

HB 2934: Basic Health Plan Stakeholder Group

**August 13th, 2015
Oregon Health Authority**

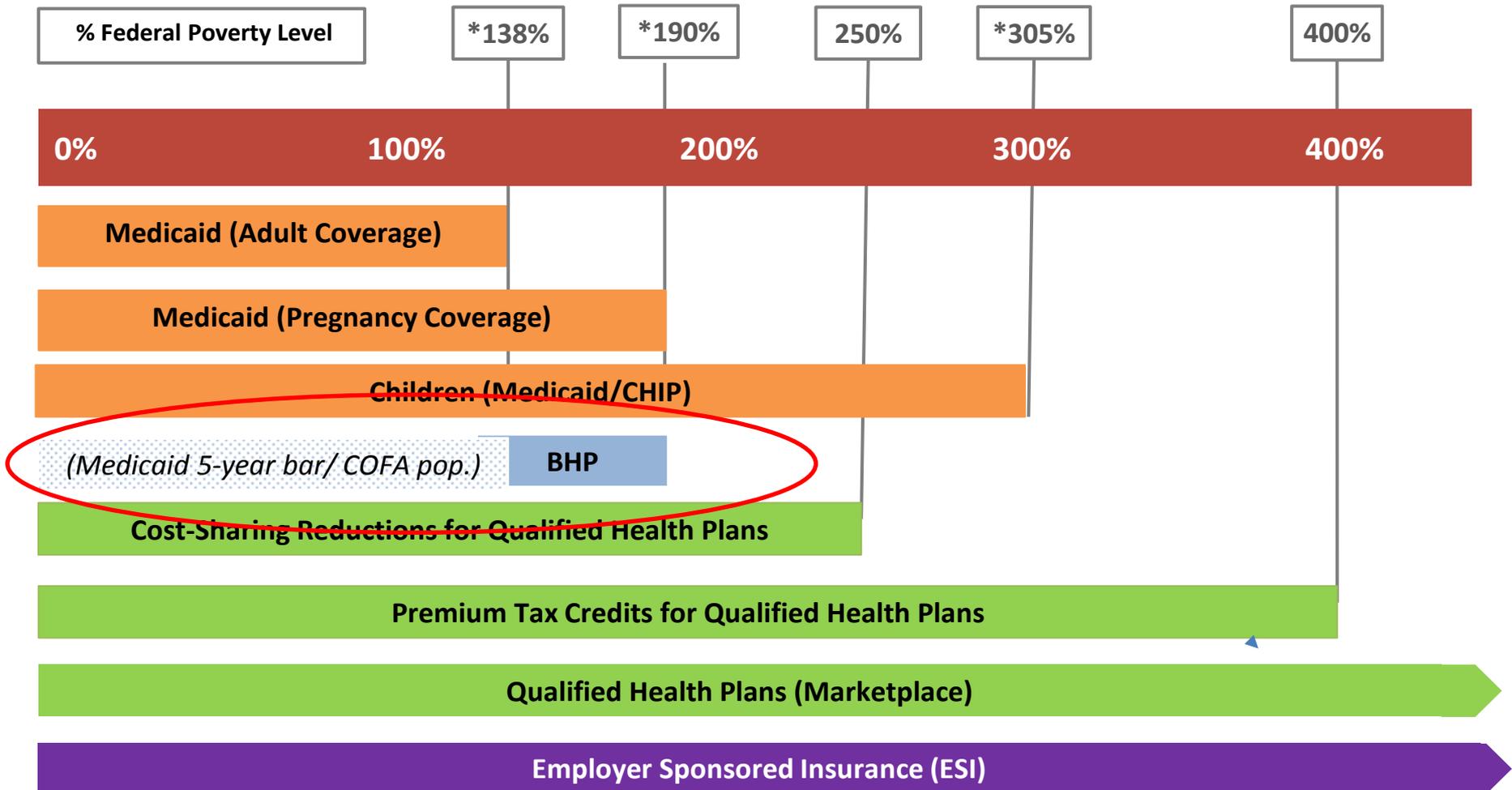
Presentation Overview

- Overview and background – revised work plan, timeline, and initial list of key considerations
- BHP Study (2014) – delivery system/carriers; provider reimbursement
- Input from stakeholder group: program design (cont.)

