Study #6: Health Savings Accounts

Please note to limit the duplication of content across the six study narratives and to appreciate the page limit on these sections, we have included supporting information in the Appendices noted throughout this section.

section HIGHLIGHTS

- Deloitte provides ongoing consulting services to states, health plans and employer groups regarding their use of Health Savings Accounts (HSAs) and High Deductible Health Plans (HDHPs)
- We have a large, strong team of credentialed actuaries whose experience includes developing premium rates and benefit plan designs for HDHPs

a) Why Deloitte?

The Deloitte Consulting, LLP (Deloitte) multidisciplinary team of seasoned professionals has been formed to enable the New York State (State) Department of Health (defined as Department, to include the public benefit corporation) to effectively analyze its healthcare marketplace and health benefits exchange landscape. This team includes nationally regarded actuarial consultants and health care policy consultants, with experience and knowledge of the New York healthcare market.

Deloitte LLP has over 100 years of history and 165,000 global professionals across four world-class businesses – consulting, audit, tax, and financial advisory. Deloitte Consulting LLP is the company that will provide the consulting services sought after by the Department. We are the largest provider of global healthcare consulting services based on breadth of capabilities and by revenue (4/19/2011).

In Appendix 1, we provide more information on our organization and experience with supporting materials such as our qualifications (Appendix 2), sample relevant deliverables and discussion documents (Appendix 6), sample large scale health policy studies (Appendix 7), and our experience with the State of New York (Appendix 8).

Throughout this response, we focus on the experience the Department is requiring for this project – actuarial expertise, commercial health insurance experience, state health & federal government expertise; all with a focus understanding the impacts of health care reform and how to develop the State's Health

Benefit Exchange (Exchange). Our team will keep up to speed about recent Federal activity and associated impacts through Deloitte's Center for Health Solutions and Deloitte's Health Reform Central (described in Appendix 1).

Actuarial Practice, Approach and Tools

The foundation of our approach to providing actuarial consulting services includes using a variety of relevant and current data, tools to analyze the data, and the experience and judgment of our team. Our comprehensive set of industry-leading tools ensure our consulting services are of the highest quality, accurate, and cost-effective for our clients. Our team is committed to offering the Department value in actuarial and healthcare consulting services through our depth of expertise, national data sets, and leading-industry tools.

The table below summarizes the tools available to us. We also provide more detail about our data management tools, Incurred But Not Paid (IBNP) model, risk adjustment tools, Benefit Modeling tools, and our Health Reform Forecast Model following the table.

Data and Tools

• We have access to the largest, commercially available medical cost and enrollment database:
  ▪ Claims-level database with attached member information
  ▪ Represents more than 20 million members
• We have developed tools to model:
  ▪ Impacts of Program/Policy changes
  ▪ Impacts of Benefit changes (including covered/non-covered benefits, limitations, cost sharing)
  ▪ Health reform impacts
  ▪ Medical and Administrative Trends
  ▪ Financial neutrality under ICD-10
• We provide product performance analysis and can produce new product projections that review:
  ▪ Network effectiveness
  ▪ Medical management effectiveness
  ▪ Relative pricing by age, geography, plan design
  ▪ Expected expense by condition, episode, etc.
  ▪ Financial information development such as reserves, risk based capital

Data management tools

For a variety of analytical and actuarial work, our professionals use a customized database developed and maintained by Deloitte. This database contains large volumes of claims information, including provider utilization and cost information from a variety of HMOs, PPOs, providers, and insurance companies. In addition, we purchase several national databases, including *Thomson Reuters MarketScan® Research Databases*, which provides claims level detail on several million members. This data is available to fill in gaps that we find in information available from the Department. We could also use this information to quickly provide preliminary estimates as needed.

In order to manage the large quantities of data used to assist our clients in plan pricing, data warehousing, risk management, and other information-driven services, we need a tool that allows for fast, efficient data processing. Currently the tool used to store and process healthcare claims data is a Standard Query Language (SQL) server, which is powered by the Microsoft SQL Server 2000 software package. This database server is perfectly designed to store the types of health claims datasets used in health care analysis. It also contains the appropriate security provisions to meet HIPAA requirements.

Incurred But Not Paid Claim Liabilities (IBNP) model

We use Deloitte Consulting's proprietary IBNP model for calculating the liability of health carriers including commercial, Medicaid, and Medicare providers. This is used for both traditional claims and managed care encounters. Our model uses the completion factor development method of calculating these liabilities, and allows the results to be varied for trends as well as manually adjusted for irregular payment or utilization patterns. These estimates are used for completing data sets so that accurate cost projections can be completed. We also calculate the amounts outstanding for GAAP and statutory reporting. Because of our relationship with an accounting firm, we calculate IBNR for numerous plans every year.

