Affordable Care Act: Impact on the Indiana Market

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Affordable Care Act

- Key accomplishment is access
  - ~48.6 million uninsured in America*
  - ~800 thousand uninsured in Indiana*
- Addresses the underlying causes uninsurance
  - Affordability for low income people
    - Potential Medicaid Expansion to low income adults
      - Below 138% FPL
      - $15,415 annual income for single, $31,809 for family of four
    - Tax Credits
      - 100-400 % FPL
      - Total credit amount based on income and cost of insurance
- Insurance rules
- Requirements for employers

*Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2011 and 2012 Current Population Survey (CPS: Annual Social and Economic Supplements http://www.statehealthfacts.org/comparebar.jsp?typ=1&ind=136&cat=3&sub=40

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Individual Mandate

- Individual Tax Penalty
  - Those without insurance or an exemption pay the greater of:

	2014	2015	2016
Maximum Penalty	1% of taxable income	2% of taxable income	2.5% of taxable income
Minimum Penalty	$95	$325	$695
Income level where max % penalty applies	>$9,500 taxable income	>$16,500 taxable income	>$27,800 taxable income

- Exemptions:
  - Affordability (coverage costs > 8% of income)
  - Religious
  - Indian status

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Advanced Premiums Tax Credits & Cost Sharing Estimates

FPL	Estimated Income*	PTC required % of income contribution	Estimated annual contribution*	Cost Sharing Reduction: Silver Plan AV	Decrease in cost sharing**
<133%	<$14,856	2%	<$297	94%	80%
133-150%	$14,856 - $16,755	3% to 4%	$445 - $670	94%	80%
150-200%	$16,755 - $23,340	4% to 6.3%	$670 - $1407	87%	57%
200-250%	$22,340 - $27,925	6.3% to 8.05%	$1407- $2248	73%	10%
250-300%	$27,825 - $33,510	8.05% to 9.5	$2248 - $3183	70%	0%
300-400%	$33,510-$44,680	9.5 %	$3183 - $4245	70%	0%
>400%	>$44,680	Not eligible for PTC	>$4245	70%	0%

* Estimated income and contribution based on 2012 FPL for an individual selecting the second lowest cost silver plan

** Decrease in cost shows the decrease from a silver plan

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Affordability Clause- Employer Sponsored Coverage

- Individuals are not eligible for premium tax credits if they have access to affordable employer sponsored coverage
- Definition of affordable employer sponsored coverage:
  - For individual coverage employee contribution may not exceed more than 8% of household income
  - Affordability for dependents made in reference to cost of coverage for employee and dependents
    - Affordability determination for employee and dependents is separate

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Employer Mandate

- Employers > 50 fulltime equivalent employees subject to penalties if fulltime employee(s) receive a premium tax credit
  - Employees can only receive a premium tax credit if:
    - Between 100% and 400% FPL
    - Employer coverage is unavailable or if single coverage costs more than 9.5% household income

Employer Penalties	
Employers offering coverage to at least 95% of full-time employees	**Employers not offering coverage to at least 95% of full-time employees**

• Pay a penalty of the lesser of:
  • $3,000 per employee receiving a premium tax credit, or
  • $2,000 for every employee full-time and full time equivalent employee, excluding the first 30 employees
	• Pay $2,000 for every employee full-time and full time equivalent employee, excluding the first 30 employees

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How does market size change by 2019?

Source of Health Insurance	2010 Estimate	2019 Projection
Uninsured	875,000	300,000 – 525,000
Public Programs* (with Medicaid Expansion)	950,000	1,450,000 – 1,625,000
Individual Insurance	200,000	450,000 - 875,000
Employer-Sponsored Insurance		
Insured Small Group (2-50 employees)	300,000	225,000 – 300,000
Insured Large Group(51+ employees)	475,000	350,000 - 475,000
Self-Funded (All employer sizes)	2,825,000	2,850,000 – 3,125,000
Total Indiana Residents Ages 0 to 64	5,625,000	6,200,000 – 6,500,000

Source: Herbold, Jill S. and Paul R. Houchens. Milliman, Inc. "2019 Health Insurance Enrollment Projections for Indiana." May 2011.

Assumes that Indiana does not offer a federal basic health program.

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Insurance Market Changes

- Limits Insurance Companies Profits:
  - Medical Loss Ratio (MLR)
    - 80% for individual
    - 85% for large group & small group insurers
  - Insurers with lower MLR will be required to issue refunds to enrollees
- Unreasonable Rate Review
  - Federal and state review of unreasonable premium increases
- **Community Rating**
  - **Premiums based on age, location, and smoking status**
  - **No pre-existing condition exclusions allowed**
- Elimination of lifetime and annual maximum coverage limits
- Adult dependent coverage to age 26
- Expanded coverage of preventive services

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How does premium cost change by in Indiana by 2019?