Basic Health Program (BHP) Overview

- The Affordable Care Act (ACA) gives states the option to establish a BHP for:
 - Individuals above 138% FPL up through 200% FPL who are ineligible for Medicaid or CHIP, and who do not have access to affordable employer coverage; and
 - Individuals at or below 138% of FPL who are ineligible for Medicaid due to immigration status.
- Federal government gives states 95% of what would have been spent on tax credits in the marketplace.
- Must offer two health plans; plans must include all essential 10 health benefits (EHB).
- Monthly premiums and cost sharing cannot exceed the amount the individual would have paid for coverage in the marketplace.

How BHP Could Fit into Oregon's Coverage Landscape

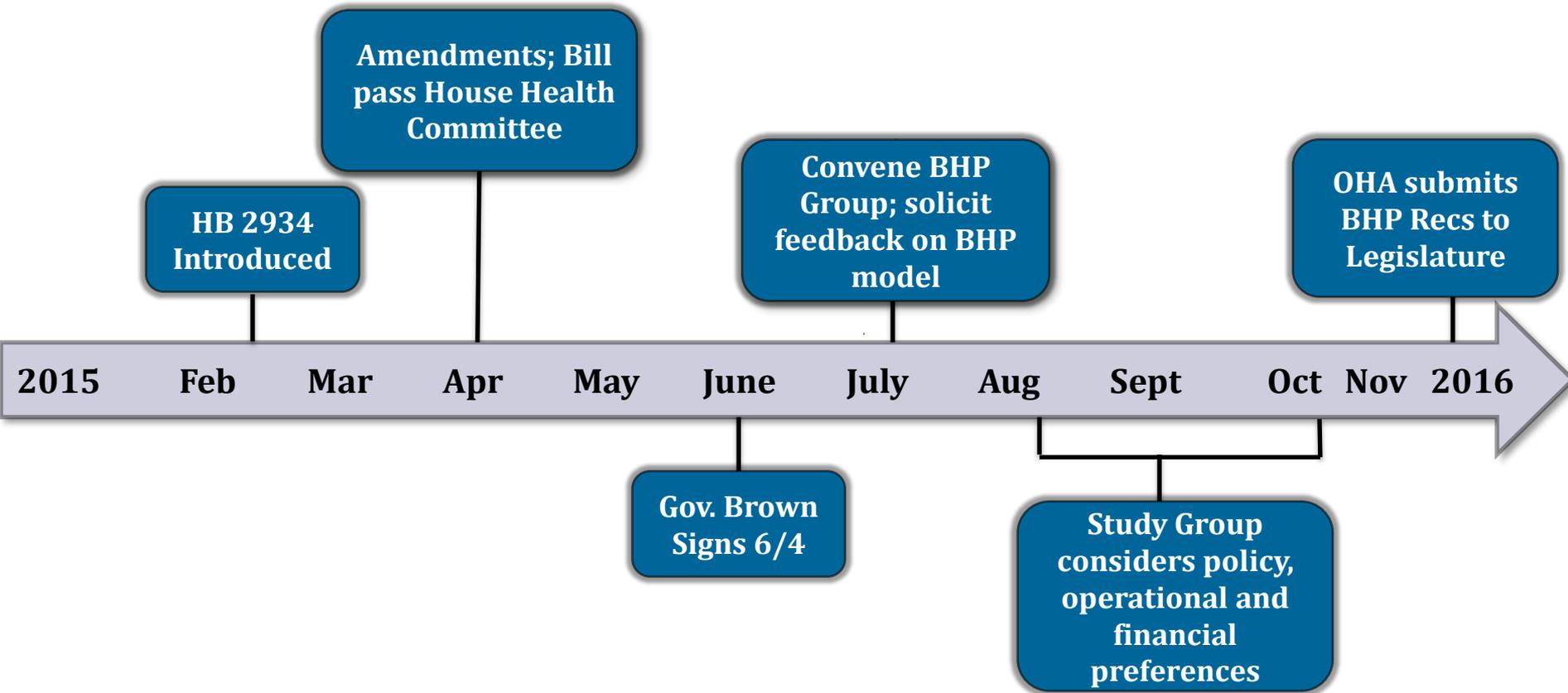


*Indicates the 5% across-the-board income disregard in Medicaid and CHIP. (Illustration adapted from the Washington State Health Care Authority.)

