



National Health Care Reform Update: Subsidized Health Insurance

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Board of Directors Meeting
April 12, 2012



Agenda

- Subsidized Health Insurance “Today” & “Tomorrow”
- The Basic Health Plan Option
- Analyzing Subsidized Health Insurance Options: Process
- Key Considerations in Evaluating Subsidized Health Insurance Options
- Recommendation for Massachusetts & Key Takeaways
- Implications for the Health Connector
- Benefits for Massachusetts
- Next Steps



National Health Care Reform Update: Subsidized Health Insurance

- We have previously presented to the Health Connector Board:
 - The core features of subsidized health insurance coverage under the Affordable Care Act (ACA)
 - Outstanding questions relating to implementing subsidized coverage in Massachusetts under the ACA
 - Guiding principles to consider as we design and implement subsidized coverage for 2014
 - Potential options available to choose from when redesigning the Massachusetts approach to subsidized coverage for the future
- We have also engaged Board members individually throughout this process, and several of our Board members serve an advisory role to the Subsidized Insurance Workgroup
- We are now in a position to present the recommended approach to subsidized health insurance in Massachusetts under the ACA, but before doing so, a reminder of how we got here...



Subsidized Health Insurance "Today"

- In 2006, Massachusetts enacted "Chapter 58" in an effort to "expand access to health care for Massachusetts residents"
- Built upon previous coverage expansions and safety net options to fill in the "gaps"
- Increased access to health care through additional Medicaid expansions and the establishment of the Commonwealth Care program
- Commonwealth Care is a key feature of Massachusetts reform, providing comprehensive, affordable coverage to nearly half the newly insured and at an average annual premium trend of less than 2%

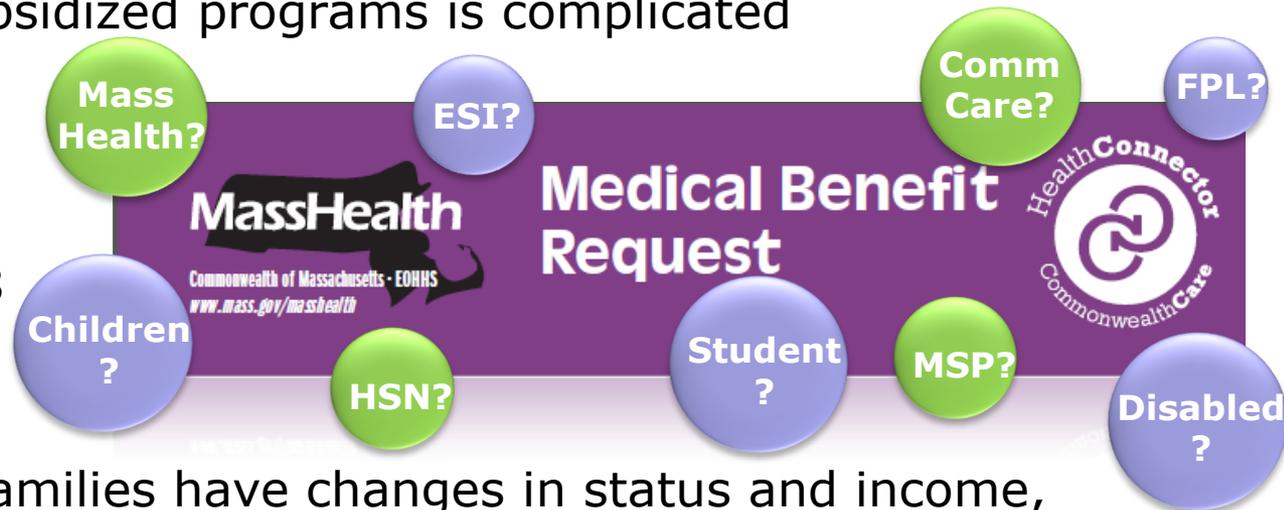




Subsidized Health Insurance "Today" (cont'd)

- Chapter 58 propelled Massachusetts towards the highest coverage rate in the nation, with 98% of Massachusetts residents insured (99.8% of children)
- Despite the coverage gains made under Massachusetts reform, eligibility for our subsidized programs is complicated

