

Assessment of the Basic Health Plan Opportunity

Discussion Guide *December 12, 2011*

***Meeting of the Executive Committee of the Healthcare Reform
Commission***

***Attendees: Lt. Governor Roberts, Director of Administration
Richard Licht, Secretary of Health and Human Services Steven
Costantino, Health Insurance Commissioner Chris Koller***

Absent: Governor's Policy Director Brian Daniels

Goals for Today

- ❖ Basic Health Plan Overview with Models and Stakeholder input
- ❖ Address Opportunities and Challenges
- ❖ Review Conditions for Participation
- ❖ Continuing Activities

Agenda

- ❖ Basic Health Plan Overview
- ❖ Why/why not? Key Considerations
- ❖ Suggested Conditions for Participation
- ❖ Discussion for Today

Why Consider a Basic Health Plan?

Exchange Goal

- Near-Universal Health Coverage
- Affordability

Constraints of Federal Law

- Exchange based tax credits and cost sharing subsidies may not be enough for some Rhode Islanders
- These individuals may decide to forego coverage and be uninsured.

The Basic Health Plan

- Federal option to provide more affordable coverage to about 30,000 Rhode Islanders that are just above Medicaid eligibility

Why Consider a Basic Health Plan?

Challenges with uninsured population

- More utilization of higher cost care because lower cost options are not available
- Bad Debt and Charity Care increase costs – Hospitals and Health Centers see largest effects
- Fewer tools to help with costs of the uninsured for state

The Basic Health Plan

- Making coverage more affordable will lower number of uninsured
- Current modeling suggest about 19,000 of a potential 30,000 would utilize the Basic Health Plan
- Potential to cover population without state investment – but there are financial risks for the state

Overview: What is the Basic Health Plan

The Basic Health Plan is an optional state coverage program:

❖ ***Anticipated Program Structure***

- State administered managed care program, integrated with the Rite Care and Rite Share programs

❖ ***Anticipated Benefits***

- Federal guidance anticipated
 - Essential benefit package
 - Anticipated to have fewer benefits than Medicaid

Overview: What is the Basic Health Plan

The Basic Health Plan is an optional state coverage program:

❖ **Eligibility**

- Incomes above 133% FPL but below 200% FPL *OR* legal permanent residents below 133% FPL who are not eligible for Medicaid
- Not eligible for other *affordable* coverage

❖ **Financing**

- *Federal* - State receives a payment from federal government for BHP members based on what the federal government *would have* spent on Exchange based subsidies for those members
- *Member* – Member contributions set by state program

Overview: Who will use the Basic Health Plan?

Allows states to cover individuals with incomes between 133 and 200% of poverty through a state-run program

	Children	Pregnant Women*	Parents	Childless Adults		
<133 FPL	Medicaid	Medicaid	Medicaid	Medicaid		
133-185% FPL		?	?	Exchange Subsidy	Basic Health Plan Option	
185-200% FPL						
200-250% FPL			Exchange Subsidy			
250-400% FPL	Exchange Subsidy	Exchange Subsidy				
400+% FPL	Exchange No Subsidy	Exchange No Subsidy	Exchange No Subsidy	Exchange No Subsidy		