Requirements of HB 2934

- Requires OHA to convene a stakeholder group to provide recommendations to Legislative Assembly concerning the BHP.
- OHA must report recommendations to interim legislative committees no later than Dec. 1, 2015.
- Recommendations need to address “the policy, operational, and financial” preferences of the group in the “design and operation” of a BHP.
- Recommendations should further the goals of the Legislative Assembly of “reducing the cost of health care and ensuring all residents” of Oregon have equal access to health care.

Timeline: HB 2934 BHP Stakeholder Group



Revised Work plan/Timeline

Stakeholder group: four meetings

- **July 2nd** — initial convening of stakeholder group; outlined key findings from 2014 BHP study.
- **July 29th** — review federal guidance related to the BHP; consider consumer affordability, premium and cost-sharing options for BHP, and level of benefit coverage.
- **Aug. 13th** — review potential delivery systems, contracting and provider networks, and provider reimbursement.
- **September 16th** — review operational and financing considerations; review straw models and finalize recommendations for legislature.
- **Oct 8th**— finalize recommendations.

Revised Work plan/Timeline (cont.)

Report submission

- **October** — OHA staff finalize written recommendations for Legislature
- **November** — OHA submits recommendations to the Legislature
- **January (2016)** — presentation to House Committee on Health – Interim Legislative Days (**tentative*)

HB 4109 BHP Study (2014)

Per the requirements of House Bill 4109, the study estimated:

- Eligible BHP population including individuals likely to enroll
- Consumer affordability and continuity of coverage
- Impact to Oregon's Marketplace
- Potential federal funding for BHP
- State implementation and administrative costs

Consumer Preferences: Initial Reactions

Benefit coverage

- 2017 EHB benchmark plan via Marketplace)
 - 10 EHBs: PacificSource Preferred Codeduct value (2017)
 - Embed dental or offer as standalone option (?)

Consumer out-of-pocket option(s):

- Scenario b: Graduated cost-sharing
 - No cost-sharing \$0 <138% FPL
 - 2014 model: 50% cost-sharing for 139-200% FPL
 - Alternative tiered model: 138-150% FPL; 150-175% FPL; 175-200% FPL

BHP Oregon Evaluation Lens: Advantages and Disadvantages

○ Potential Advantages

- Reduced premiums and cost sharing for low-income individuals
- More low-income individuals able to afford coverage
- May smooth transitions as incomes fluctuate at 138% FPL

○ Potential Disadvantages

- Federal funding may not cover cost of plans; State will have financial exposure
- Identify funding source for start-up and ongoing administrative costs
- New transition point is created at 200% of the FPL.
- Exchange volume will decline; potential impact

○ Other Considerations

- Technological considerations (e.g. federally-facilitated marketplace or FFM)

Scope of Recommendations: HB 2934

○ Requirements for Program Design

Consumer Preferences

- Premiums and out-of-pocket costs
- Level of benefit coverage

Delivery System and Fiscal Preferences

- Plan offerings, procurement and contracting
- Provider reimbursement
- Network adequacy

Operations Considerations

- Enrollment period and length
- Disenrollment procedures for non-payment of premium
- Administrative financing (i.e. collection of premiums)
- Federally-facilitated Marketplace - feasibility
- Coordination of insurance affordability plans (IAPs)
(OHP/Marketplace)

Health Plans and Delivery System Considerations

SOURCE: Wakely BHP Model -- 2014 Report

HB 4109: BHP Study (2014)

Scenarios Modeled

	Scenario 1	Scenario 2
Covered Benefits	a. Commercial EHB b. OHP Plus	a. Commercial EHB b. OHP Plus
Provider Reimbursement level	Medicaid	Commercial
Member Premium	\$0	<138% FPL: \$0 138 – 200% FPL: 50% of QHP level
Member Cost Sharing	\$0	<138% FPL: \$0 138 – 200% FPL: 50% of QHP level

2016 Financial Impact to State

BHP Revenues and Expenses (\$000s)

		Scenario 1a	Scenario 1b	Scenario 2a	Scenario 2b
Revenue	Federal BHP Payment	\$207,498	\$207,498	\$191,573	\$191,573
	Member Premium	\$0	\$0	\$31,779	\$31,779
Claim and Carrier Expense	Claim Expense Liability	\$178,230	\$199,570	\$257,805	\$276,517
	Standard Health Plan Expenses [1]	\$15,498	\$17,354	\$45,495	\$48,797
Net	Surplus/(Deficit), Excluding State Admin	\$13,769	(\$9,426)	(\$79,948)	(\$101,962)
Admin Expenses	State Admin Expenses [2]	\$15,380	\$15,380	\$17,179	\$17,179
Net	Surplus/(Deficit)	(\$1,611)	(\$24,806)	(\$97,127)	(\$119,141)

[1] Standard Health Plan Expenses assume loss ratios of 92% for scenarios 1a /1b and 85% for scenarios 2a / 2b.