Risk Adjustment Tools

We license multiple risk adjustment tools. These tools are used to more accurately reflect payment with the risk of the populations incurred by the health plans. They are used to more accurately pay health plans. Our consultants have experience using the Medicaid-specific Chronic Illness and Disability Payment System (CDPS with and without pharmacy), Adjusted Clinical Groups (ACG), Diagnostic Cost Group (DCG and the pharmacy-only DxCG), Medical Episode Grouper (MEG), pharmacy (Rx)-based groupers, ETGs and ERGs, and CMS HCC/ Rx-HCC models.

Benefit Modeling Tools

Deloitte has developed flexible benefits models that use client specific data to calculate the total cost of coverage based on specific plan designs/benefit packages and splits the costs into the various payers (e.g., insured, insurer) and service categories (e.g., inpatient, outpatient, physician). These models can also be used to price benefit changes and assess mandated benefits and are expected to be utilized for several of the Department's projects.

In addition to the benefit modeling tools we have created for our state clients, we also have two national models that we typically will use to confirm the client specific data is providing reasonable results. One of our models uses a commercial database that contains data for large employers, health plans, government and public organizations, approximately 100 different insurance companies, Blue Cross Blue Shield plans, and third party administrators. This model categorizes information by service category split between members and families to analyze the impact of cost sharing provisions on the various benchmark plan designs. The other model was developed to apply more broad assumptions across various databases to estimate the impact of modifying existing benefit designs.

Health Reform Forecast Model

Deloitte Consulting has developed a Health Reform Impact Model to project the effects of these changes on population health coverage and costs. This provides scenario-based projections by state, by year, and by market segment. The model uses baseline demographic and cost data to project the enrollment and cost impacts of reform over future time periods using a range of assumptions developed within the context of ACA.

The model utilizes a variety of data sources e.g.:

- Centers for Medicare and Medicaid Services (CMS), including the Office of the Actuary;
- U.S. Census Bureau (Census); and
- Kaiser Family Foundation (KFF) research

Due to the subjective nature of the projections, we develop multiple scenarios of what the future may be, including:

- Economic Scenarios - changes in the economic environment (unemployment rates, real wage growth rates, medical trend, and CPI inflation) and the resulting impact on health plan coverage.
- Legislative Scenarios - changes in legislation and related regulation with respect to current provisions (e.g. changes in loss ratio requirements, changes in penalties and subsidy levels, changes in Medicaid/Medicare reimbursements, etc.).
- Behavioral Scenarios - changes in the reaction of market participants to the provisions in the ACA (e.g. employer reactions to pay-or-play rules, individual reactions to the coverage mandate).
- Strategy Scenarios - changes in Health Connector-specific strategies relative to the market (e.g. aggressive or less aggressive pricing, medical management/cost containment, administrative efficiencies, etc.).

We have used this model with numerous clients and are confident that a customized version of this model can be useful in providing useful input to help the Department analyze the impact of their policy decisions regarding the Exchange.

b) Proposed Study Method

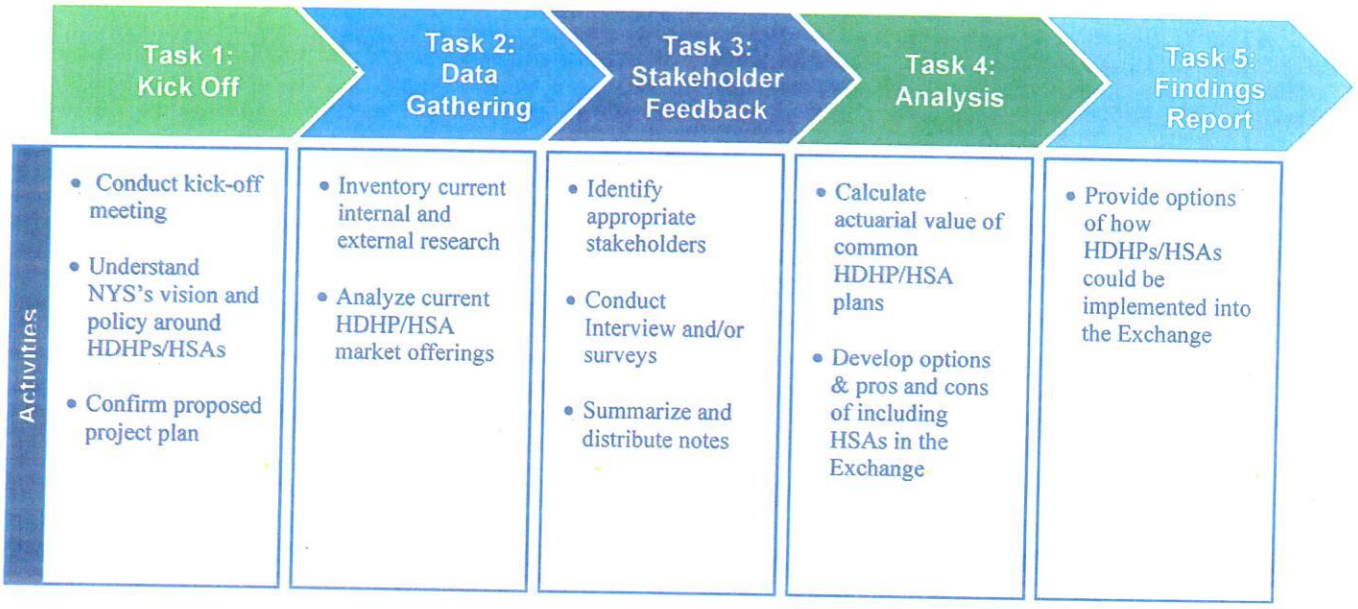
A Health Savings Account (HSA) is an important tool that can help reduce the growth of health care costs and increase the efficiency of the health care system. An HSA is coupled with a high deductible health plan (HDHP) and allows for members to accumulate pre-tax dollars into an account (sometimes matched by an employer) to pay medical expenses not paid for by the HDHP.