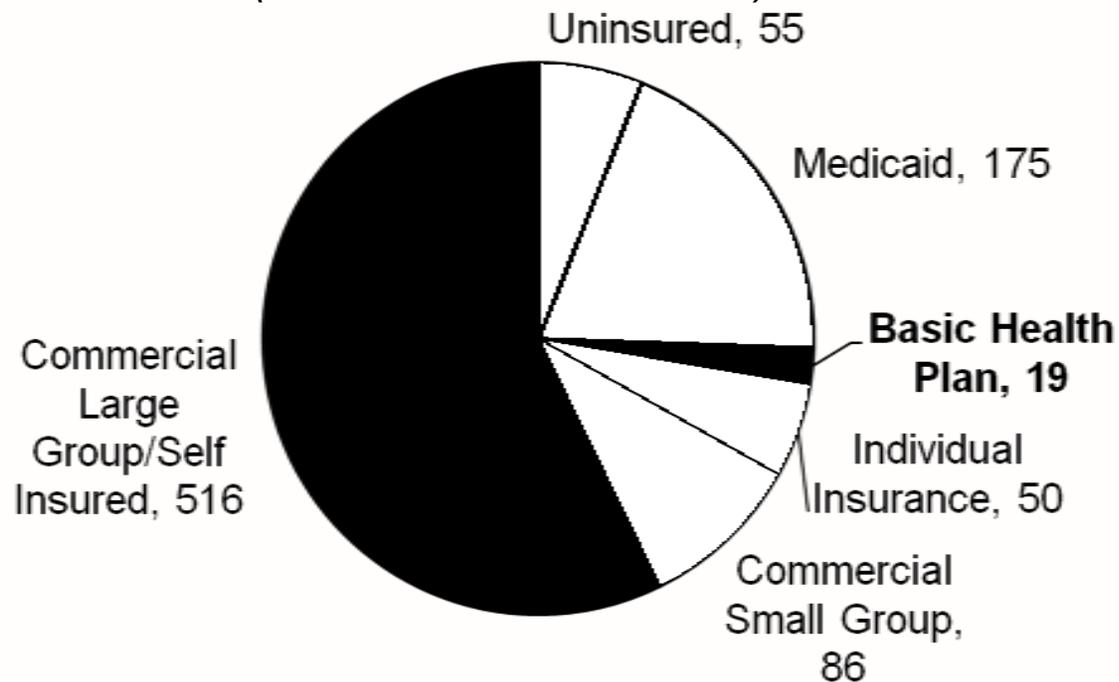
* Given MOE requirements in the ACA, RI will need to continue to cover pregnant women up to 185% FPL in Medicaid. It is still undetermined what will happen with Pregnant women 185-250%FPL and Parents 133-185%

Overview: Anticipated Enrollment

We *estimate* that approximately 19,000 Rhode Islanders would enroll in the Basic Health Plan, out of an estimated 30,000 income-eligible for such a program.

Future Insurance Status Post-2014

RI Population under 65
(Numbers in Thousands)



Overview: Who would enroll in Basic Health?

We *estimate* that approximately 19,000 Rhode Islanders would enroll in the Basic Health Plan, out of an estimated 30,000 income-eligible for such a program.

Basic Health Plan Anticipated Enrollment by Current Insurance Status (000)

	Parents	Childless Adults	Total
Currently Rlte Care	9	-	9
Currently Uninsured	3	4	7
Currently Privately Insured	1	2	3
Total	13	6	19

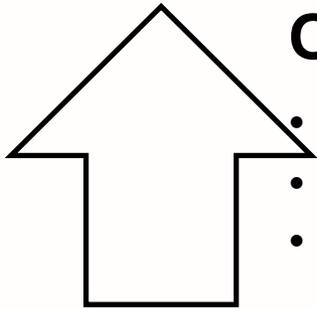
* Given MOE requirements in the ACA, RI will need to continue to cover pregnant women up to 185% FPL in Medicaid. Pregnant women up to 200%FPL would be eligible for the BHP if offered, otherwise pregnant women 185-250%FPL will move to the Exchange.

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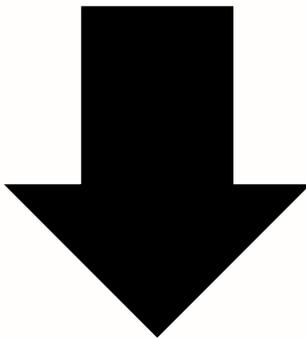
Why Consider a Basic Health Plan?

Exchange design constrained by federal law: Subsidy + cost sharing reductions may not be sufficient for low income individuals



Opportunities with a Basic Health Plan

- Member Affordability
- Keeping families insured
- Continuity of Care for existing RIte Care families



Challenges with a Basic Health Plan

- State Financial Risk
- Impact on Exchange
- Small Program – Priority and focus
- Impact on provider payments

Consideration: Member Affordability

Anticipated premium and out-of-pocket expenses for non-Employer based insurance after cost-sharing subsidies are applied (*in 2014 dollars*)

	Single Adult		Single Parent with 2 Children	
	133% FPL	200% FPL	133% FPL	200% FPL
Income Annual/Monthly	\$14,928/ \$1,244	\$22,440/ \$1,870	\$25,392/ \$2,116	\$38,184 / \$3,182
Total Exchange Premium + Out of Pocket (without BHP)*	\$67	\$183	\$96	\$265 (+ \$77 for kids RlteCare)
Basic Health Plan	Between \$0 and \$67	Between \$77 and \$183	Between \$0 and \$96	Between \$77 and \$265 (+ \$77 for kids RlteCare)
RlteCare Premium	\$0	\$77	\$0	\$77

* Per the ACA, Exchange OOP costs capped at 6% of medical costs for those below 150%FPL , 13% for those 151%-200% FPL.

