Health Insurance Costs and Changes: State Approaches

Presentation for the
Idaho Health Care Task Force

July 11, 2007

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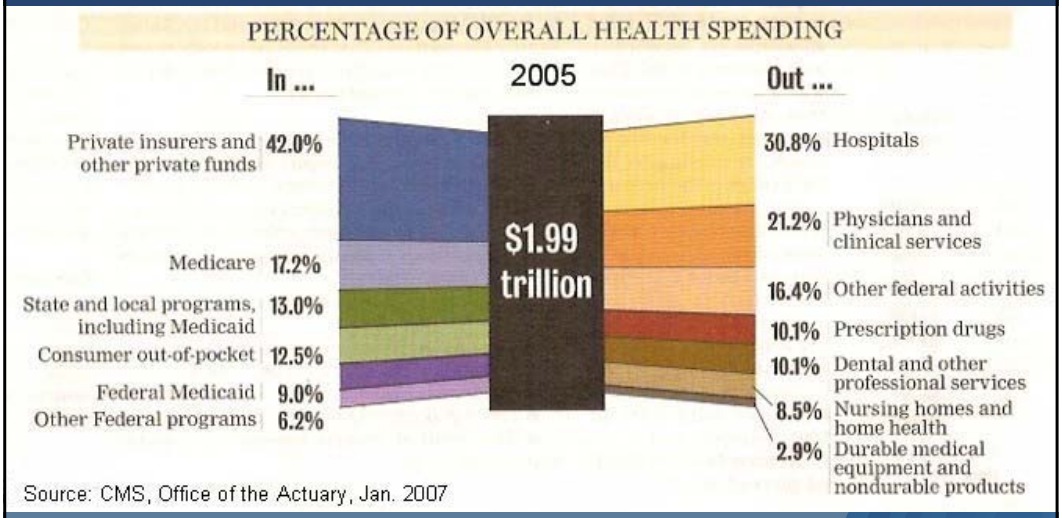
Overview

- Insurance Costs and Coverage
  - Traditional conflicting goals; now merging
- States raising their sights
- Finding opportunities
- States mix and match solutions
  - Cost containment and expanded coverage combined in reform legislation
  - Quality and wellness in the mix
  - A multi-year process in most states

National Expenditures for Health Services and Supplies by Category

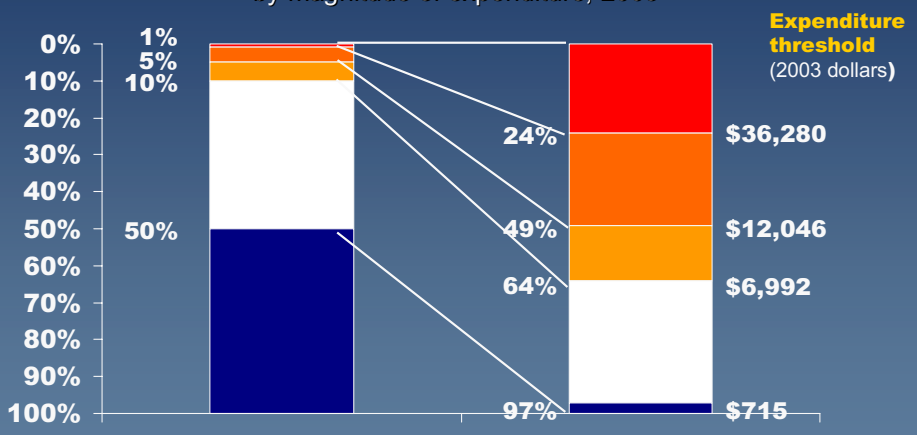


"Other" includes net cost of insurance and administration, government public health activities, and other personal health care.

Health Care Costs Concentrated in Sick Few:

Sickest 10 % Account for 64 % of Expenses

Distribution of health expenditures for the U.S. population, by magnitude of expenditure, 2003



Source: S. H. Zuvekas and J. W. Cohen, "Prescription Drugs and the Changing Concentration of Health Care Expenditures," *Health Affairs*, Jan./Feb. 2007 26(1):249–57.