As a result of the Affordable Care Act (ACA)[6], the individual mandate requires uninsured New Yorkers to either purchase an insurance policy or pay a penalty. A HDHP with a HSA could provide a low cost option for the currently uninsured population. However, an HSA/HDHP will need to fit into a metallic tier (as well as cover the essential health benefits and pass other tests to become a qualified health plan) in order to be offered on the Exchange. This analysis will look into the popularity of HAS/HDHPs in New York compared with other insurance coverage options, pending data availability. The analysis will also identify popular HSA plan designs in the individual and small group market. Deloitte will then calculate the actuarial value of popular HSAs to determine what plan designs may fit into the Exchange metallic tiers.

[6] Affordable Care Act (ACA) includes the Patient Protection and Affordable Care Act (PPACA or Public Law 111-148), as amended by the federal Healthcare and Education Reconciliation Act of 2010 (HCERA or Public Law 111-152).

Deloitte will work closely with the Department to conduct a study exploring the options regarding the offering of HDHP/HSAs through the Exchange. Deloitte will consider adverse selection concerns and current success of HSAs in the individual and small group markets.

We have identified 5 core tasks which will be conducted in collaboration with the Department. . We look forward to working with the Department to balance the goals of the study, across the various tasks, while meeting the timeline and funding constraints.



Task 1: Project Initiation

The starting point to our engagement will be to review and align defined activities with the Department's priorities, policy decisions and overall Exchange vision. Through the kick-off meeting we will review the proposed project plan, validate our assumptions and ensure the targeted outcomes are clearly shared across all participants. The kick-off meeting serves to gain consensus on the scope of the study, including roles and responsibilities and timelines. The collective team will also need to establish a communication strategy and governance model which should include identifying the points of contacts for Deloitte and the Department. Key Task 1 objectives, as well as a sample workplan are included in Appendix 3.

Task 2: Data Gathering

Deloitte has access to both public and proprietary data sources which may be leveraged throughout the study. The work effort will focus on gathering the appropriate data to support the stakeholder outreach activities as well as to formulate and validate the study's findings and recommendations. We will identify and document issues, questions and options to be assessed by the Department. The data gathering process may consist of the following:

i. Current HDHP/HSA plans offered in New York to individuals and small groups

ii. Current health insurance plan designs offered in New York to individuals and small groups

iii. Review other publicly available studies performed by the State and outside organizations

iv. Review & request additional data from the Department, as appropriate and available

v. Leverage Deloitte internal tools and resources, samples shown in Appendix 9.

Task 3: Stakeholder Feedback

Our approach is to work closely with the Department to define the most efficient and effective stakeholder outreach approach while remaining in alignment with the deadlines. We will coordinate with the Department to identify the appropriate internal (e.g., Department of Insurance) stakeholders to solicit feedback to include as part of the study. Our team will also coordinate the final input deadlines and the number of interviews with Department members in order to stay in alignment with overall deadlines and budget.