- Milliman estimates:
  - Individual market:
    - Total 75% to 95% premium increase
      - Merging high risk pool with individual market – 35% to 45%
      - Essential benefits/benefit expansion – 20% to 30%
      - Additional factors:
        - Risk pool composition changes
        - Provider cost shifting
        - Manufacturer and carrier pass-throughs
  - Small group market:
    - Total 5% to 10% premium increase
      - Risk pool composition due to items such as:
        - Employers dropping coverage
        - Inclusion of employers up to 100 in small group market
        - Election of self-funded plans in community rating environment

Source: Herbold, Jill S. and Paul R. Houchens. Milliman, Inc. "Individual and Small Group Premium Changes Under the ACA." May 2011.

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What is a Health Insurance Exchange (HIX)?

- Individual HIX & Small Business Health Options Program (SHOP)
- More than a web-based marketplace ("Expedia") – shop & purchase insurance and:
  - Eligibility for:
    - Medicaid
    - Advanced Payment of Premium Tax Credits (APTCs) and Cost Sharing Reductions (CSRs)
    - Individual Mandate Exemptions
  - Certifies Qualified Health Plans (QHPs) -determines which plans can be offered on Exchange
  - Enrollment in QHPs
  - Collects & publishes quality data on health plans
  - Premium collection & premium aggregation for small businesses
  - Education & outreach
  - Option to administer Risk Adjustment & Reinsurance for health plans

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Small Business Health Options Program (SHOP) Exchange

- SHOP will offer small employers the opportunity to purchase coverage for employees
- Eligible Employers
  - 2014 to 2017 Employers with <50 employees or
    - At state option <100 employees
  - After 2017 Employers <100 employees or
    - At state option, of any size
- Employers using the SHOP
  - Can use brokers in the SHOP or use SHOP independently
  - Choose a metal level for employees or a specific plan or plans
  - Reference plan selected for setting contributions
  - Employers pay SHOP and SHOP remits payments to carriers

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Potential Users of an Indiana Exchange?

	Without ACA – 2017 Projection	Estimated Exchange Enrollees 2017
Individual Exchange	Individuals	Exchange Enrollees
Employer Coverage 139% FPL to 400% FPL	1,699,914	101,816
Individual Coverage 139% to 399% FPL	130,734	119,444
Individual Coverage above 400% FPL	100,980	10,098
Currently Uninsured 139-399% FPL	396,856	354,311
Currently Uninsured, above 400% FPL	53,496	8,024
Other coverage 139%+	221,129	44,226
Total- Individual Exchange	2,603,109	637,919
SHOP Exchange	Employees and Dependents	SHOP Exchange Enrollees
Employers with less than 50 Employees	904,441	42,286
Employees with 50 to 99 Employees	202,359	5,603
Total- SHOP Exchange	1,106,800	47,889
Total- Indiana Exchange 2017	3,709,909	685,810

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Essential Health Benefits

- The ACA requires all non-grandfathered health plans in the individual an small group market to offer the Essential Health Benefits starting in 2014

1. **Ambulatory patient services**
2. **Emergency services**
3. **Hospitalization**
4. **Maternity and newborn care**
5. **Mental health and substance abuse disorder services, including behavioral health treatment**
6. **Prescription drugs**
7. **Rehabilitative and habilitative services and devices**
8. **Laboratory services**
9. **Preventive and wellness services and chronic disease management**
10. **Pediatric services, with oral and dental**

- EHB benchmarked to benefits offered in a plan
- Indiana's EHB benchmark plan is the largest small group plan in the state

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Actuarial Value

- All plans on and off the Exchange required to offer EHB will be categorized by Actuarial Value (AV)
- Bronze, Silver, Gold, Platinum
  - AV refers to the percentage of expected medical cost that will be paid by the health plan
  - On Exchange PTC subsidy amount is indexed to the 2nd lowest cost Silver Plan

Plan Level	Estimated total costs covered by health plan	Estimated total costs covered by enrollee
Bronze	60%	40%
Silver	70%	30%
Gold	80%	20%
Platinum	90%	10%

Operation of the Exchange

- Federal
- State
- Partnership
  - Outreach Functions
  - QHP Certification
- States can change with 12 month notification
- Federal grant funds through 2015 for establishment and operations
- Indiana's decision

