New York Health Benefit Exchange

The Estimated Impact of a Basic Health Program in New York

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Topics for Today

- Overview of Basic Health Program
- Urban Institute analysis for New York State
- Community Service Society Analysis
- Comparison of Analyses
- Take-Aways

Overview of Basic Health Program Option and Results

- BHP is a state option for persons with income above public program eligibility and up to 200 percent FPL, including legally residing immigrants
- Instead of enrolling through the Exchange, qualified persons would get coverage through a BHP administered by the State
- The State would receive 95 percent of the amount of federal premium and cost sharing subsidies should this population have enrolled through the Exchange
- Pros:
  - Potential for significantly more affordable coverage for low-income New Yorkers
  - Potential for significant state savings
- Cons:
  - Uncertainty regarding assumptions until federal guidance is issued
  - Potential impact on Exchange of moving healthy lives from Exchange to BHP

Urban Institute Analysis

New York Health Benefit Exchange

Urban Institute Health Insurance Policy Simulation Model

Basics of the model:

- Simulation model built to estimate the effects of health reform on individuals, businesses, and governments
- Reflects state demographics, income, and insurance coverage; uses multiple years of national survey data and state Medicaid data
- Incorporates state Medicaid eligibility rules
- Model predicts effects of policies like Medicaid expansion and exchange tax credits on coverage and costs
- Model results generally consistent with CBO and other national models; more precise at state level than other models

Questions the model answers:

- Number of newly insured New Yorkers under health reform
- New and previous sources of coverage
- Estimated cost to government, employers, and individuals
- Impact of various policy decisions
- Modeling results will inform Exchange policy decisions and budget needs

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 Family Health Plus (FHP) benefits:
  - At FHP provider payment rates
  - At FHP provider payment rates + 25%

- Adults pay $100 for premiums per year and receive coverage with a 98 percent actuarial value

Urban Institute Assumptions for the Basic Health Plan Simulations *(continued)*

- 215,000 "5-year ban" and PRUCOL immigrants enrolled in Medicaid
  - 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.

Coverage Impacts: Standard Implementation vs. BHP Scenarios

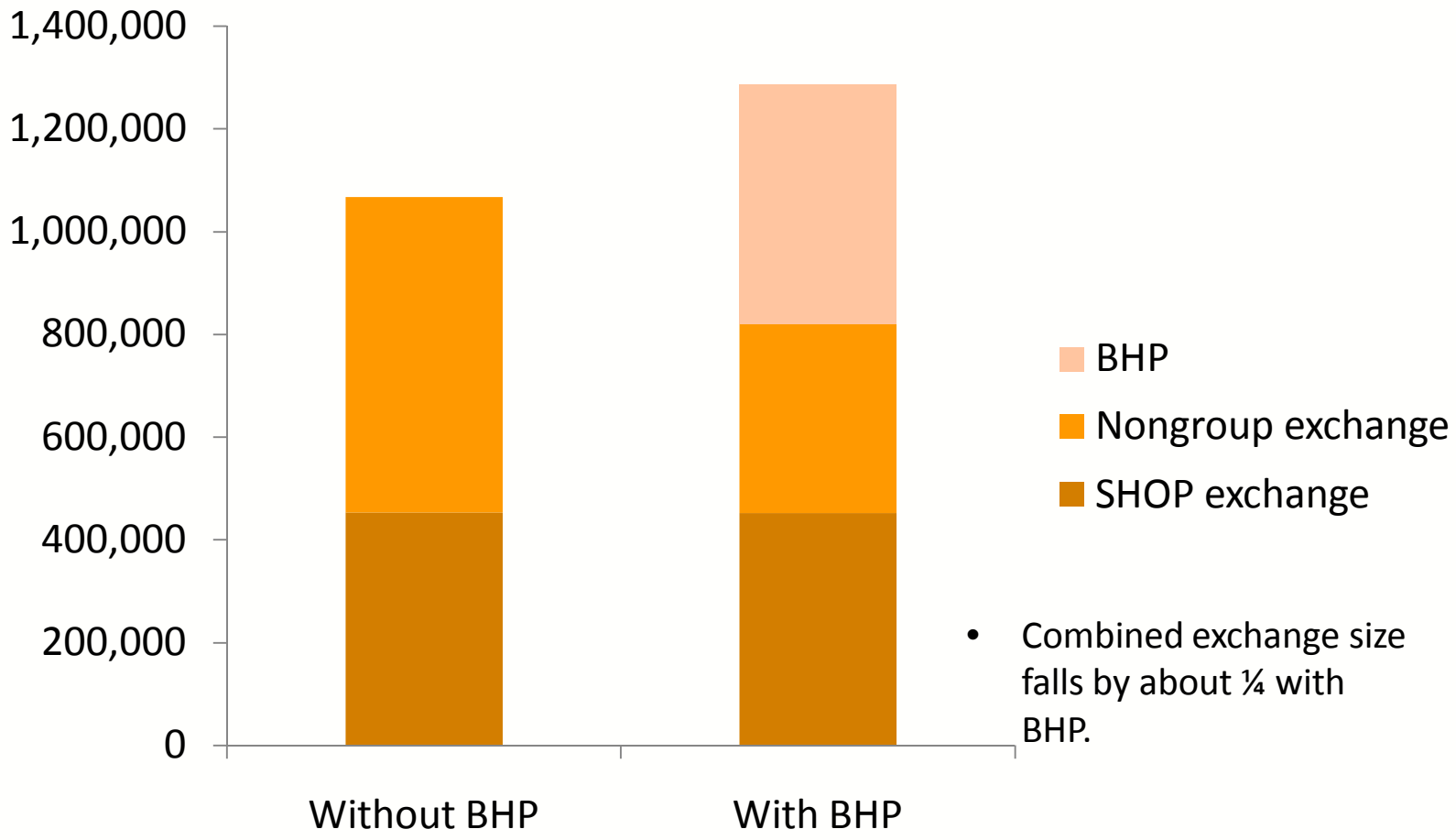
- 468,000 are estimated to enroll in BHP
- Exchange enrollment declines by 248,000
- Medicaid declines by 190,000 as state-only financed immigrants move to BHP
- Number of uninsured increase slightly with BHP due to premium increases in the non-group market when lower-cost BHP eligibles are moved into BHP