- Applicants must complete a 15-page form to have their eligibility for up to 8 different programs determined

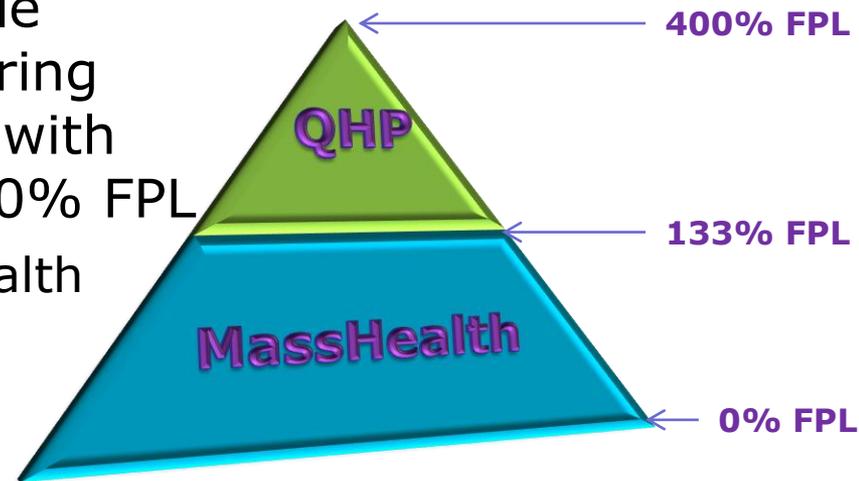


- As individuals and families have changes in status and income, they can experience gaps in coverage when attempting to move among our subsidized programs



Subsidized Health Insurance "Tomorrow"

- The ACA largely adopts the model for coverage gains achieved in Massachusetts but with simplified eligibility rules
- The ACA expands eligibility for MassHealth such that most legal residents at or below 133% FPL are eligible for the Medicaid State Plan (*i.e.* eliminates categorical eligibility)
- The ACA also provides advanceable premium tax credits and cost-sharing subsidies for residents and Aliens with Special Status ("AWSS") up to 400% FPL
 - Not otherwise eligible for MassHealth
 - Purchase a Qualified Health Plan (QHP) through the Health Connector





Subsidized Health Insurance “Tomorrow” (cont’d)