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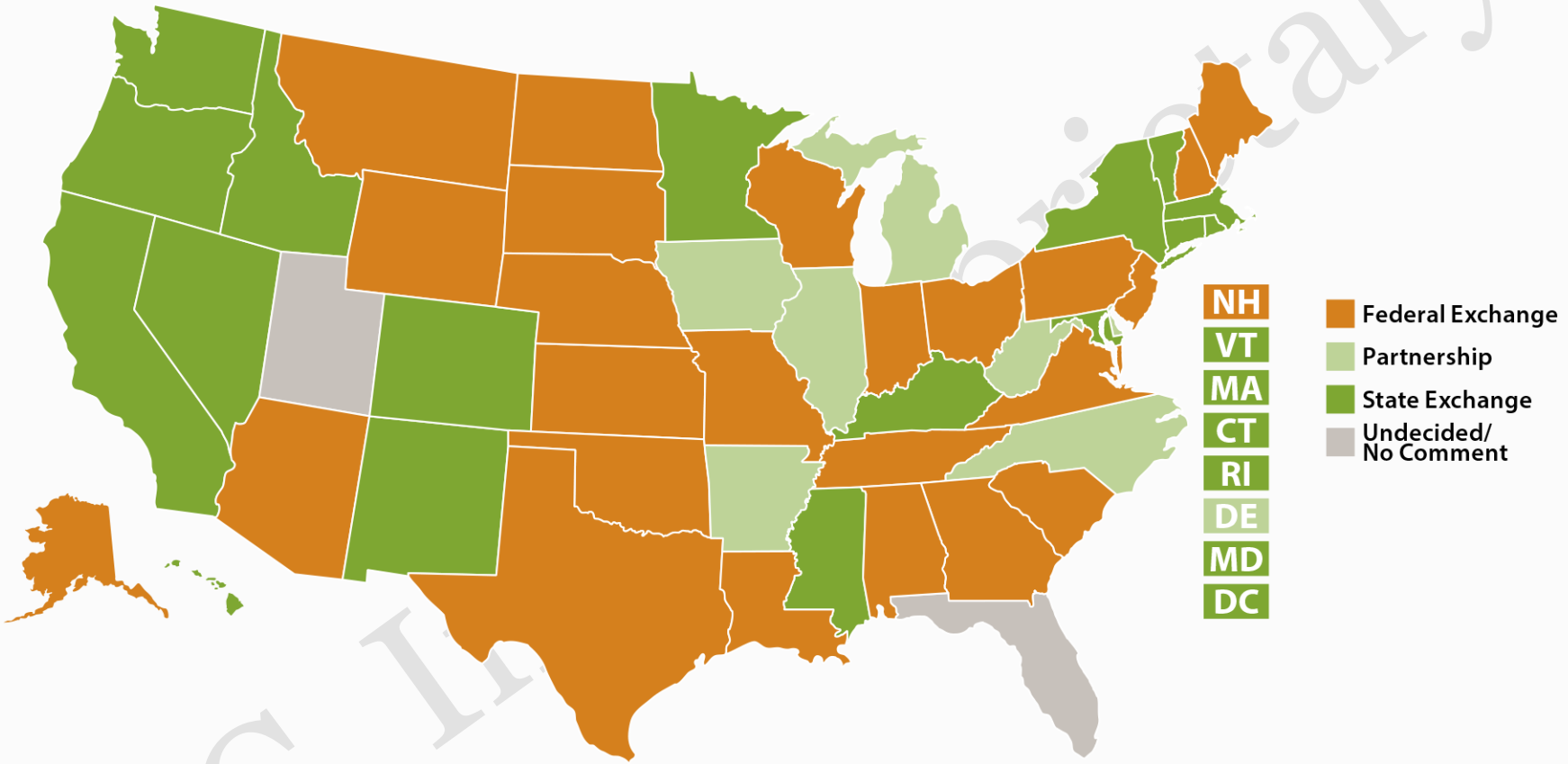
Status of State Exchange Decisions



Note: Based on literature review as of 02/06/13. All policies possible to change without notice.
Source: Politico.

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Key Challenges for Exchanges

- Federal government running the majority of exchanges
- Exchanges begin enrollment 10/13
- Defined open enrollment periods
- Interfaces between states & exchange yet to be established or tested
- Will they lower cost?

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Medicaid Expansion

- Impact of the Supreme Court Decision
- Optional expansion of Medicaid to all persons under 138% of FPL through Medicaid
- 100-400% FPL: eligible for tax credits via the exchange
- No deadline for decision but enhanced rates on schedule below

Year	Federal Medicaid Match for "Newly Eligible"	State Share for "Newly Eligible"	Administrative Match
2014-2016	100%	$0	50%
2017	95%	5%	50%
2018	94%	6%	50%
2019	93%	7%	50%
2020 on	90%	10%	50%

Uninsured in Indiana

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- Approximately 13% of Hoosiers are uninsured
  - This equates to ~800,000 individuals under the age of 64 who do not have insurance
  - An estimated 400,000 are between 100% and 400% FPL and may be eligible for subsidies in the Exchange

FPL	<100% FPL	100% FPL to 138% FPL	139% FPL to 250% FPL	251% FPL to 399% FPL	>400% FPL
2012 Annual Income - family of 4	<$23,050	$23,051 to $31,809	$31,810 to $46,100	$46,101 to $69,150	>$69,150
Uninsured	302,700	85,300	220,800	93,600	98,000
% of Uninsured	38%	11%	28%	12%	12%

Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2011 and 2012 Current Population Survey (CPS: Annual Social and Economic Supplements
http://www.statehealthfacts.org/comparebar.jsp?typ=1&ind=136&cat=3&sub=40

MEDICAID ACA COST IMPACT COMPONENTS: SFY 2014 - SFY 2020			
ACA Cost Components	**Scenario 1: Woodwork**	**Scenario 2: 133% Expansion**	**Scenario 3: Full Exposure**
Baseline State Expenditures	**$23,208.7**	**$23,208.7**	**$23,208.7**
Medicaid Expansion Population	$0	$617.6	$784.2
Woodwork Effect Population	600.1	600.1	810.4
Physician Fee Schedule Increase	0.0	581.4	610.6
Foster Children Expansion to Age 26	22.0	22.0	22.0
Health Insurance Tax	122.8	138.3	147.7
Administrative Expenses	84.2	337.9	435.5
CHIP Program – Enhanced FMAP	(176.2)	(176.2)	(176.2)
Breast and Cervical Cancer Program	(1.1)	(43.7)	(43.7)
Pregnant Women > 150% FPL	(40.1)	(40.1)	(40.1)
Total ACA Cost Increase	**$611.7**	**$2,037.3**	**$2,550.5**
Total State Spending	**$23,820.5**	**$25,246.1**	**$25,759.3**