	N		N	Difference
Total	**16,954,000**		**16,954,000**	**0**
Medicaid/CHIP	4,580,000		4,390,000	-190,000
Medicare and Other Publ	349,000		349,000	0
ESI Exchange (SHOP)*	453,000		453,000	0
ESI Non-Exchange	8,987,000		8,937,000	-50,000
Basic Health Plan	0		**468,000**	468,000
Nongroup Exchange*	615,000		367,000	-248,000
Nongroup Non-Exchange	270,000		267,000	-3,000
Uninsured	1,700,000		1,724,000	24,000

Source: Urban Institute, 2011.

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

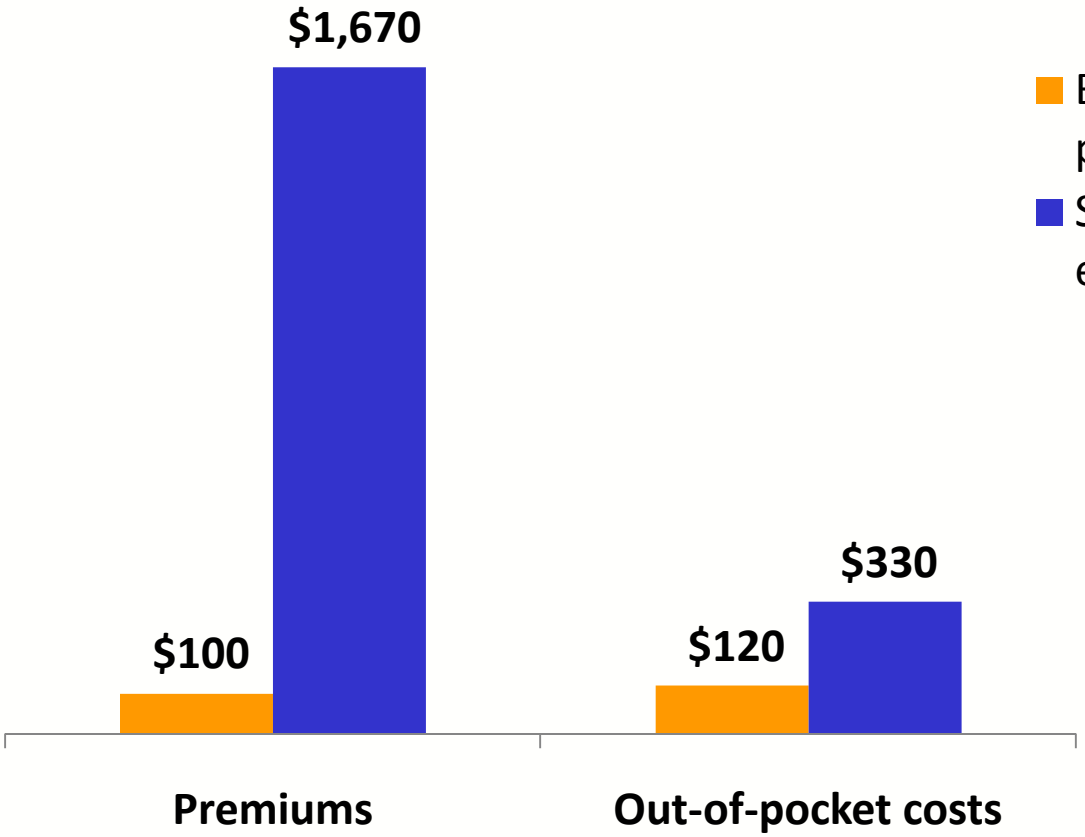
Exchange Enrollment, with and without BHP



- Combined exchange size falls by about ¼ with BHP.

Source: Urban Institute, 2011.