Annual Change in Total Health Benefit Cost

1990-2007

Cost growth levels off at 6.1%

Note: Results for 1990-1998 are based on cost for active and retired employees combined. The change in cost from 1998-2007 is based on cost for active employees only.

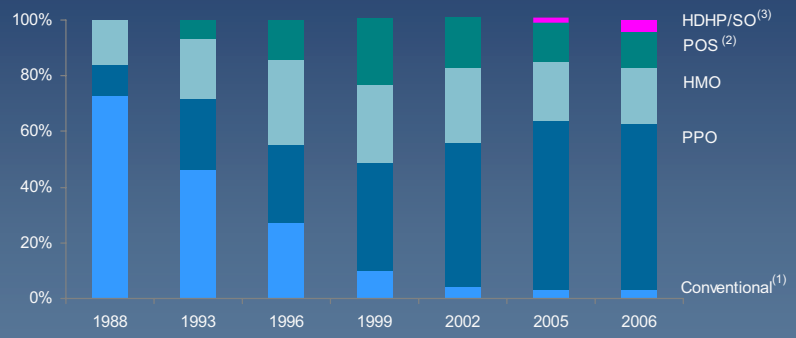
•Average increase projected for 2007 after changes to plan design
•SOURCE: MERCER HEALTH & BENEFITS -2/8/2007 Proprietary and confidential

Relative Sizes of Group and Non-Group Insurance Markets

	People	Percent*
Employment-based	156 million	61%
Individual/non-group	14 million	5%

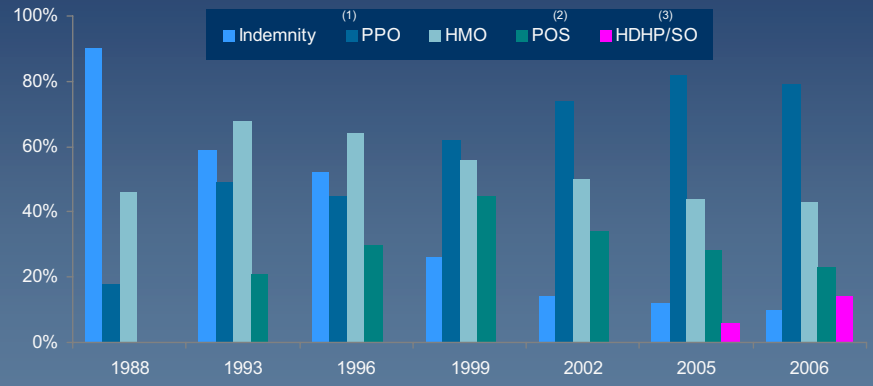
*non-elderly. Source: Kaiser Family Foundation, 2004 Current Population Survey data.

Distribution of Employer-sponsored Health Insurance Enrollment by Type of Plan



Source: The Kaiser Family Foundation and Health Research and Educational Trust. Data Released 2006. *Employer Health Benefits*: 1999, 2002, 2005, and 2006.
Link: http://www.kff.org/insurance/7527/upload/7527.pdf.
KPMG Survey of Employer-Sponsored Health Benefits: 1988- 1996. HDHP highlighted, adjusted by NCSL
(1) Conventional plans refer to traditional indemnity plans.
(2) Point-of-service plans not separately identified in 1988.
(3) In 2006, the survey began asking about HDHP/SO, high deductible health plans with a savings option.

Employees with Employer-based Coverage Who Can Choose Conventional, PPO, HMO, POS, and HDHP/SO Plans, 1988 – 2006