Notes:

Already included in the SFY 2014 - 2020 Baseline Expenditures:

$610 million projected State dollar savings from conversion to 1634 from 209(b)

NOT included in the SFY 2014 - 2020 Baseline Expenditures:

$383 million projected State dollar additional cost if Disabled threshold raised to 100% FPL. Expanding Disabled threshold to 100% FPL would require legislative change

$575 million projected State dollar additional cost if the State does not receive the enhanced FMAP on first 36,500 HIP enrollees

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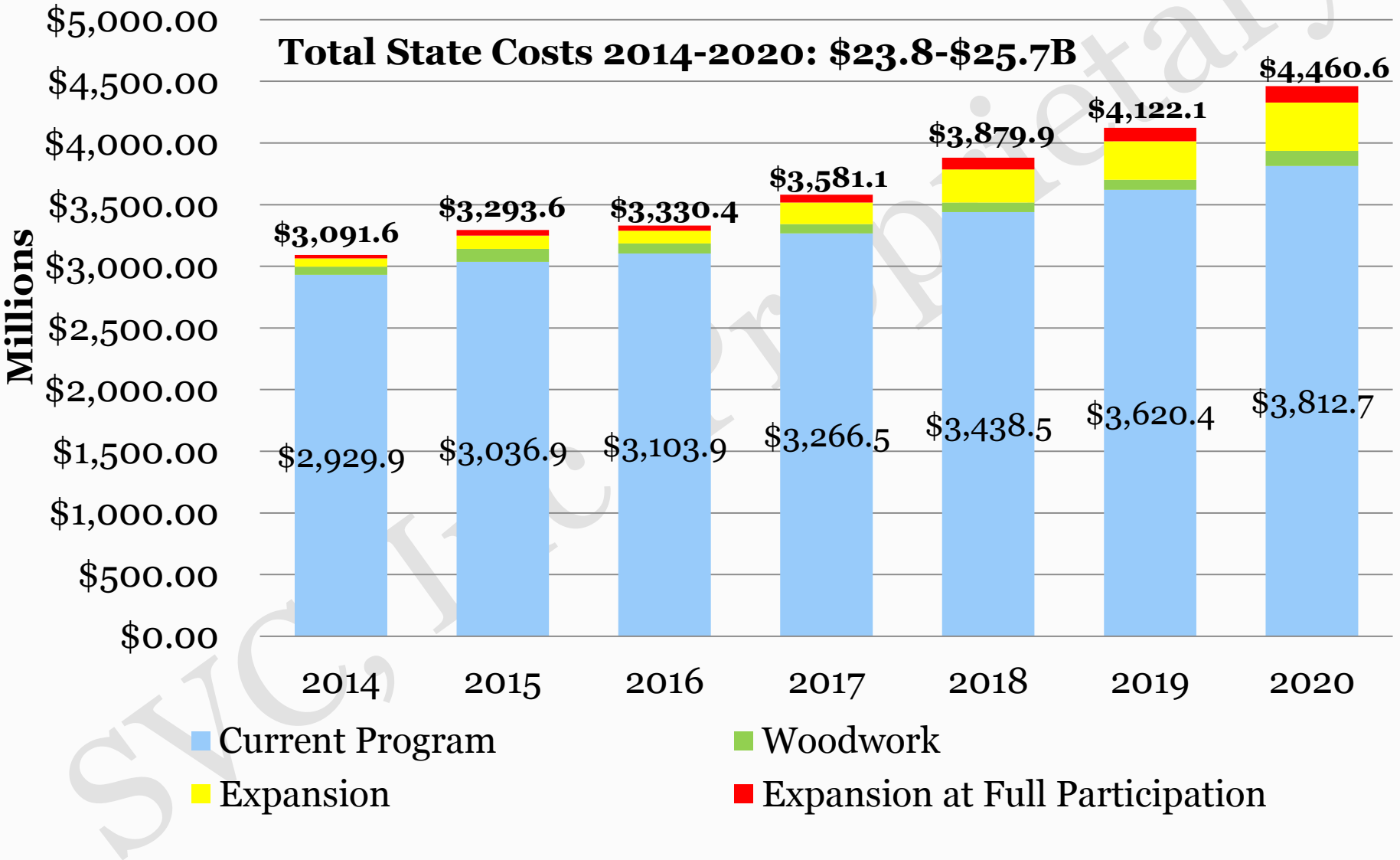
Total State Medicaid Cost with Expansion FY2014-FY2020