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

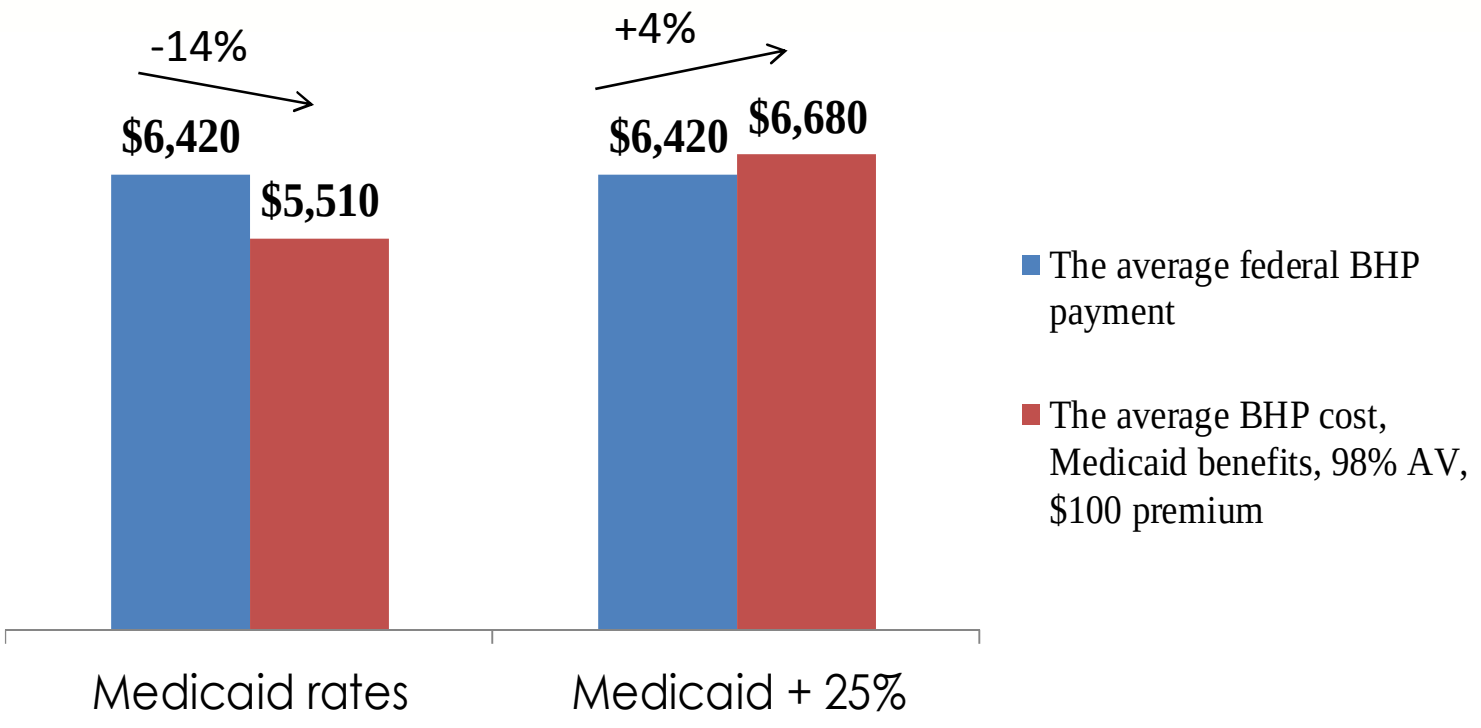


- BHP would lead to large savings on premiums and out-of-pocket spending for low-income individuals compared to subsidized coverage in the health insurance exchange.