Additional Considerations

❖ Continuity of Care

- Minimizing the effects of churning between programs and different benefit structures and designs
- BHP option would build on Rlte Care model

❖ Keeping Families Insured

- Keeping families in similar benefit structures and designs

Overview: Who will use the Basic Health Plan?

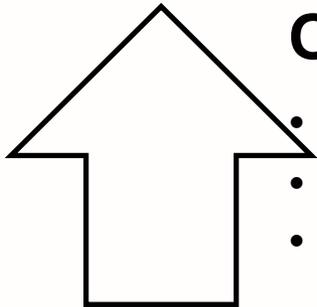
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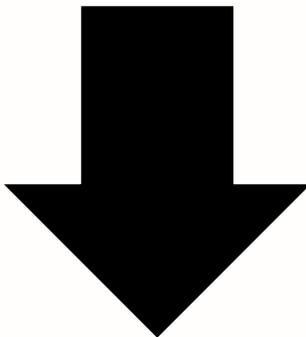
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Consideration: State Financial Risk

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❖ **Risks**

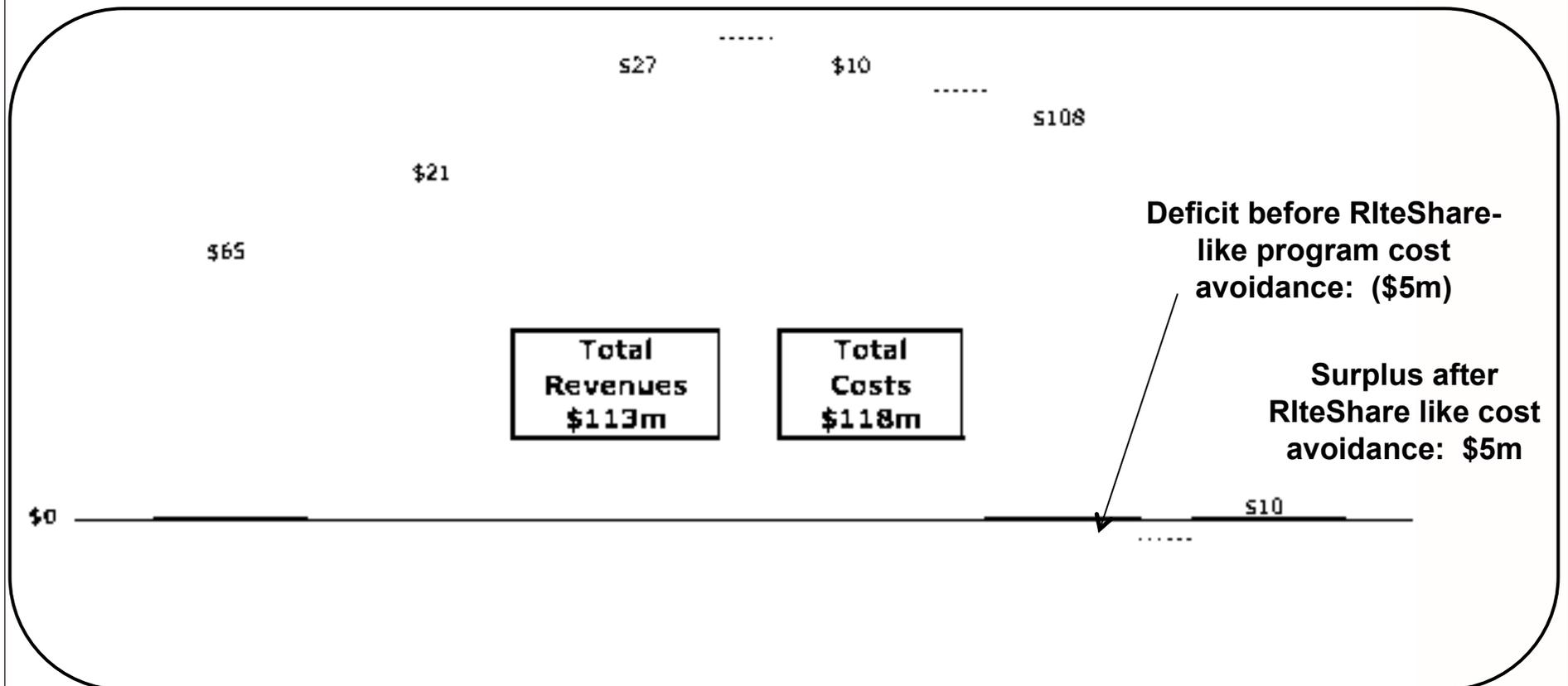
- If program costs exceed federal and member contributions, state would need to make up the difference
- Current models suggest a range of \$6 million surplus to \$5 million deficit for program

Consideration: State Financial Risk

BHP would result in an estimated \$5-6 million surplus ONLY IF a Rlte-share like program is implemented. Without this program, there is an estimated deficit of \$4-5 million.