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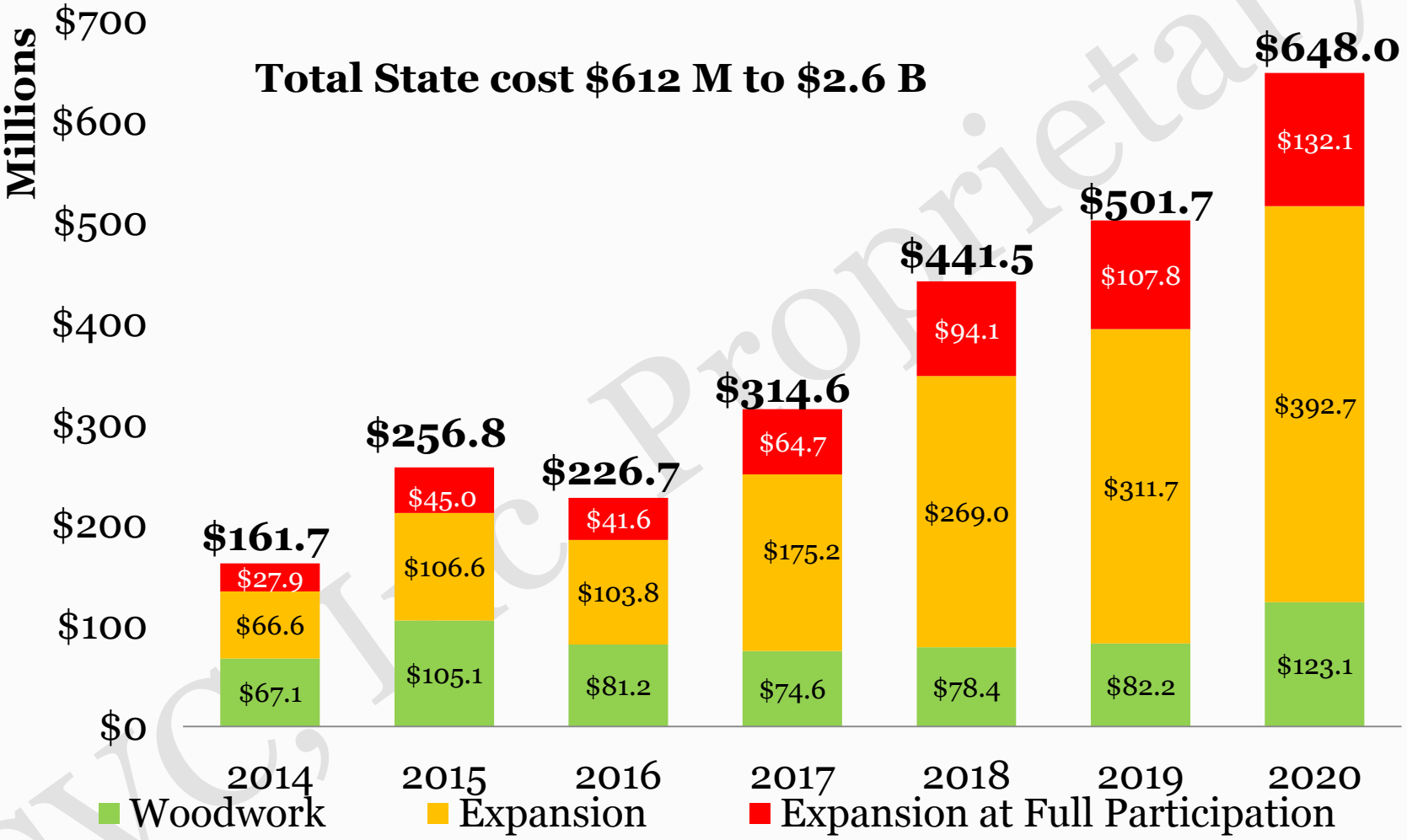
ACA & Expansion State Costs
SFY 2014-2020 *