Source: Urban Institute, 2011.

Per Capita Annual BHP Payments vs. Costs

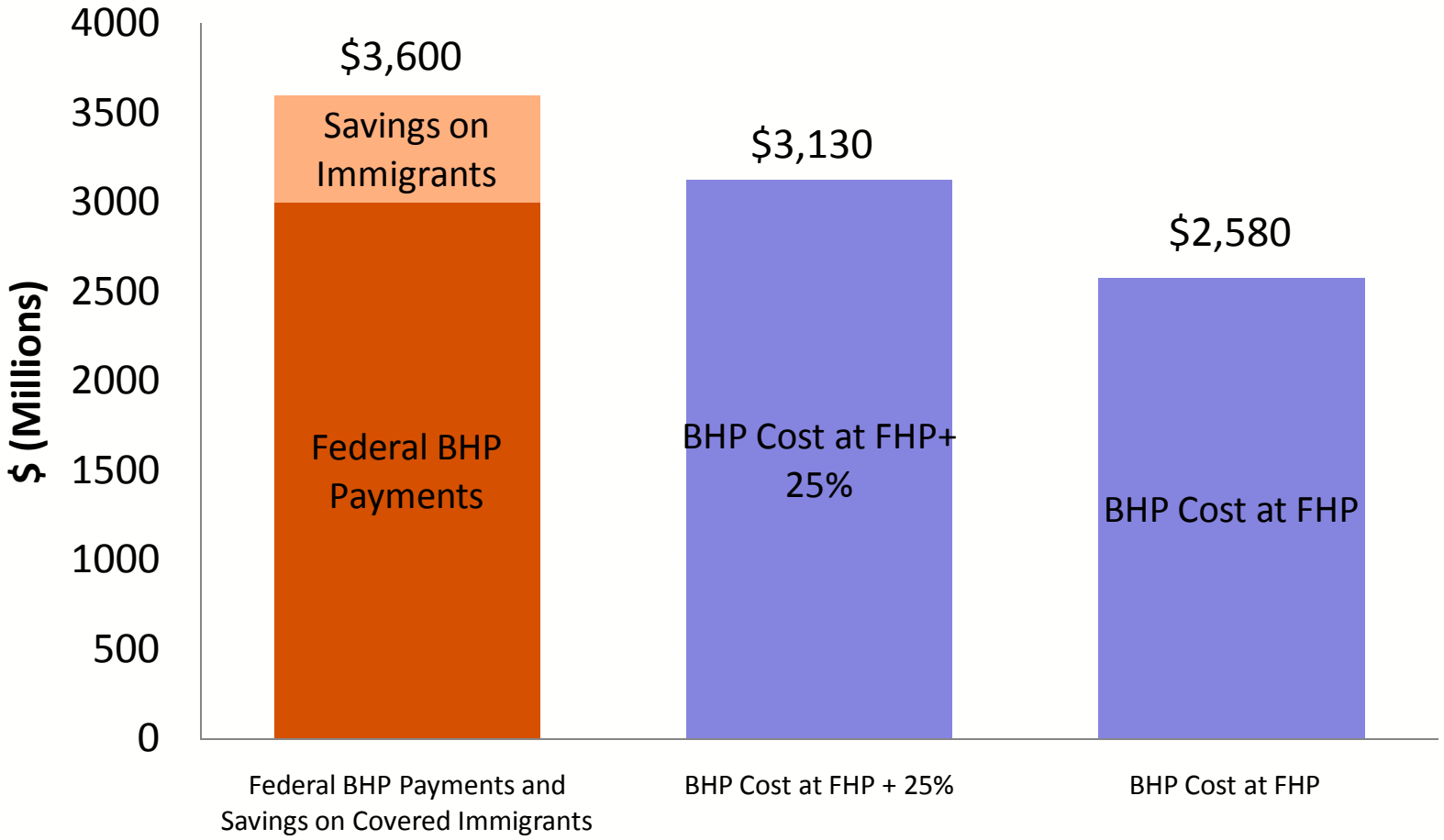
BHP provider payment and capitation fees could be raised above Medicaid levels