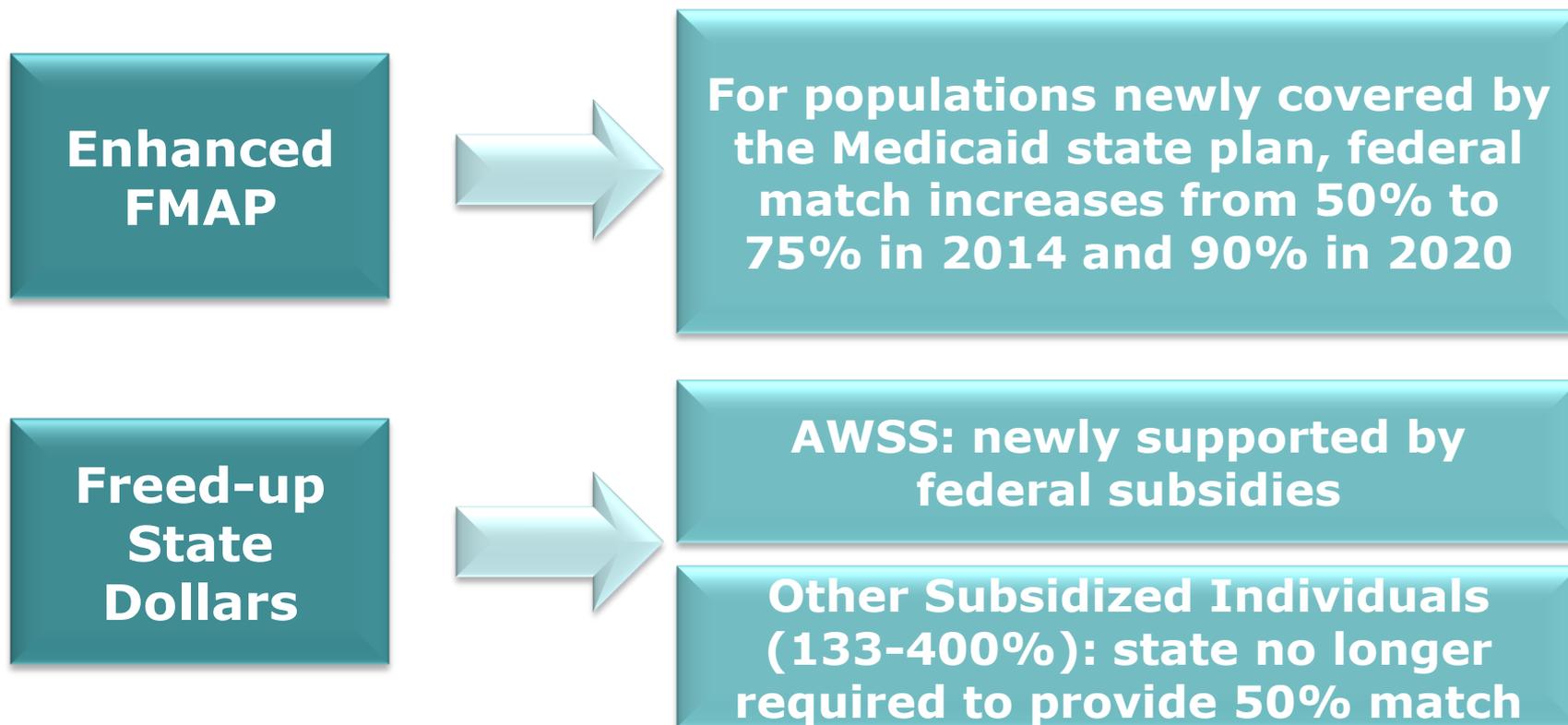
Key benefits of the new model

- **Simplicity**
 - Collapses a number of different subsidized programs together
- **Reduced Member Churn**
 - Member “churn” mitigated by merging programs, particularly for childless adults below 133% FPL that will transition from Commonwealth Care to MassHealth
- **Real-Time Eligibility Determination**
 - New technology tools and access to federal databases create opportunities for real-time eligibility determinations



Subsidized Health Insurance "Tomorrow" (cont'd)

Key benefits of the new model





Subsidized Health Insurance “Tomorrow” (cont’d)

- Some remaining challenges around affordability and continuity of coverage
 - Affordability
 - ACA subsidizes premiums and co-pays for individuals (133-400% FPL) that purchase QHPs through the Exchange
 - Even so, individual share of premiums and co-pays will be significantly higher than those currently available through Commonwealth Care

	CommCare		QHP	
	Premium	Cost-sharing	Premium	Cost-sharing
138-150% FPL	\$0	\$29	\$36-\$54	\$24
150-200% FPL	\$40	\$29	\$55-\$114	\$54
200-250% FPL	\$78	\$43	\$115-\$183	\$115
250-300% FPL	\$118	\$43	\$184-\$259	\$128

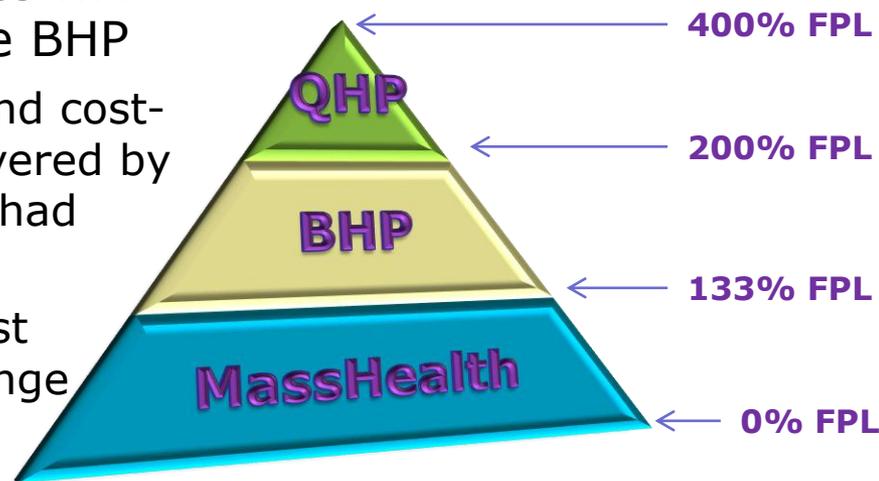
- Continuity

- Still high possibility of churn between MassHealth and the Health Connector at the 133% FPL threshold