Task 4: Analysis

This work effort will focus on synthesizing information collected during the data gathering phase as well as incorporating stakeholder feedback. The focus on this study could be to determine whether common HDHP/HSAs offered in New York would qualify as fitting into one of the metallic tiers. Deloitte can utilize our benefit models to determine if a common plan design would fit into one of the Exchange metallic tiers. This would involve calculating the actuarial equivalency value of the benefit (i.e., the portion the plan is estimated to pay).

Based on the findings from the information, we will identify required adjustments and data gaps. For instance, national health care cost experience may need to be adjusted in order to be applicable to New York insurance market or data gaps may need to be augmented with Deloitte's internal data sources. Deloitte will identify common HDHP/HSA plan designs and then calculate the actuarial value using New York experience (as available). Deloitte may assist the Department in determining which plan design features will allow the HDHP/HSA to fit within one of the Exchange's tiers.

Task 5: Findings Report

We will work with the Department to identify the required components of the report used to communicate the findings of the actuarial value calculations of common HDHP/HSA plan designs.. The final report will summarize our assumptions, approach, findings, and advantages/disadvantages. Section F below includes a sample outline of what may be included in the final report. As part of finalizing the report, we anticipate sharing a draft report with the Department to review in order to provide feedback

c) Deloitte Team

Our team members have a mix of experiences working across the healthcare spectrum – including work on Exchanges, providers, payers, public health agencies, Insurance Departments and Medicaid Agencies. The Department will further benefit from having the bench strength of Deloitte's organization and capabilities, within and outside of Deloitte Consulting LLP. We are able to bring the right subject-matter specialists to the table with a larger firm to support any challenges that arise.

Our core team includes resources with experience in state government strategy, health and human services, health reform, operations and technology, and State Exchange planning efforts. The core team will be led by the Lead Engagement Principal, Steve Wander, who will provide oversight and have overall responsibility for the Deloitte team across all six studies. Michelle Raleigh will be the day-to-day project manager. Our core team is described in the table below.

We will augment our team with a seasoned team of advisors with national state government, health plan, eligibility, and actuarial experience. We will also enhance our team with additional support staff, upon confirmation of the study scope and approach. These advisors are noted in Appendix 10.

Resumes for our entire team are included in Appendix 4.

Name	Title	Experience	Project Role	% of Time on Engagement
Steve Wander	Principal	▪ Leads Deloitte Public Sector Health Actuarial Practice ▪ 20+ years of health care marketplace Experience ▪ Credentialed Actuary	Lead Engagement Principal	5%
Michelle Raleigh	Senior Manager	▪ Exchange Planning Experience ▪ 20 years of Public Sector Program Experience ▪ Credentialed Actuary	Project Manager	5%
Jordan Peixoto	Senior Consultant	▪ Exchange Planning Experience ▪ 5 years of Health Plan and State Experience ▪ Credentialed Actuary	Team Lead	35%
Ben Wardlow	Senior Consultant	▪ New York State Commercial Rate Filing Experience ▪ 5 years of Health Plan and State Experience ▪ Credentialed Actuary	Team Member	35%
TBD	Consultants & Analysts	TBD	Team Member	20%

d) Experience and References

The qualifications that we have selected specifically demonstrate Deloitte's ability to perform work similar in scope and complexity to the work described in the RFP with regards to Healthcare Reform, Exchange Planning, Medicaid, Program Management and Roadmap. As requested, we have included three references that address each of the areas identified in the RFP. More detailed qualifications are included in Appendix 2.

#	Reference	Project Description
1	Minnesota Management and Budget Budd Johnson, Budd.johnson@state.mn.us 651-259-3710	A consumer-driven health care plan was designed that uses benefit differentials rather than premiums to direct participants to utilize the most cost-effective provider groups. Provider groups were assigned to the appropriate benefit level based upon their risk-adjusted health care costs and plan design differentials are used to encourage members to use cost effective providers.
2	State of Texas Bill Rago Director Economic Analysis Bill.Rago@hhsc.state.tx.us 512-424-6933	Provided support on several Federal Health Reform related analyses including; facilitated visioning sessions with a HHSC workgroup tasked with understanding the health insurance exchange requirements and implementation considerations, analyzed various Medicaid benefit packages that will meet the PPACA requirements and the associated cost savings, and developed an innovative DSH and UPL model to assess the impact of health reform on the State's supplemental payments
3	Indiana University Health Plans Constance D. Brown COO/CFO cbrown20@iuhealth.org 317-963-9780	Supported the client throughout the conception, design, and launch of a new high deductible HMO product line, including development and implementation of all administrative processes. Our support included development of the rating model, underwriting guidelines, and supporting underwriting processes as well as providing actuarial services to establish rates for the new product