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
- 130,000 immigrants are assumed to move into BHP

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

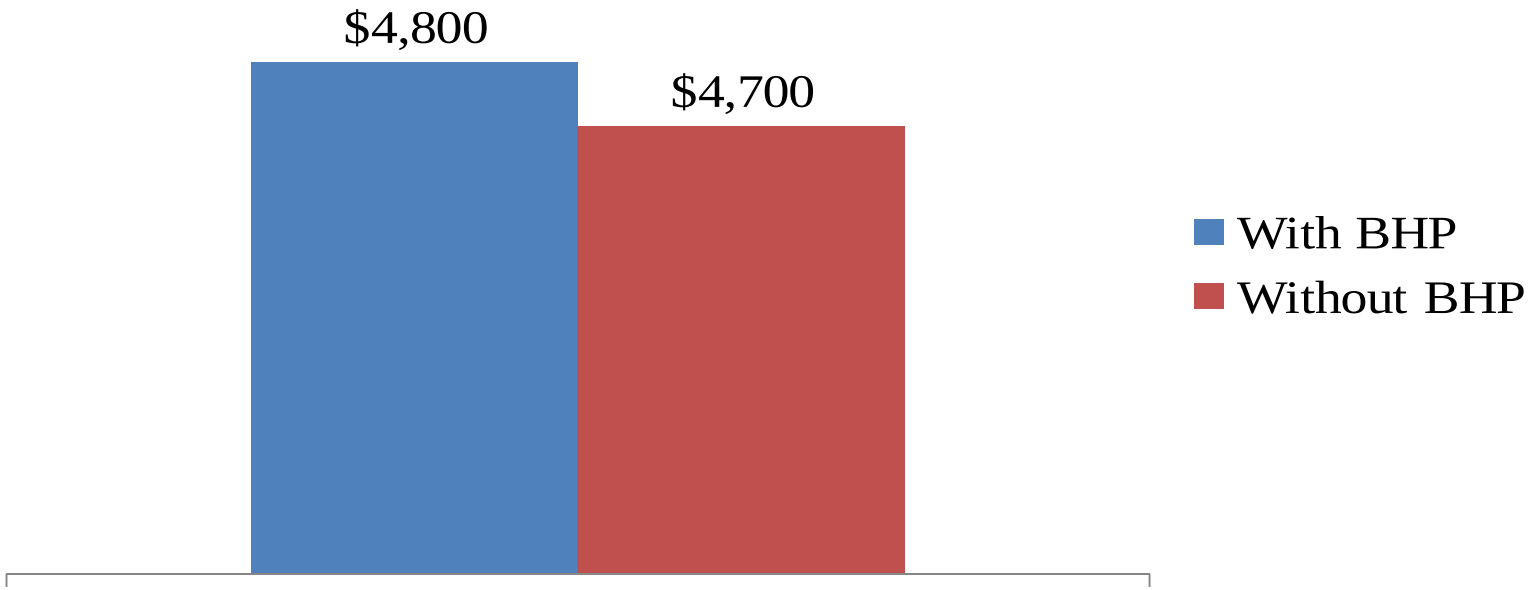


Source: Urban Institute, 2011.