*Includes claims and administrative costs

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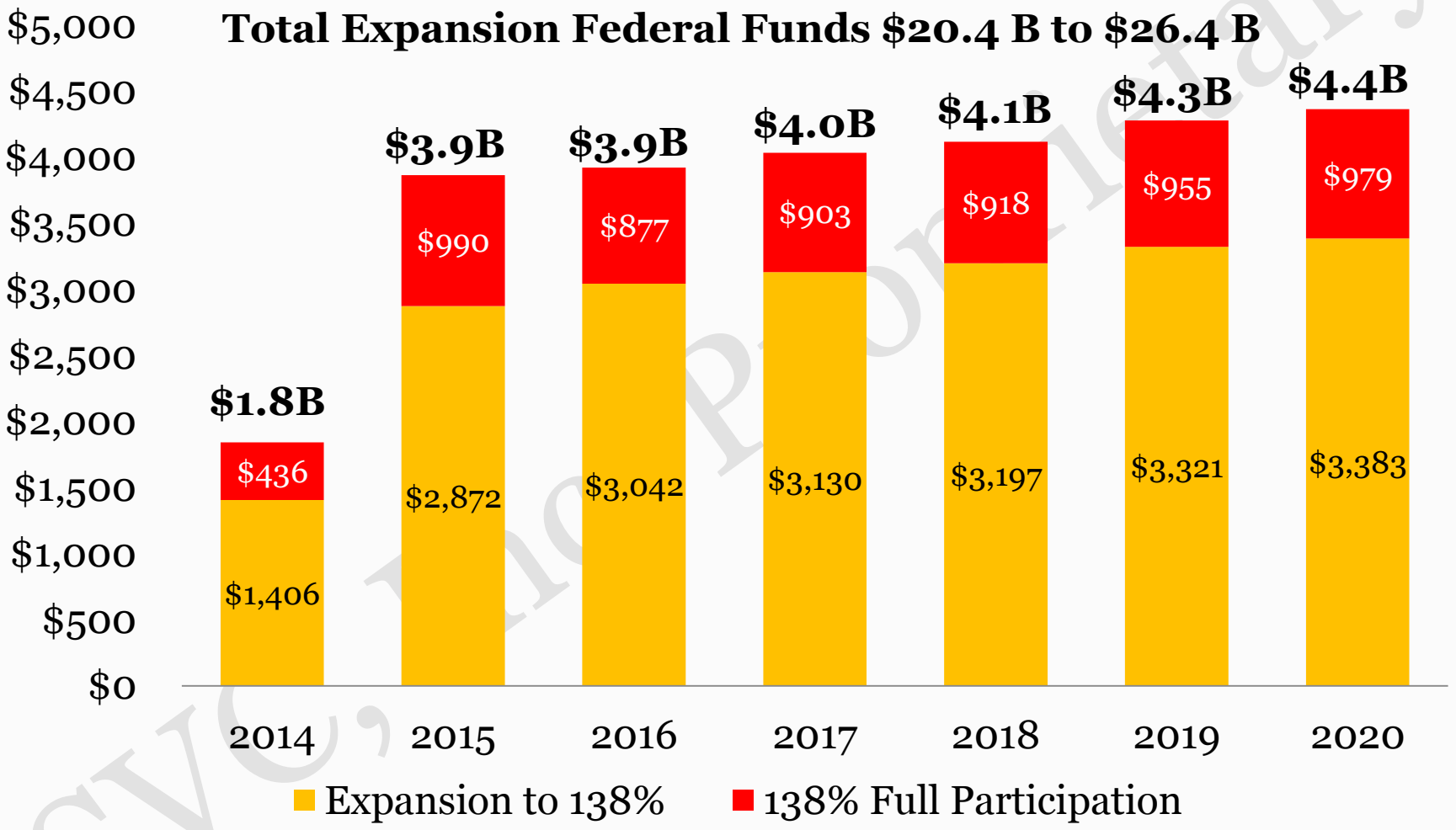
Expansion Federal Funds: 2014-2020



*Includes claims and administrative funds

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Implications of Medicaid Expansion

	Expansion	No Expansion
Medicaid Enrollment	Increase of 350,000-575,000 in Medicaid; 1 in 4 Hoosiers	100,000 new enrollees due to woodwork effect
New costs (2014-2020)	$1.7 - $2.6B. State needs new revenue source by 2017-2018	~$612M
Enhanced Federal Funding 2014-2020	$14.3 – $26.4B	~$1.7B
Coverage	Open-ended entitlement	Coverage gap for those below 100% FPL: 21% of Indiana population or 350,000 uninsured
Economic Impact	Reduced cost-shifting to insured population. Growth in health care sector.	Fines for employers with >50 employees. Cost shifting to insured populations.
DSH	Reduction of 50% by 2019	Reduction of 50% by 2019

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Federal Budget Issues

- Fiscal Cliff Discussions – blended match rate
- CBO
  - New release 2/5/13
  - Decreases estimate of individuals insured through Medicaid expansion and exchange subsides
    - Optional expansion
    - Lower exchange take-up rate
  - Federal Medicaid & CHIP cost expected to increase from $260B in 2012 to $578B in 2023
    - 2014 to 2020 cost estimated at $4,435B
  - Federal cost for the Exchange and tax subsidies estimated to increase from $21B in 2014 to $134B in 2020
    - 2014 to 2020 cost estimated at $949B
  - Federal health programs expenditures expected to increase from 4.7% to 6.2% of GDP by 2020

Source: Congressional Budget Office, Budget and Economic Outlook. February 2013.

