%
200-399% FPL	\$5,602	\$5,860	\$258	5%
>400% FPL	\$11,259	\$12,136	\$878	8%

Source: Urban Institute analysis, HIPSMS 2011.

- Individual spending for lowest income households decreases slightly, even as coverage increases due to reforms;
- Individual spending by those at higher incomes increases modestly, with increased costs concentrated among previously uninsured households gaining coverage and contributing to it at least in part.



Health Care Costs of Government

	No Reform	Post-Reform	Change	Percent Change
	(in millions)	(in millions)	(in millions)	
Government Spending*				
Medicaid/CHIP	\$32,531	\$34,342	\$1,811	6%
*ALL ADDITIONAL GOVERNMENT COSTS ARE BORNE BY THE FEDERAL GOVERNMENT; SIGNIFICANT STATE SAVINGS ARE REALIZED**				
Federal Premium Subsidies	\$0	\$2,160	\$2,160	<i>n.a.</i>
Federal Cost-sharing Subsidies	\$0	\$263	\$263	<i>n.a.</i>
Federal Employer Subsidies	\$0	\$217	\$217	<i>n.a.</i>
Individual Mandate Assessments	\$0	-\$286	-\$286	<i>n.a.</i>
Employer Assessments	\$0	-\$113	-\$113	<i>n.a.</i>
Net Government Spending	\$32,531	\$36,583	\$4,052	12%

Source: Urban Institute analysis, HIPSIM 2011.

****Note: Precise estimates of the federal/state spending splits are being finalized.**

- Federal subsidies totaling \$2.6 billion per year would come to NY households and small employers;
- Additional federal Medicaid/CHIP spending of \$1.8 billion would come to low-income NY households;
- Households and employers would pay the federal government about \$400 million in assessments.



Average Annual Premiums in the Small Group Market

(Single and Family Coverage)

	Premium per Covered Life
Small Firms	
Pre-Reform	
Healthy NY	\$3,030
Nonexchange	\$5,500
Average	\$5,420
Post-Reform	
Exchange	\$4,670
Nonexchange	\$5,300
Average	\$5,150

Source: Urban Institute analysis, HIPSM 2011.

- Five percent decline for combined single and family premiums over the entire small employer market.
- Average single premium in the employer Exchange post reform (\$4,630) is 21 percent lower than the average single premium in the nonexchange employer market pre-reform (\$5,890).



Average Annual Premiums in the Non-Group Market

(Single and Family Coverage)

	Premium per Covered Life
Nongroup	
Pre-Reform	
Healthy NY	\$2,910
Nonexchange	\$15,240
Average	\$5,620
Post-Reform	
Exchange	\$4,680
Nonexchange	\$5,100
Average	\$4,860

Source: Urban Institute analysis, HIPSM 2011.

- Fourteen percent decline for combined single and family premiums in the entire nongroup market.
- Average single premium in the Exchange post reform (\$4,540) is 70 percent lower than the average single premium in the nonexchange market pre-reform (\$15,273).



Implications of Policy Choices



Alternative #1: Standard Implementation vs. Non-Merged Group and Non-Group Markets

- Distributions of coverage are virtually identical.
 - 58,000 fewer in the non-group exchange and 53,000 more uninsured when markets are not merged.
- Largest effect is on premiums:
 - Non-group premiums increase by 14% with non-merged markets.
 - ESI premiums decrease by 1% with non-merged markets.



Alternative #2: Standard Implementation vs. Small Group up to 50 Employees:

- Share of employer coverage in large group market increases from 80% to 85% due to change in market size definition;
- Employer exchange accounts for 4% instead of 5% of employer market;
- Small employer market outside of exchange falls from 15% to 11% of group market;
- No significant premium or coverage differences.



Alternative #3: Standard Implementation vs. Maintaining FHP Eligibility Levels

- With MOE:
 - 64,000 more Medicaid enrollees;
 - 127,000 fewer non-group exchange enrollees;
 - \$39 million additional state Medicaid costs;
 - There is adverse selection in the non-group market when healthier parents retain Medicaid eligibility and this increases nongroup premiums and subsidies;
 - 12% lower household spending for families less than 200 percent of the FPL.