Impact of BHP on Residual Exchange Premium

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

- Potential for significant state savings due to enrollment of 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
  - Thus leading to greater affordability for individuals

- Increased continuity of coverage for low-income individuals whose income fluctuates because of potential plan participation in Medicaid and BHP

Concerns with BHP

- Provider payment rates in BHP may be lower than commercial rates, potentially limiting access to providers
- Adverse selection concerns in the exchange:
  - Urban Institute finds that BHP enrollees are in general lower-cost than remaining nongroup exchange enrollees. On average they are younger
- Reduced exchange enrollment would mean less negotiating leverage with plans, although the exchange would still be sizable – about 800,000

Significant Uncertainties

- Calculation of the federal payment:
  - No federal guidance
    - Will federal payment be based on regional 2nd lowest cost silver, statewide average, "experience of other states"?
  - Urban Institute's 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:
  - Modeled before we knew Exchange premiums
  - Because the benchmark plan is below prevailing commercial rates, BHP payments will be lower than Urban Institute simulated here

Community Service Society Analysis

Is the Basic Health Plan Option Right for New York?

Health Benefit Exchange Stakeholder Meeting

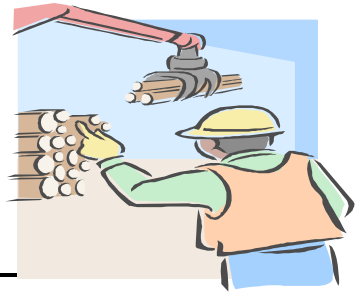
February 2, 2012 (REVISED JULY 25, 2013)

Elisabeth Benjamin, MSPH JD, Vice President of Health Initiatives

Arianne Slagle, MPA, Policy Associate

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?



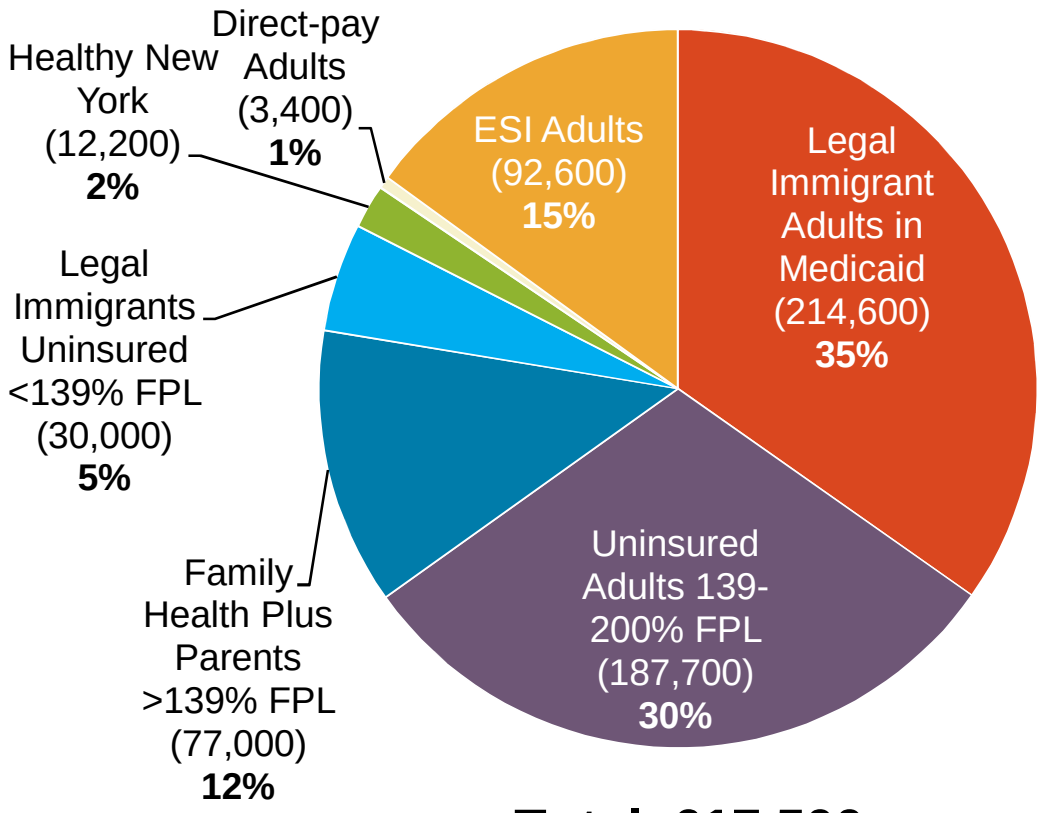
State Savings Estimate

- CSS 2013 estimate: $5 million - $300 million in State savings
  - Includes FHP savings and immigrant savings
  - Includes 5% FHP/HNY- provider bump