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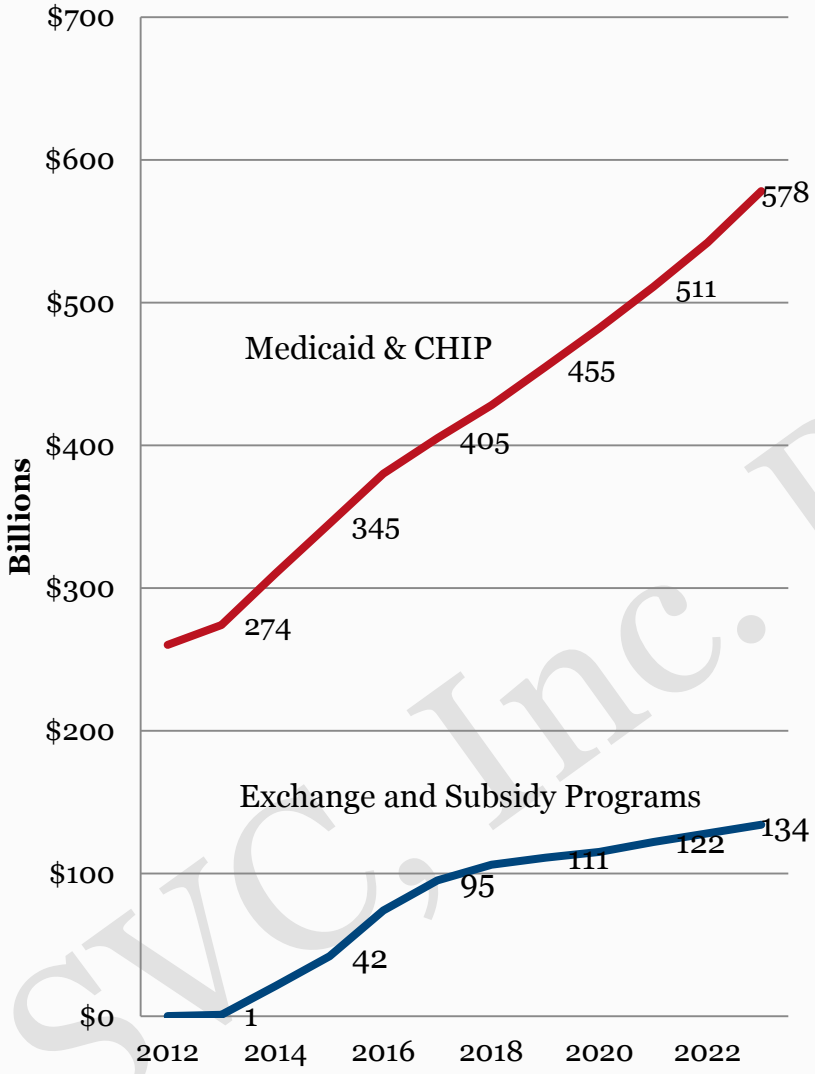
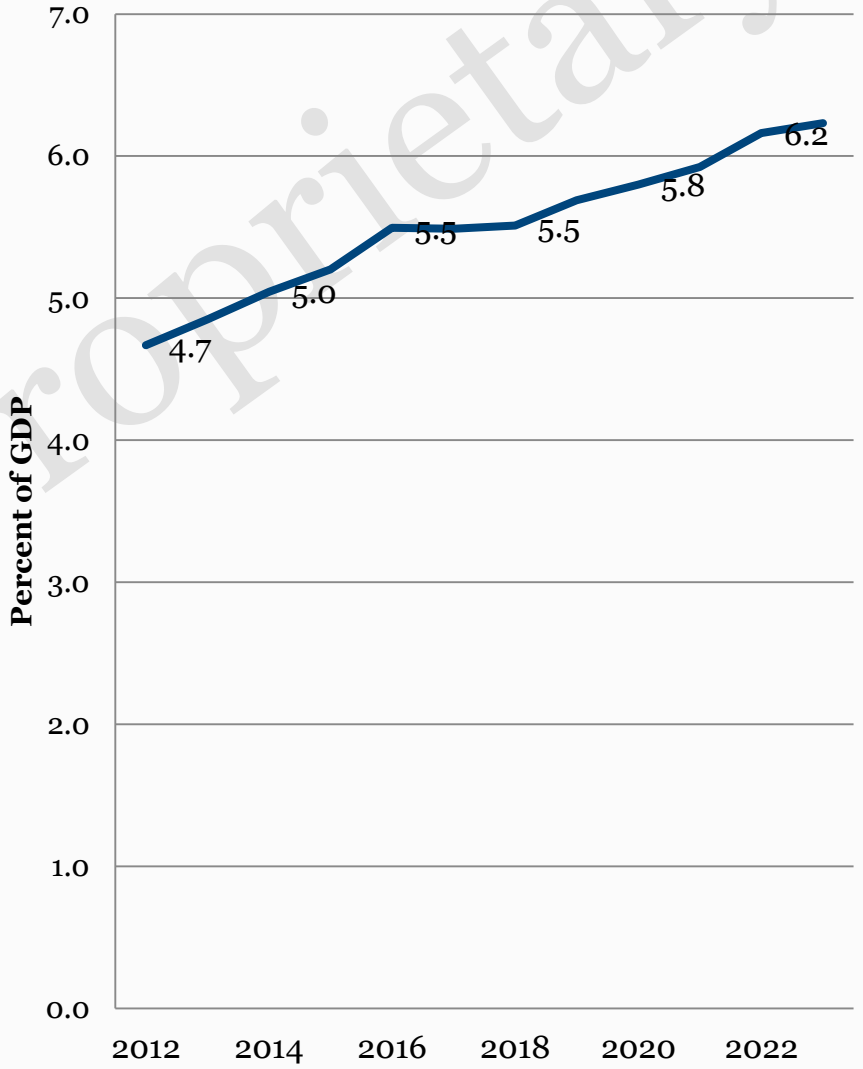
Federal Spending Health Programs 2012-2023