The Basic Health Plan Option

- The ACA offers states a potential alternative to the default coverage model laid out in the law
- This option permits states to implement a Basic Health Plan (BHP) to provide direct coverage for individuals between 133-200% FPL and AWSS between 0-200% FPL in lieu of these individuals purchasing a QHP through the Health Connector
- If a state selects this option, the state will receive federal funding to pay for the BHP
 - Equivalent to 95% of the premium and cost-sharing subsidies that individuals covered by the BHP would have received if they had purchased through the Exchange
 - Tied to the value of the second-lowest cost silver QHP offered on the Exchange
 - States are allowed to contract with one or more health plans through a competitive bidding process





Analyzing Subsidized Health Insurance Options: Process

- In the fall of 2010, the Subsidized Insurance Workgroup, co-chaired by the Health Connector and MassHealth, was convened to, among other things, analyze the options available to the state for providing subsidized coverage in the future
 - Comprising staff from the Health Connector, EOHHS, ANF, DHCFP and EOLWD
 - Met every other week throughout 2011
- The focus of this workgroup centered around the Basic Health Plan Option and whether Massachusetts should consider adopting the BHP



Analyzing Subsidized Health Insurance Options: Process (cont'd)

- The Workgroup divided its tasks into three phases: Assessment, Design and Implementation
 - As part of the Assessment Phase, beginning in 2011, the Workgroup tasked itself with the following:
 - Identify outstanding policy questions ✓
 - Identify guiding principles ✓
 - Identify potential options/ approaches ✓
 - Identify consultants ✓
 - Solicit feedback on policy options from Leadership and CCA Board (BOD Meetings, individual Board member consultation, participation on Advisory Council) ✓
 - Share options with stakeholders and Advisory Council ✓
 - Conduct comprehensive analysis of each option ✓
 - Perform gap analysis (to inform design phase) ✓
 - Identify recommended approach and present to Leadership and CCA Board ★



Key Considerations in Evaluating Subsidized Health Insurance Options

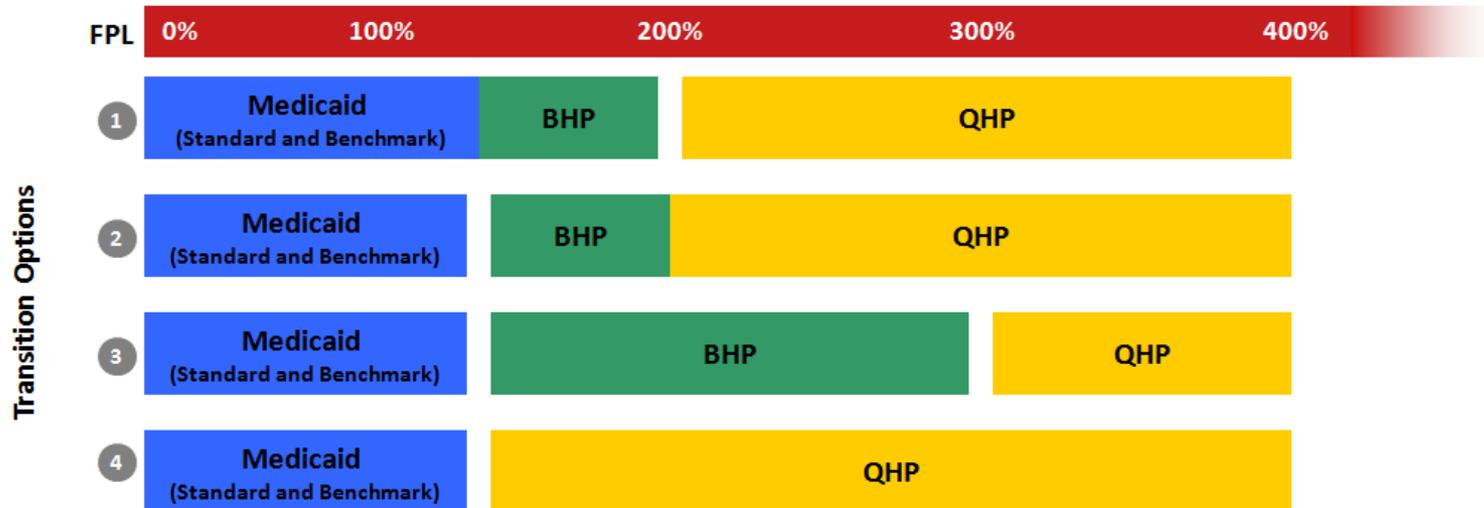
The Subsidized Insurance Workgroup developed the following guiding principles to use when considering options for subsidized coverage under the ACA.