Source: The Kaiser Family Foundation and Health Research and Educational Trust. Data Released 2006. *Employer Health Benefits*: 1999, 2002, 2005, and 2006. Link: http://www.kff.org/insurance/7527/upload/7527.pdf.
Adopted from Avalere Health presentation, 2007/ HDHP data added by NCSL
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.
(1) traditional indemnity plans; referred to as Conventional plans.
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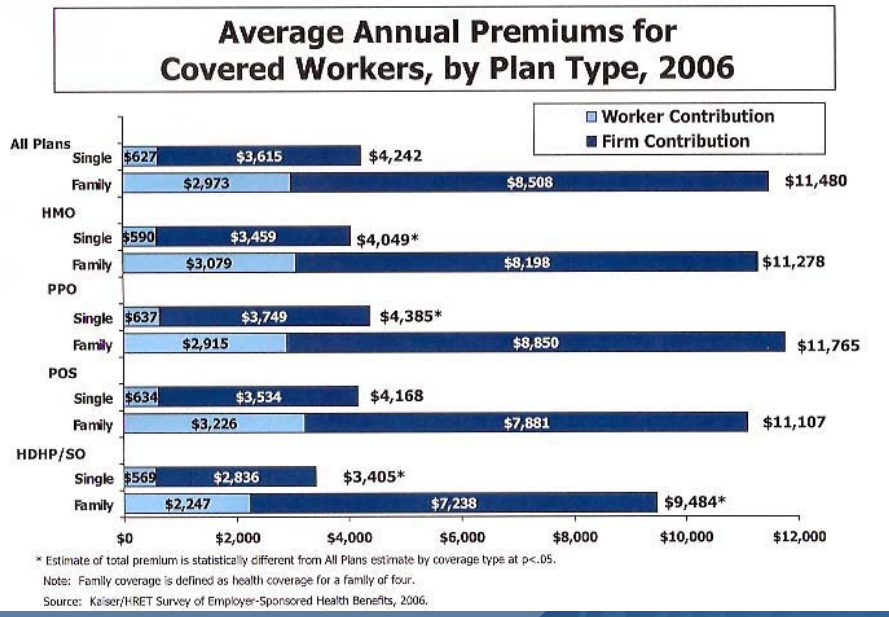
(3) In 2006, the survey began asking about HDHP/SO, high deductible health plans with a savings option.

Chart 4

Employer Health Benefits 2006 Annual Survey



* Estimate of total premium is statistically different from All Plans estimate by coverage type at p<.05.

Note: Family coverage is defined as health coverage for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

Health Insurance Premiums: Who Pays

U.S.

INDIVIDUAL
Employee Contribution 18%
Employer Contribution 82%

FAMILY
Employee Contribution 24%
Employer Contribution 76%

Idaho

INDIVIDUAL:
Employee Contribution 20%
Employer Contribution 80%

FAMILY
Employee Contribution 26%
Employer Contribution 74%

Sources: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2004 Medical Expenditure Panel Survey (MEPS)
StateHealthFacts, accessed 6/24/07

Health Savings Accounts (HSA)

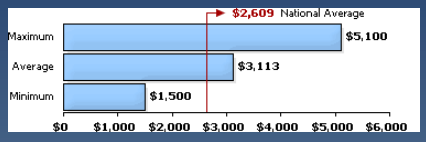
- Allows for tax-free accumulation of savings.
  - Tax free contribution; Tax free accumulation.
  - Tax free withdrawals for health care services, COBRA and Long Term Care Ins. premiums, retiree health premiums for Medicare-eligible retirees.
- Must have qualified "High Deductible health plan".
  - Self-only: Minimum $1,100 annual deductible, $5,500 Out-of-Pocket max
  - Family coverage: Minimum $2,200 deductible, $11,000 Out-of-Pocket max.
- Contributions
  - Self-only: limited to level of deductible up to $2,850.;
  - Family: limited to level of deductible up to $5,650 max.

Growing enrollment and use; HDHP total premium about 16 to 20% lower. (ave. $640 below HMO for an individual; $1,700 for family)

Who pays high deductible, employer or individual, makes a big difference in the economic appeal of HSAs.