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

	TABLE 6: PREMIUM TAX CREDIT PMPM	
	Actual 2014 Premiums	
	<150% FPL 0.94 AV	150-200% FPL 0.87 AV
Second Lowest Cost Silver Plan CY 2014	$349	$349
Member Premium	($50)	($89)
Premium Tax Credit	$299	$260
95% of Premium Tax Credit	**$284**	**$247**

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

	TABLE 7: COST SHARING SUBSIDY PMPM	
	Actual 2014 Premiums	
	<150% FPL 0.94 AV	150-200% FPL 0.87 AV
CY 2014 Silver Premium	$349	$349
Administrative Estimate (18%)	($63)	($63)
2014 Silver Medical Claims Estimate	$286	$286
Adjustment for Target Medical Claims *	$384	$356
Estimated Cost-sharing Subsidy	**$98**	**$70**

*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.

Total Federal and State BHP Funding Estimates Ranges from $3.6 to $2.5 Billion per Year

	TOTAL BHP FUNDING ESTIMATE
	Actual 2014 Premiums
Take-Up	617,500
Premium Tax Credit	$1,989,145,000
Cost Sharing Subsidy	$623,137,000
Total Financing (No Utilization Reduction)	$2,612,282,000
Total Financing (Utilization Reduction)	**$2,492,980,000**
Total State Cost Saving Offsets	$1,156,054,000
Total BHP Funding (No Utilization Reduction)	$3,768,336,000
Total BHP Funding (Utilization Reduction)	**$3,649,034,000**

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 ($3.6 B with 5% 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 5% Provider Reimbursement Increase	**$1,080 M**	**$354 M**	**$1,314 M**	**$172 M**	**$102 M**	**$59 M**	**$530 M**	**$3,612M**

*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
- <u>But</u> 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

	Worst Estimate (Scenario 1, 94% AV and 10% provider bump)	Best Estimate (Scenario 3, 94%/87% AV and 5% provider bump)
Federal Financing Available	**$2,492,980,000**	**$2,492,980,000**
BHP Program Costs	**$3,440,176,000**	**$3,440,176,000**
Sub-Total: BHP Net Operating Margin	**($947,196,000)**	**($947,196,000)**
State Cost Savings Offsets	**$1,156,278,000**	**$1,156,278,000**
Increase in Provider Reimbursement	**($344,018,000)**	**($172,009,000)**
Plan Design Scenario Scenario 1, Scenario 3	**$140,415,000**	**$263,469,000**
Net Financial Impact of BHP for New York State	**$5,479,000**	**$300,542,000**

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**

Benefits of BHP

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

Source: Ann Hwang, Sara Rosenbaum, and Benjamin D. Sommers, "Creation of State Basic Health Programs Would Lead to 4 Percent Fewer People Churning Between Medicaid and Exchanges," Health Affairs June 2012.

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?

Comparison of Analyses

- **Overall, consistent findings:**
  - **Potential for increased affordability for consumers**
  - **Potential for State savings, primarily associated with immigrant savings**
- **Differences:**
  - **Urban Institute has a lower estimate of immigrants that enroll in BHP due to simulations of those with affordable ESI**
  - **Urban Institute models FHP benefit package for BHP program; CSS analyzes a range of options (87-98% AV)**
  - **CSS has updated its analysis for NYS approved qualified health plan rates**
  - **CSS State savings estimates also include savings from discontinuing FHP; Urban Institute's do not**
  - **CSS estimates a 5% provider rate increase; Urban Institute models a 25% provider rate increase**

Take-Aways

- BHP has the potential to increase affordability of coverage for low-income New Yorkers
- Impact of BHP on the residual Exchange is modest
- Potential for State savings, primarily due to enrolling non-LTC immigrant population into BHP from State-financed Medicaid
- Important uncertainties remain regarding federal calculation of the BHP payment to states