1. Creating a **consumer-centric approach** to ensuring that all eligible Massachusetts residents avail themselves of available health insurance subsidies to make health care affordable to as many people as possible.
2. Creating a **single, integrated process** to determine eligibility for the full range of health insurance programs including Medicaid, CHIP, potentially the Basic Health Program and premium tax credits and cost-sharing subsidies.
3. Offering **appropriate health insurance coverage** to eligible individuals by defining both the populations affected and the health benefits that meet their needs.
4. Working within state fiscal realities, **maximizing and leveraging financial resources**, such as FFP.
5. Focusing on **simplicity and continuity of coverage** for members by streamlining coverage types, thereby making noticing and explanation of benefits more understandable, and also minimizing disruptions in coverage.
6. Creating an **efficient administrative infrastructure** that leverages technology and eliminates administrative duplication.
7. Building off the **lessons learned** since passage of Chapter 58.
8. Creating opportunities to achieve payment and delivery system reforms that ensure **continued coverage, access, and cost containment** and improve the overall health status of the populations served.



Key Considerations in Evaluating Subsidized Health Insurance Options (cont'd)

- The Health Connector hired Manatt/Mercer through a competitive procurement to assist us, MassHealth/EOHHS and ANF in analyzing several options for Massachusetts to consider in redesigning the approach to subsidized coverage under the ACA
 - Contract approved by the Health Connector Board at our June 2011 meeting
 - Funded through federal Exchange Planning Grant





Key Considerations in Evaluating Subsidized Health Insurance Options (cont'd)

- To inform our evaluation of different approaches to subsidized coverage under the ACA, including the BHP, Manatt/Mercer analyzed the following issues:
 - Impact on members, particularly those currently served by one of the state's subsidized programs
 - Costs to the state
 - Commercial premium trend vs. BHP cost trends
 - Enrollment
 - Enrollee acuity
 - Plan design
 - Essential Health Benefits definition
 - Impact on the Exchange
 - Regulatory and market uncertainties
 - Awaiting proposed rules or additional guidance on BHP



Recommendation for Massachusetts

The Subsidized Insurance Workgroup recommends that Massachusetts adopt a BHP administered by MassHealth

- Promotes coverage continuity and maintains a familiar coverage and care experience for a low-income, vulnerable population
 - Mitigates coverage and care disruption as people's income changes within 0-200% FPL
- Equal treatment for AWSS
 - Enables low-income AWSS (0-200% FPL) to get the same coverage within the same program as other legal residents with similar incomes
- Under reasonable modeling assumptions, could deliver subsidized coverage up to 200% FPL at current enrollee premiums and co-pays at little-to-no state cost (\$0-\$40M)
 - Concentrating coverage in MassHealth enhances state purchasing power to accomplish this



Recommendation for Massachusetts (cont'd)

The Subsidized Insurance Workgroup also recommends that Massachusetts "wrap" federal subsidies to help keep coverage affordable for individuals (200-300% FPL) shopping in the Exchange

- As noted previously, costs of coverage and care for those 200-300% FPL under the ACA will be significantly higher than under Commonwealth Care today

	CommCare		QHP	
	Premium	Cost-sharing	Premium	Cost-sharing
200-250% FPL	\$78	\$43	\$115-\$183	\$115
250-300% FPL	\$118	\$43	\$184-\$259	\$128