High Deductible Plans Compared: Idaho & Colorado

Chart 1: HPDP Annual deductibles



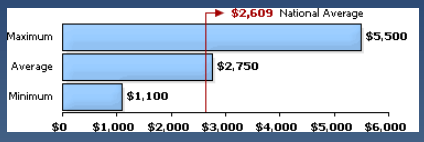
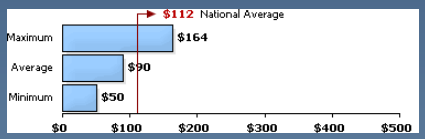
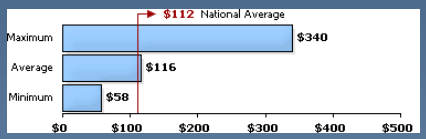


Chart 2: HPDP Monthly premiums, individual policy



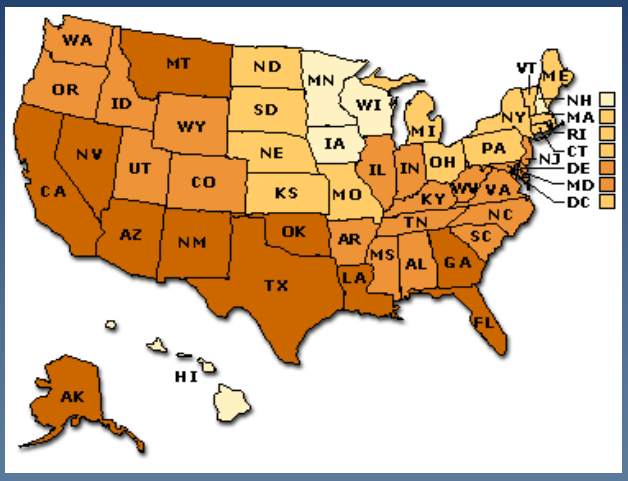


IDAHO

COLORADO

Source: "VIMO comparison shopping for health" - online May 2007

Coverage Rates
Total Population Uninsured, 2004-2005

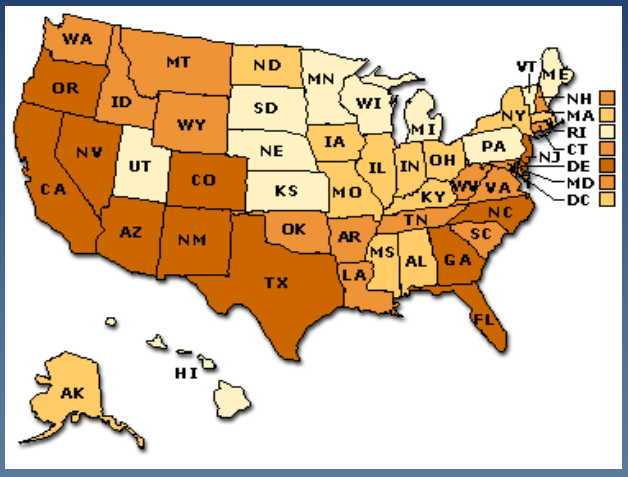


- Less than 11%
- 11% to 13%
- 14% to 17%
- More than 17%

US average: 16%

Average over 2-years Source: US Census on www.statehealthfacts.org

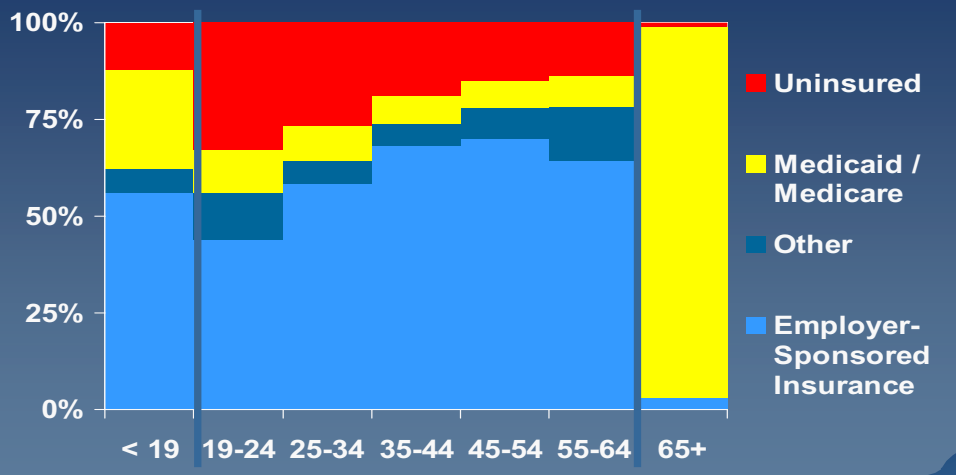
Near Poor: Uninsured Rates for the Non-elderly
100-199% Federal Poverty Level (FPL), 2004-2005