Alternative #4:

Standard Implementation vs. Non-Merged Markets, Small Group to 50, Medicaid Eligibility to 138% FPL

- With alternative #4:
 - 40,000 fewer non-group exchange enrollees
 - 57,000 fewer employer exchange enrollees
 - 25,000 more uninsured
- Change in Non-group and ESI premiums:
 - Average non-group premiums increase by about 14% under alternative #4, relative to standard implementation.
 - ESI premiums decrease by 1% with alternative #4, relative to standard implementation.



Summary

- The ACA is anticipated to reduce the number of uninsured New Yorkers by about 1 million people.
- Exchange enrollment is estimated to be about 1 million.
- Aggregate federal subsidies are estimated to be about \$2.6 billion per year.
- Premiums in the small group and non-group markets decline under health reform under all policy option scenarios.



Summary, continued

- Coverage and cost estimates are similar across all scenarios.
- Modest differences across scenarios, e.g.:
 - Non-group premiums are about 14% lower in the merged markets scenario;
 - When FHP eligibility levels are maintained:
 - state costs are higher;
 - exchange is smaller;
 - non-group premiums are higher; but
 - household costs are lower for the low-income.



Part 2: The Basic Health Plan Option for NY



Urban Institute Assumptions for the Basic Health Plan Simulation Results

- BHP provides coverage for those
 - At or below 200 percent of the FPL
 - Ineligible for Medicaid, CHIP, Medicare
 - Citizen or legally present immigrant
 - No access to affordable, comprehensive ESI
- BHP provides Medicaid benefits at Medicaid provider payment rates
 - One scenario at Medicaid provider payment rates + 25%, due to keen interest in increased rates
- Adults pay \$100 for premiums per year and receive coverage with a 98 percent actuarial value



UI Assumptions for BHP Simulations, continued

- 215,000 5-year ban and PRUCOL immigrants
 - All are currently covered by state funds only
 - 162,000 are immigrants under 5-year ban, rest are PRUCOL
- Federal BHP payment calculated precisely as subsidy dollars that would have been spent on this population in the non-group exchange in the absence of BHP.
- Legal immigrants with affordable employer-sponsored insurance offers will be ineligible for federal BHP payments; state will continue to finance coverage for this group.



Nonelderly Insurance Coverage, Standard Implementation vs. BHP

	Without BHP	With BHP	
	N	N	% Difference
Total	17,151,000	17,151,000	0.0%
Medicaid	4,777,000	4,588,000	-4.0%
Medicare and Other Public	349,000	349,000	0.0%
ESI Exchange*	453,000	453,000	0.0%
ESI Non-Exchange	8,987,000	8,937,000	-0.6%
BHP	0	468,000	n.a.
Nongroup Exchange*	615,000	367,000	-40.3%
Nongroup Non-Exchange	270,000	267,000	-1.2%
Uninsured	1,700,000	1,724,000	1.4%