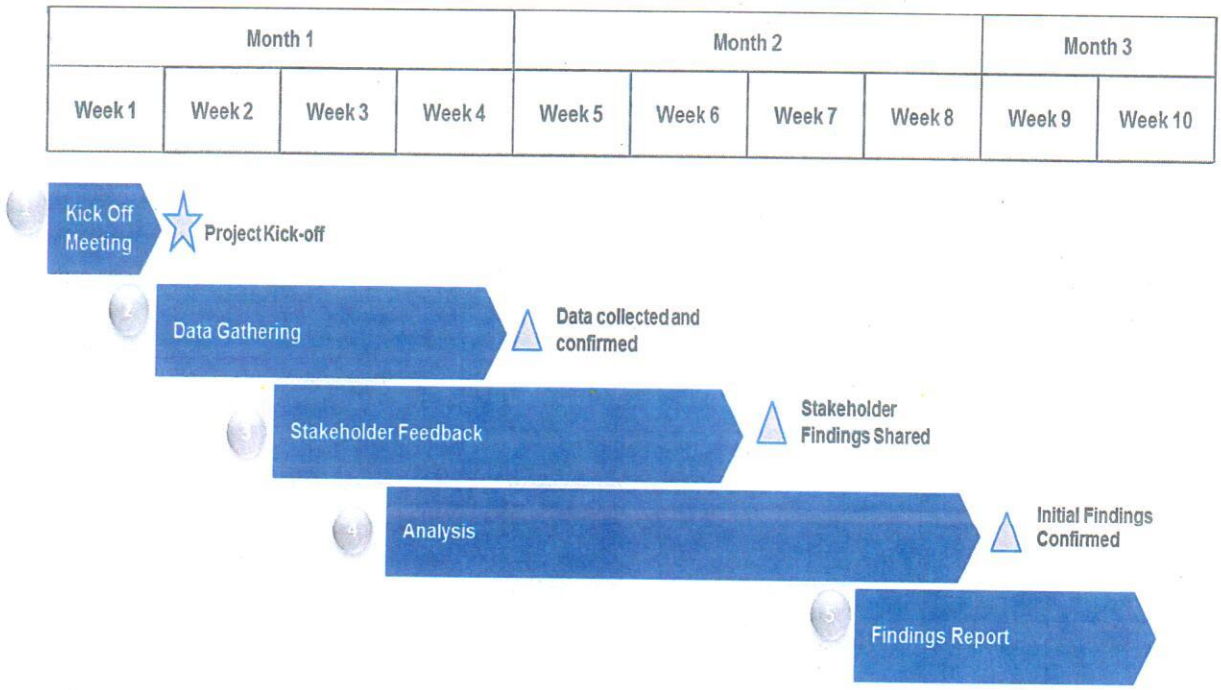
e) Timeline and Project Management

As described in this section and shown in the timeline below, the HSA study span five phases over an estimated two and a half months. This timeline is contingent on a few critical factors that may influence success of completing the study within the required budget and defined timeframe. These success factors and potential challenges need to be anticipated and addressed throughout the project duration.

The following provides a few of examples of these success factors:

- Access and support from the Department – In order to complete the report in the defined timeline, our team must have access to both the Department project leadership and team members. We assume that we will be working collaboratively with the Department to ensure the necessary data and questions are addressed during the project. This will be necessary to complete the project within the required timeframe.

- Access to required data – In order to properly develop the benefit analysis, we will most likely need to access the necessary Department reporting and claims data.



Additional information on our project management approach and tools is included in Appendix 5.

f) *Report Outline*

Below we provide a table containing a generic outline of the report and comments specific to this study, indicating possible contents and points to be made.

Report Outline --- Generic	Comments specific to Study
1. Executive Summary	This section will summarize the overall findings and advantages/disadvantages related HSAs and their inclusion in New York's health insurance exchange
2. Table of Contents	
3. Study Methodology a. Data Utilized b. Calculations & Analyses c. Stakeholder Involvement	This section will include the relative data used to analyze current HSA programs and the method to determine successes and challenges as part of an Exchange
4. Findings & Considerations	Deloitte will provide a comprehensive list of our findings, considerations, and advantages/disadvantages identified during our study. This will include a list of considerations for including an HDHP/HSA program in the Exchange, research from the Massachusetts' Health Insurance Connector's (their exchange) use of HDHP/HSAs, and our recommendation tailored to New York's vision.
5. Appendices	In the Appendices we will include more granular detail of our study results, including assumptions and other research material used.

Sample deliverables including report exhibits and discussion documents that demonstrate our experience with this project are included in Appendix 6.

g) Subcontractor Experience

No subcontractors from outside the Deloitte entities will be utilized for this study, unless a suitable M/WBE vendor is found.