[2] State administrative expenses are estimated at \$19.32 PMPM/\$23.32 PMPM for Scenarios 1/2. The higher amount assumes that BHP, rather than plans, handle premium collection.

- Projected shortfalls in 2016, stated in dollars per year per enrollee, are \$24 for Scenario 1a; \$374 for Scenario 1b; \$1,582 for Scenario 2a; and \$1,941 for Scenario 2b.
- Scenario 1 assumes 66,000 enrollees and scenario 2 assumes 61,000 enrollees.

Financial Impact to State

- Wakely found a 2016 federal funding shortfall for each scenario:

Scenario :	1a	1b	2a	2b
Shortfall (millions):	\$1.6	\$24.8	\$97.1	\$119.1

- Major difference involves Scenarios 2a/2b vs. Scenarios 1a/1b. Why? Higher provider reimbursement with Scenarios 2a/2b.
- Could adjust scenarios to reduce or eliminate shortfall.
 - For example, adding \$10 monthly premium above 175% FPL to Scenario 1a would change it from shortfall to surplus.
- Other state budget effects need to be factored in.

Impact to the Individual Marketplace

- Fewer enrollees
 - 2014 BHP report estimated that BHP would reduce Marketplace size by 30%, from 187,000 to 131,000 covered lives
- Small increase in rates
 - 2014 report estimated that BHP would increase individual insurance rates by 1%, including in the Marketplace
 - Most Marketplace enrollees (62%) will have premium tax credits (PTCs) and be unaffected by 1% increase
 - 74,000 individually insured, inside and outside the Marketplace, will not get PTCs. They must pay the 1% increase. Most of them (50,000) earn > 400% FPL.

*Wakely/Urban Presentation to BHP Study Advisory Group, Sept. 22, 2014

Other Effects of a 30% Smaller Marketplace*

- Fewer covered lives = less carrier participation?
 - Will consumers have fewer QHP choices? Will less competition among carriers mean higher premiums?
 - No such problems emerged in 2014 in Minnesota, which implemented a BHP-like approach, limiting its marketplace to consumers over 200% FPL. Problems may occur there in the future, however.
- Fewer QHP surcharges = less ability to cover Marketplace administrative costs?
 - This problem could probably be prevented if BHP or BHP plans pay the Marketplace for services rendered

*Wakely/Urban Presentation to BHP Study Advisory Group, Sept. 22, 2014

Other Effects of Smaller Marketplace, cont'd*

- Fewer covered lives = possible Marketplace destabilization?
 - Highly unlikely under ACA insurance reforms
 - With BHP implementation, we estimate that 62% of Marketplace enrollees will have subsidies that can't be used to buy insurance elsewhere
 - Commonwealth Choice was an insurance exchange in MA that has been stable since its start in 2007, operating under insurance reforms like the ACA's. It had the following features:
 - It served only unsubsidized consumers >300% FPL
 - During its first several years, <20,000 people enrolled (<1/2 of 1% of the state's non-elderly adults)

*Wakely/Urban Presentation to BHP Study Advisory Group, Sept. 22, 2014

Coordinated Care*

- Longstanding state strategy: delivery system and payment reform via coordinated care
- Extending strategy to adults 138-200% FPL
 - BHP could use Coordinated Care Organizations (CCOs); likely to be more effective in promoting care coordination than QHPs (as currently configured)
- Federal BHP competitive bidding requirements
 - Must conduct a new RFA for BHP
 - Potential challenge: BHP consumers generally must be offered a choice between BHP plans from at least two sponsoring organizations. In some parts of Oregon, only one CCO is available.