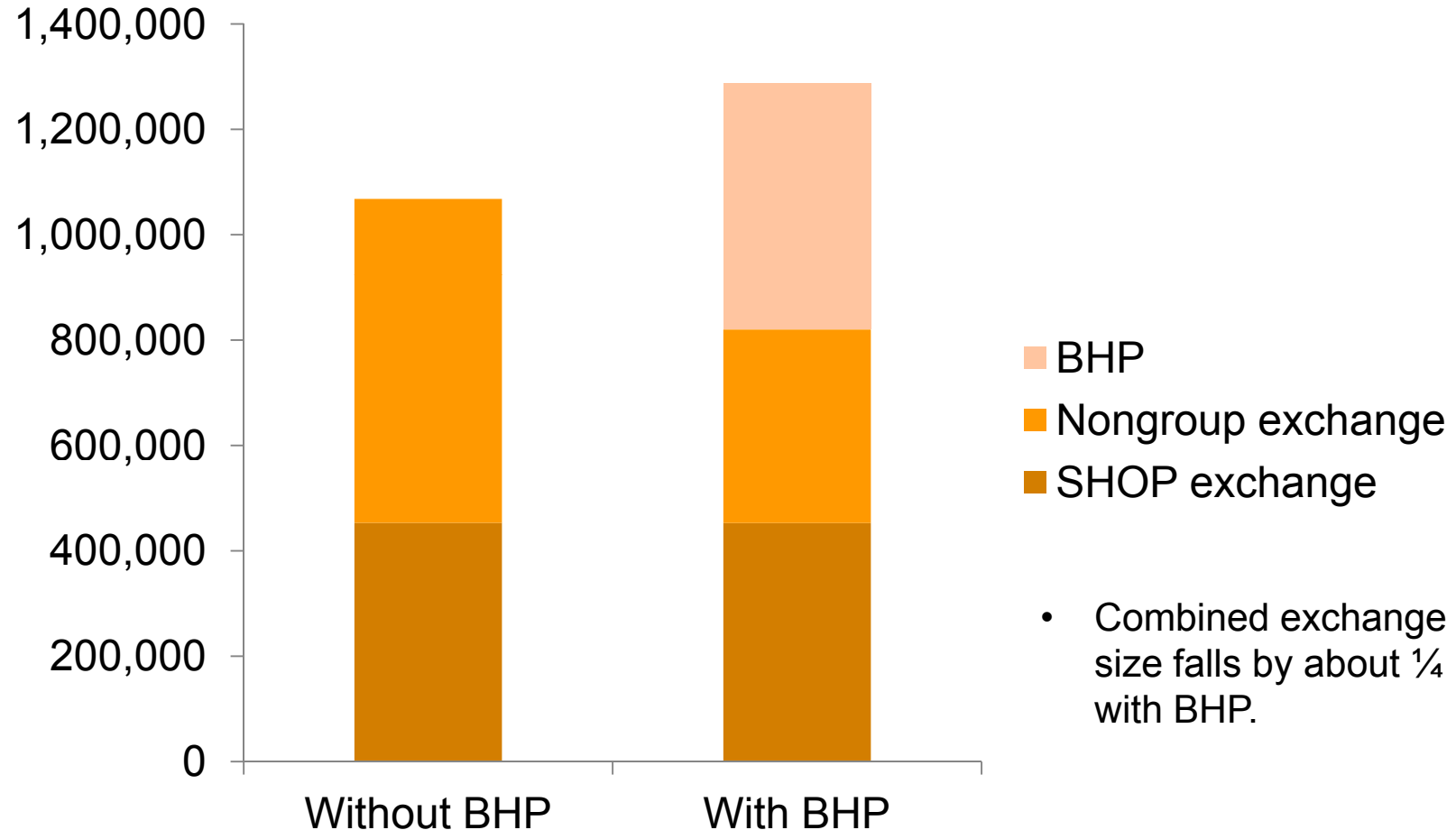
Source: Urban Institute, 2011.

*Note: Individuals with exchange coverage in the baseline are enrolled in Healthy New York

- State-only financed immigrants are shown in Medicaid line without BHP, so when moved to BHP Medicaid enrollment falls;
- Number of uninsured increase slightly with BHP due to premium increases in the non-group market when lower cost BHP eligibles are moved into BHP.