Basic Health Plan Financial Summary

2014 dollars \$millions



* Law is ambiguous on state payment for cost sharing subsidies under the BHP – guidance is needed as to whether it is 95 or 100%

State Financial Risk: Possible Ways to Protect against the Financial Risks

❖ **Rlte Share**

❖ **Flexibility**

- Able to adjust premium contribution as needed
- Flexibility in benefit design

❖ **Premium rate “set aside”**

- “Risk premium” added to monthly premium

❖ **Include BHP in Federal Reinsurance Program**

- New reinsurance program required under the ACA
- Will address unknown population risk AND pent up demand

❖ **Establish Basic Health Plan for Parents only**

- Assure continuity of care for Rlte Care parents
- Childless adults access subsidized coverage in Exchange

Mitigation Strategy: Leveraging Rite Share-like program

❖ **What is Rite Share?**

Rhode Island's premium assistance program for Rite Care-eligible individuals and families to afford health insurance through their employer

❖ **How does Rite Share work?**

A person can keep employer-sponsored insurance and the State pays their monthly premium. The State also provides wrap-around benefits

❖ **Why a RiteShare- like program paired with Basic Health Plan?**

- Builds on employer based coverage
- Offsets state program cost, financial risk

❖ **Estimated Financial Impact**

Initial estimate of Program cost avoidance of ~\$10 million annually

❖ **Federal Guidance Required**

Will federal regulations allow RI to extend a Rite Share-like model to BHP

Rlte Share-like program: Example

Paired with a Basic Health Plan, a Rlte Share-like program could reduce state financial risk *AND* support employer-based coverage.

Example: a Rhode Islander at 185% FPL in 2014

Does individual have access to affordable employer-based coverage?

- Yes: must enroll in employer coverage – no subsidy
- *If not:*

Scenario A: RI does *not* implement Basic Health Plan

- Individual can access Exchange-based subsidies: can reject employer coverage in favor of subsidized individual coverage through exchange

Scenario B: RI implements Basic Health Plan

- If cost effective, individual enrolls in employer coverage and Basic Health Plan pays the employee share of premium
- If *not* cost effective, individual enrolls in Basic Health Plan

Consideration: Additional Financial Considerations

❖ ***Rlte Care Parents***

- Currently, adults with children up to 175% of FPL are covered in Rlte Care – partially funded with state dollars (Approximately \$15 million)
- Beginning in 2014, this population will be covered by federal dollars and member contributions (BHP or Exchange)

❖ ***Policy options:***

- Reprogram funds to partially offset new Medicaid costs in 2014
- Reinvest funds into the same population in BHP

Additional Potential Challenges

- ❖ Impact on the Exchange
- ❖ Small Program
 - Requires considerable focus for a program of ~ 20,000
- ❖ Provider Payments
 - Potentially lower than commercial
 - A higher rate of insurance may partially offset lower rates

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What would be necessary conditions for Rhode Island to establish a Basic Health Plan?

- (1) Operate BHP in tandem with and consistent with RlTe Care
- (2) Operate a mandatory RlTeShare-like program for BHP
- (3) Flexibility to determine benefit design, member premium contribution and cost-sharing levels.
- (4) Flexibility to assign ongoing Exchange costs broadly to all populations supported by the Exchange (including BHP).
- (5) Have a financial strategy to address the possibility that the BHP may not “break even” in any one year

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For Discussion

- ❖ Would we need legislation?
 - Yes
- ❖ Timing
 - Implementation post-legislation - *Timeline*
 - **Federal Guidance**
- ❖ Modeling
 - Establishment Level II will pay for additional modeling
 - How do different pricing models affect uptake and minimize state risk?

Public Comment

•Mr. Richard Langseth: encouragement of social media outlets to be used to include the public in these discussions. Continued advocacy for inclusion of the public by all members of the Executive Committee