- Even a moderate additional state subsidy will help ensure that coverage gains already achieved in Massachusetts continue
- The maximum cost of such a subsidy is \$187M; would be lower under different assumptions



Recommendation for Massachusetts – Key Takeaways

- Maintaining affordability of coverage for lower-income populations is *critical* to maintaining health reform coverage gains in Massachusetts
 - Low-income people comprised the bulk of the uninsured pre-reform (over 80%) and are a large proportion of the newly insured
- Federal subsidies under the ACA go a long way towards making coverage affordable
 - Provides subsidies across-the-board up to 400% FPL
- . . . but more needs to be done
 - Particular concerns (absent additional state subsidies) about out-of-pocket costs for sickest enrollees
- Proposal for BHP (133-200% FPL) and QHP with “wrap” (200-300% FPL) would reallocate *some* (but not all) ACA-related savings for providing subsidized coverage to this population to maintain affordability



Implications for the Health Connector

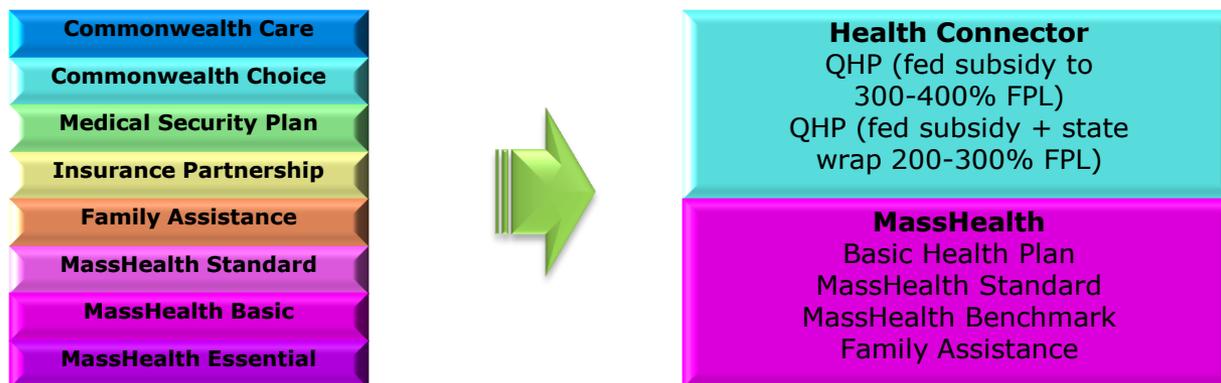
- With Medicaid expansion (augmented by the BHP if adopted), the Health Connector's focus will converge on the commercial small and non-group market ("Commonwealth Choice" space)
- As we make this transition, we will build off the lessons learned from Commonwealth Care & Commonwealth Choice
- Opportunities for "Connector 2.0"
 - Leverage the "power of the Exchange" to better serve small businesses
 - Re-launched Business Express
 - Wellness Track & rebates
 - Federal tax credits for small businesses purchasing through the Exchange in 2014
 - Upgrade shopping with tools provided by the ACA
 - Real-time eligibility determination
 - More innovative products
 - Regional opportunities
 - Reinforce payment and delivery system reform
 - Leverage the Health Connector shelf to highlight or "fast-track" reform models





Benefits for Massachusetts

- Simplicity & integration of programs



- Improved member experience
 - Less churn
- Streamlined access to coverage
 - Real-time, integrated eligibility determination
- Maintain affordability and coverage gains accomplished to date
 - BHP & QHP wrap



Next Steps

- Engagement with stakeholders
 - Conduct broader stakeholder meetings jointly with MassHealth (*e.g.*, Inter-Agency Task Force Quarterly meetings, MTF meetings, etc.)
- Engagement with the Legislature
 - Need to enact authorization for the BHP and the QHP wrap in 2012 to resolve who is covered where in time for the QHP certification process beginning in early 2013
- QHP Certification Process
 - Will be launched in early 2013
 - Will seek substantial input from Board and stakeholders in advance
- Transition plan for moving subsidized populations in 2014
 - MassHealth and Health Connector staff working together to develop transition plan