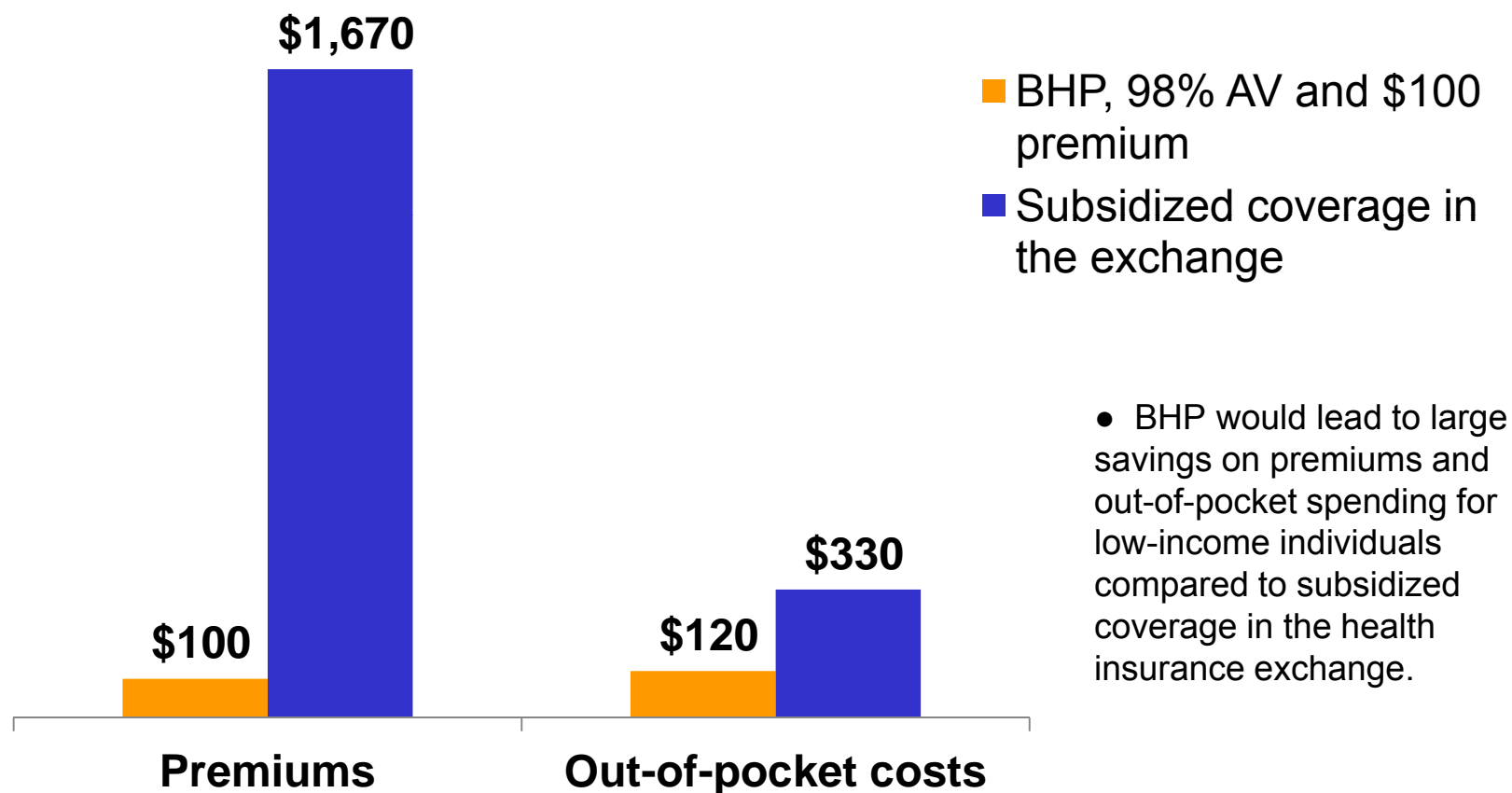
Exchange Enrollment, with and without BHP



Source: Urban Institute, 2011.



Average Annual Costs for Adults with Incomes Between 138-200% FPL: BHP vs. Subsidized Coverage in the Exchange