*Wakely/Urban Presentation to BHP Study Advisory Group, Sept. 22, 2014

Table 3.3 – Summary of Expected BHP Claims Expense for Each Scenario

	Scenario 1a		Scenario 1b		Scenario 2a		Scenario 2b	
Covered Benefits	EHB		OHP <i>Plus</i>		EHB		OHP <i>Plus</i>	
Provider Reimbursement Level	Medicaid				Commercial			
Enrollee Premium / Cost Sharing (Relative to QHP Benchmark Coverage)	\$0				<138% FPL: \$0 138 – 200% FPL: 50%			
Expected BHP Enrollees	66,339				61,389			
Projected 2016 Claims Expense (\$000s)	\$178,230		\$199,570		\$257,805		\$276,517	
Projected 2016 Claims Expense Per Enrollee Per Year	\$2,687		\$3,008		\$4,200		\$4,504	

*Difference in provider rates b/w Scenarios 1 and 2 = ~ \$76 million

Table 3.4 – Total Projected BHP Cash Flows for 2016 (thousands)

		Scenario 1a	Scenario 1b	Scenario 2a	Scenario 2b
		Medicaid Reimb.		Commercial Reimb.	
Revenue	Federal BHP Payment	\$207,498	\$207,498	\$191,573	\$191,573
	Member Premium	\$0	\$0	\$31,779	\$31,779
Claim and Carrier Expense	Claim Expense Liability	\$178,230	\$199,570	\$257,805	\$276,517
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Net Per Enrollee Per Year	Surplus/(Deficit) [3]	(\$24)	(\$374)	(\$1,582)	(\$1,941)

[1] Standard Health Plan Expenses are based on assumed loss ratios of 92% for scenarios 1a /1b and 85% for scenarios 2a / 2b.

[2] State administrative expenses are assumed to be \$19.32 PMPM/\$23.32 PMPM for Scenarios 1/2. This assumption is based on the analysis described in Section 6, BHP operational considerations. Note that federal BHP payments cannot be used to directly offset state administrative expenses; however, the State can charge a fee to the standard health plan issuers that can be built into plan rates and thus offset by federal BHP payments.

[3] There may be other offsetting savings to the state resulting from the implementation of BHP. These are explored further in section 7 of this report.

BHP: Delivery System/Carrier Scenarios

Options in Oregon to offer Standard Health Plans (SHPs):

1. Marketplace: competitive contracting process for commercial health plans to offer BHP (SHPs)
2. CCOs: seek federal permission to waive the “competitive contracting process” and contract directly w/ CCOs to offer BHP
 - Require federal exemption for the “two plan” requirements (?)
 - Competitive contracting issue
 - Limit consumer choice compared with existing Marketplace
3. Stand alone option: state issue RFA & contract directly with carriers to offer SHPs (e.g. PEBB/OEBB)
4. Hybrid-model: competitive contracting among CCOs and QHP carriers through Marketplace (pending federal/state approval)

BHP: Reimbursement/Financing model Preferences*

1. Medicaid level reimbursement to providers ~62-63% of commercial rates in Oregon
2. Commercial rates – significant cost implications for program
3. Medicare rates ~ 81% of commercial rates in Oregon
4. Alternative approach: contract for negotiated rates...?

* The 2014 study only model options 1 and 2.

Delivery System and Reimbursement: Initial Reactions

Delivery System Options: Initial Reactions?

Delivery System/Standard Health Plans:

1. Marketplace
2. CCOs
3. State contracts with health plans to offer BHP (stand alone option)
4. Hybrid approach

Provider reimbursement level:

1. Medicaid
2. Commercial
3. Medicare
4. Other (e.g. negotiated)

Next Steps

- **Sept. 16th** — review operational and additional financing considerations; eligibility and enrollment.

[Oregon Basic Health Program Study](#) report (2014) prepared by Wakely Consulting Group and the Urban Institute

Report available at:

[http://www.oregon.gov/oha/OHPR/docs/OregonBasicHealthPlan
Report_11.10.2014.pdf](http://www.oregon.gov/oha/OHPR/docs/OregonBasicHealthPlanReport_11.10.2014.pdf)

HB 2934 Stakeholder Group (2015)

Upcoming Meetings

Dates & Times:

- September 16th, 3-5pm
- October 8th 8-10am
(*final meeting - *tentative*)

Location:

OHA Transformation
Center, 421 SW Oak St.,
PDX, Suite 775 (7th floor,
Training Room)

HB 2934 report due to the Legislature by December 2015