Federal Projected Spending Health Programs % of GDP



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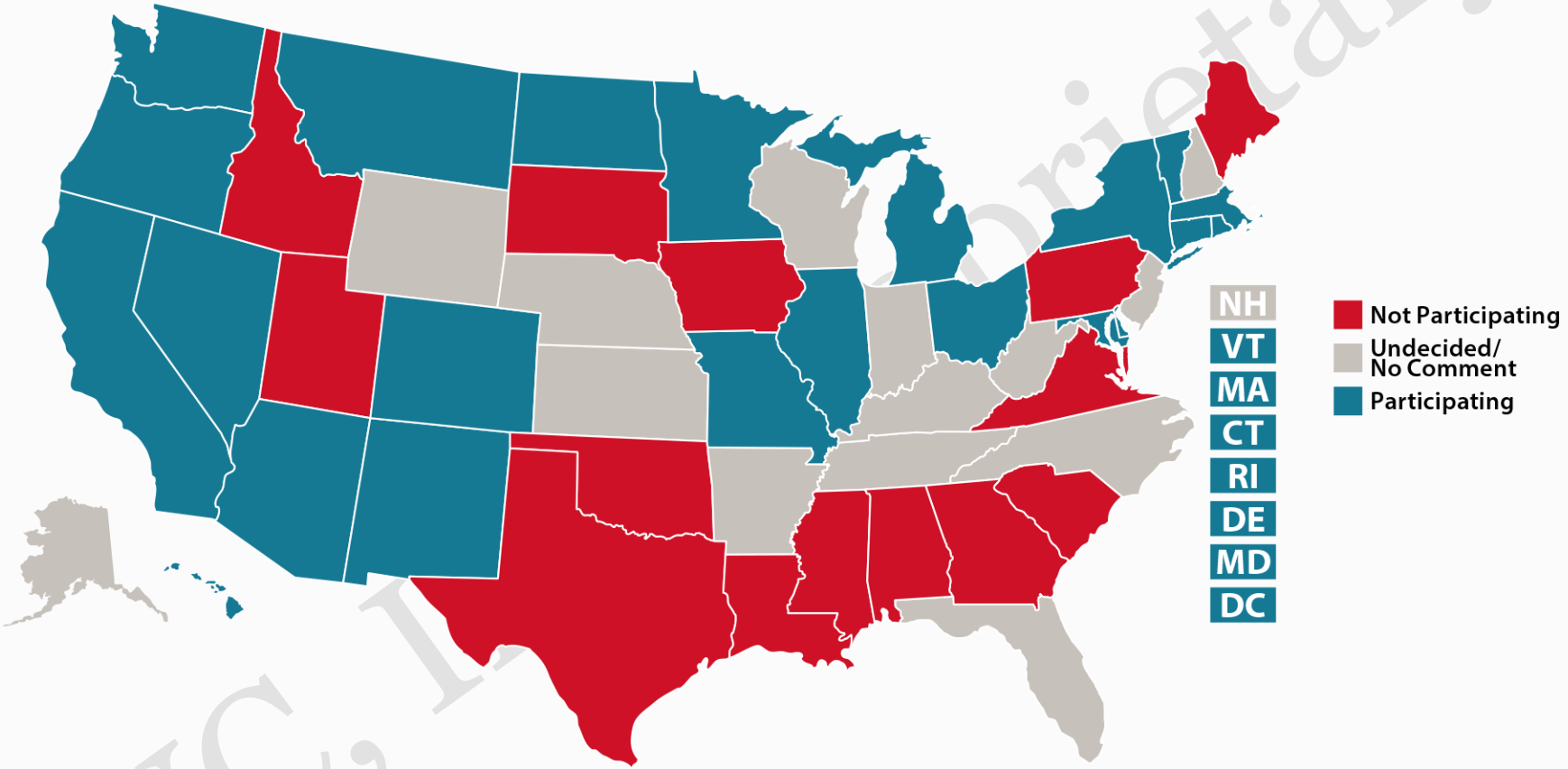
Status of State Medicaid Expansion Decisions



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Provider Impacts

- Increase in demand for services
  - Increase in number of insured individuals
  - Increase in covered benefits, required preventive services
  - Cost-sharing indexed to income
- Medicare and Medicaid Rate Increases
  - 10% Medicare bonus payment for primary care
  - 10% Medicare bonus payment to general surgeons in shortage areas
  - Medicaid reimbursements increase to match Medicare for primary care.
- ACOs
- Electronic Health Records

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About SVC Consulting

- SVC, Inc. provides personalized, innovative and strategic health policy solutions
  - SVC has specific expertise on a range of health care issues including:
    - Health Care Reform & the Affordable Care Act
    - Medicaid
    - The Health Indiana Plan (HIP)
    - Health Care Exchanges
    - Community Based Care
    - Aging and Disability
    - Managed Care
    - Private Insurance
    - Public Health Programs
    - Information Systems to Support Public Programs
- SVC's range of services encompass:
  - Policy and Legislative Analysis
  - Waiver and State Plan Amendment
  - Development of Requests for Services
  - Grant and Proposal Development
  - Project and Grants Management
  - Management of Community and Stakeholder Relationships
  - Information Technology Project Management
  - Survey Development
  - Program Evaluation Design
  - Data Analysis
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