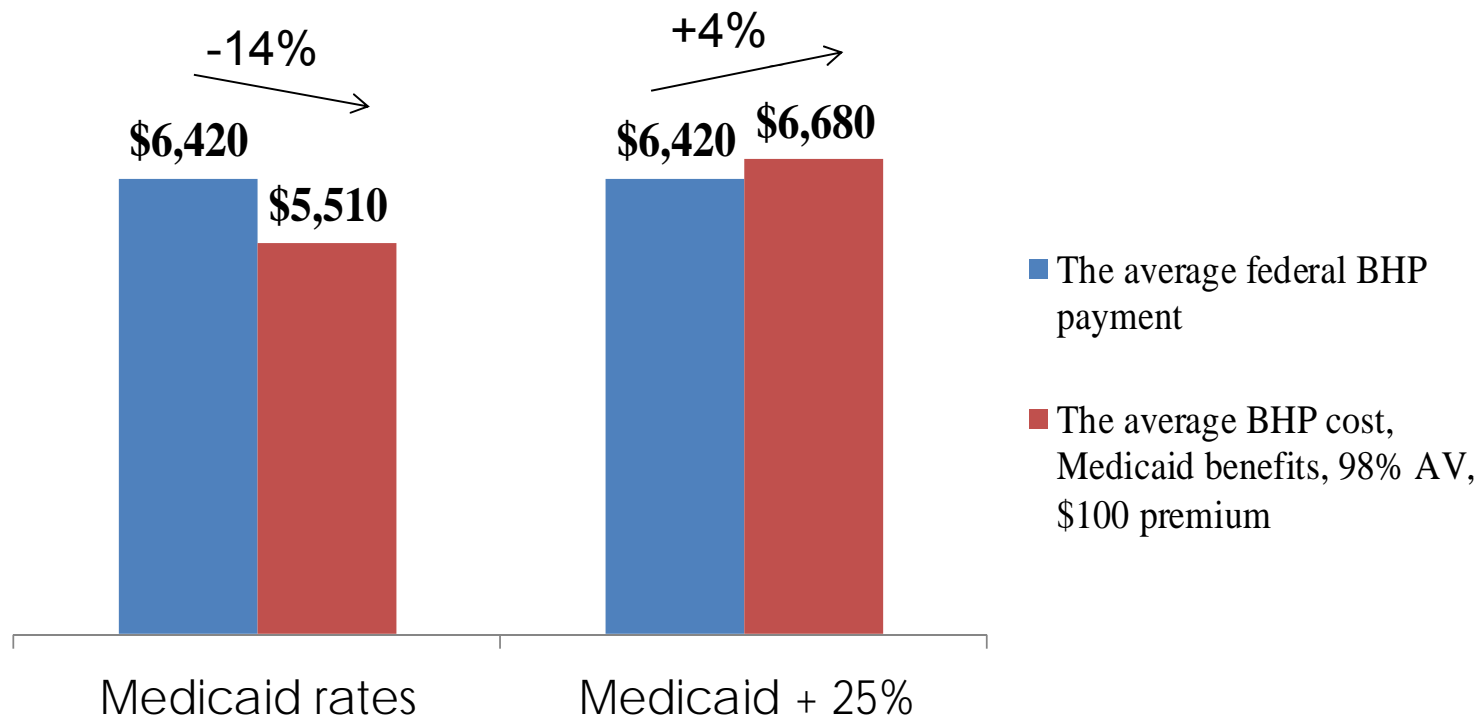


Source: Urban Institute, 2011.



Per Capita Annual BHP Payments vs. Costs

BHP provider payment and capitation fees could be raised above Medicaid levels

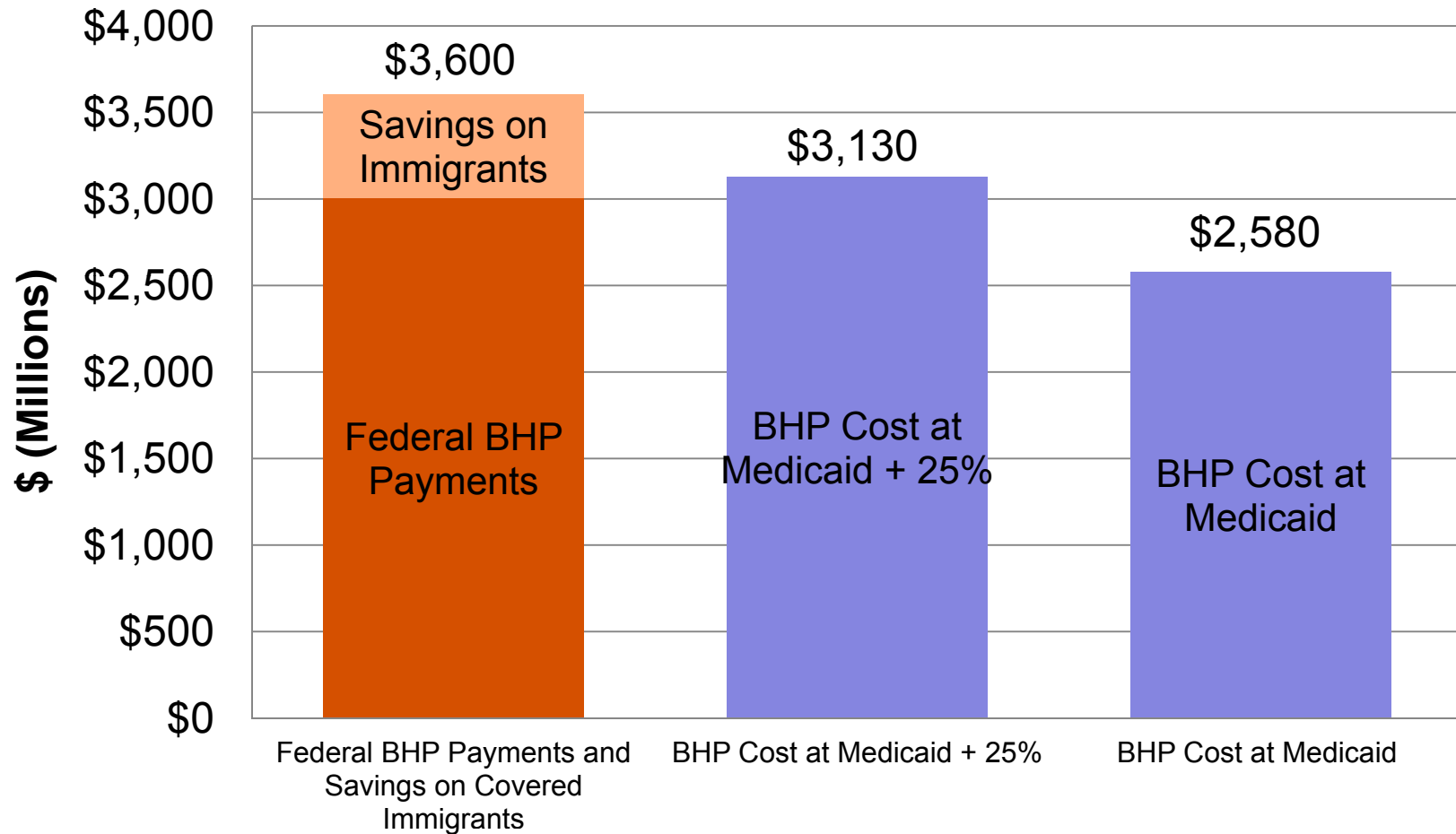


State Savings from Moving Legal Immigrants into BHP

- In total, \$597 million would be saved from moving legal immigrants from current state-funded coverage into BHP.
- There are 215,000 immigrants in this category, but many would have family members with affordable ESI offers, barring them from BHP payments. The state would still pay the full cost of these immigrants, reducing savings.



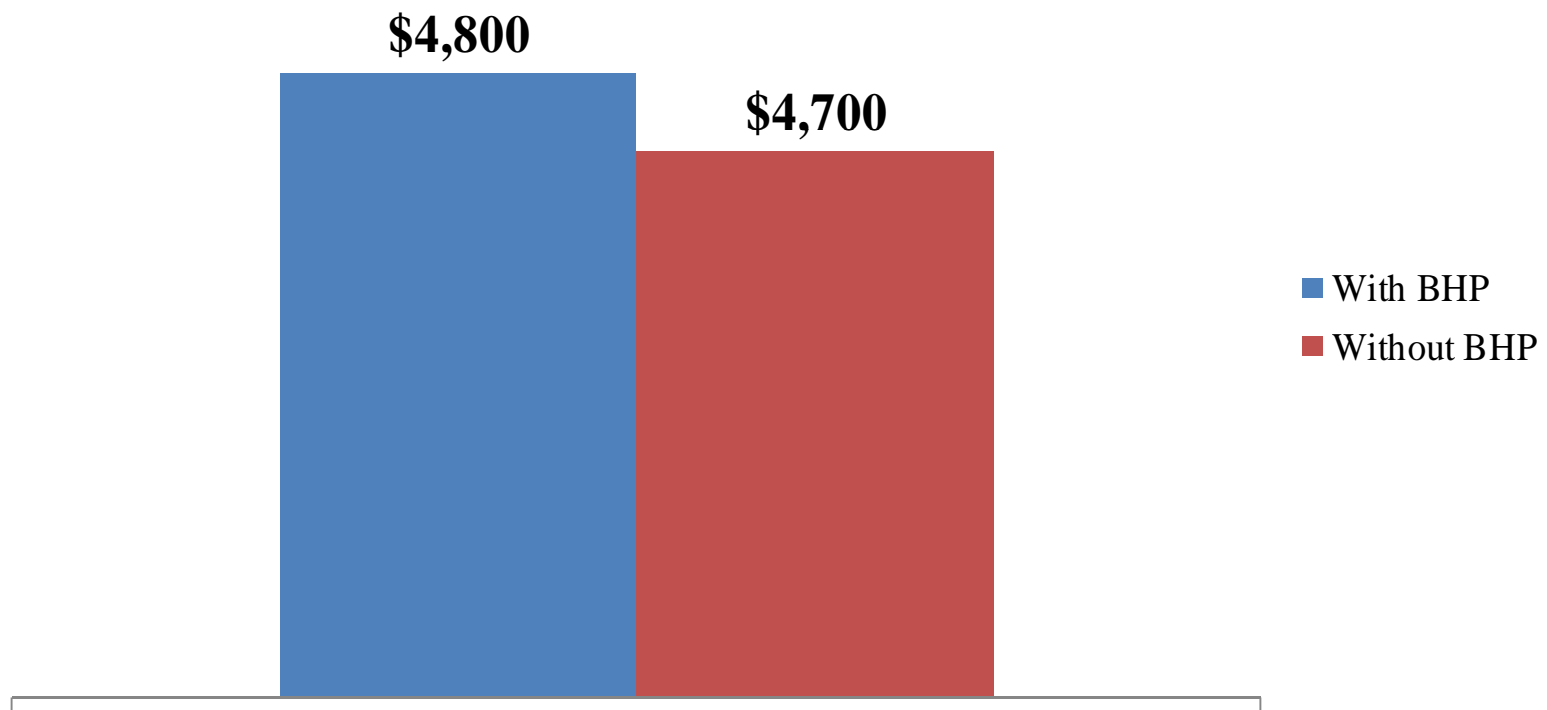
Total BHP Payments and State Savings on Legal Immigrant Enrollees vs. BHP Costs (in Millions)



Source: Urban Institute, 2011.



Average Annual Single Premium in the Individual Market, with and without BHP (Premium Change is Small Due to Merged Markets)



Source: Urban Institute, 2011.



BHP Benefits

- BHP would be funded through federal dollars, same as exchange subsidies;
- Potential for significant state savings due to immigrant populations;
- NY has considerable flexibility with BHP benefit packages;
 - Likely to have sufficient funds to design premiums and cost-sharing much closer to existing public programs and thus leading to greater affordability for individuals;



BHP Benefits, continued

- Potential to improve continuity of coverage as people's incomes change because many of the same plans could be in both Medicaid and BHP;
- BHP enrollees shielded from exchange subsidy claw-back; reconciliation at state-level likely to be zero over time.



Concerns with BHP

- Provider payment rates in BHP will be lower than commercial rates (although could be higher than Medicaid rates), potentially limiting access to providers;
- Adverse selection concerns in the exchange:
 - We find that BHP enrollees are in general lower-cost than remaining nongroup exchange enrollees. On average they are younger.
 - Risk adjustment across the entire individual market and the small group market (under merged market scenarios) mitigates the effect on premiums.
- Reduced exchange enrollment would mean less negotiating leverage with plans, although the exchange would still be sizable – about 800,000.



Concerns with BHP, Continued

- Significant uncertainties remain:
 - Calculation of the federal payment;

Federal guidance has not been forthcoming. Our simulation follows the spirit of the law's intent, but actual calculation will no doubt be different in unknown ways.

- Federal BHP payments will be pegged to the 2nd lowest cost non-group exchange silver plan;

Until 2014 (or very soon before it) we will not know what those premiums will be in each region of the state. If the benchmark plan is below prevailing commercial rates, BHP payments would be lower than simulated here.