- Less than 23%
- 23% to 26%
- 27% to 30%
- More than 30%

Source: www.statehealthfacts.org

Health Coverage & Lack of Coverage: A Complicated Picture



Distribution of Coverage by Age [national averages]

Source: 2006 CPS Slide: Jeanne Lambrew, 1/16/2007 for NCSL audience

Use of Specific Care Management Programs

Currently offered to employees enrolled in primary medical plan

	Small employers	Large employers	Jumbo employers
Health website	60%	77%	87%
Health risk assessment	21%	53%	68%
Targeted behavior modification	15%	30%	45%
Nurse advice line	42%	67%	80%
Health advocate services	21%	35%	43%
Complex case management	19%	63%	82%
Catastrophic case management	22%	63%	81%
End-of-life case management	15%	40%	41%

SOURCE: MERCER HEALTH & BENEFITS -2/8/2007 Proprietary and confidential

State Strategies: Making Health Insurance More Affordable While Covering Some Uninsured

- Exchanges/"connectors" and "section 125" plans
- Premium assistance
- Subsidize health insurance for the poorest people.
- Reinsurance
- "Mandate-free" or "lite" insurance plans
- Limited benefit plans
- High risk pools
- Pooled insurance purchasing
- Premium caps

The "Connector"/Health Insurance Exchanges

- Central part of the Massachusetts 2006 health reform.
- Concept: provide a single place for persons to purchase insurance coverage.
- Allows for greater transparency or competition and for pre-tax dollars to be used for the purchase of individual insurance coverage (section 125 plans).

- A number of states are now examining this in '07: **CA, CT, MD, MI, MN, OR, PA**
- **RI** enacted separate "cafeteria plan" requirement for all employers with 25+ workers for pre-tax purchase of health insurance. No state or employer payment required. (7/3/07)

Example:

Massachusetts Insurance Online sign-up

Require All Residents to Buy Health Insurance: "Individual Mandate"

Massachusetts 2006 law requires every resident to have health insurance as of July 1 '07 (extended to Dec. 31) with some exceptions.

- Untried approach: Question of affordability and enforcement?
  - As of mid-June '07, 135,000 previously uninsured have gotten free or subsidized coverage.
- Four+ state proposals in 2007 also include individual mandate: **CA, ME, OR, PA**.

Involve Employers in the Financing of Coverage Programs

- **MA** and **VT** are implementing employer assessments to help finance reforms. MA: $295 and VT: $395 per uninsured employee annually.
- **MD** 2006 law to impose a payroll tax for large employers not meeting a minimum requirement for employee health insurance was struck down on the basis of ERISA.
- Several states are considering 2007 proposals that would tax employers based on the health benefits offered to employees. **CA, IL, MI, PA**.
- Considered but did not pass in '07: **MD, MN, NH**

Montana: Make Small Business Insurance More Affordable

- The Small Business Health Care Affordability Act
  - Targets small businesses
  - New purchasing pool, State Health Insurance Purchasing Pool, to obtain health insurance.
  - Pool insurance will be subsidized on a sliding scale basis.
  - Tax credits to small businesses that are currently offering health insurance.
  - Program is funded by a tobacco tax.
- Other states working on this goal with different plans: **NY, WV, TN, NM, OK** [June '07 law] **, AR, AZ.** Visit http://www.ncsl.org/programs/health/business.htm for more information.

Cover Tennessee

- A market based public/private partnership plan for small employers and uninsured workers with incomes below 250 percent of FPL. ($25.5k /yr for 1; $51.6k for family of 4)
- Cover Tennessee is guaranteed access to basic, major medical coverage for $150 a month with the cost shared equally by the individual, employer, and state government.
- Cover Tennessee is not an entitlement — "it is voluntary health insurance coverage, affordable to participants and to the state."

Washington Health Insurance Partnership

- **Washington** aims at helping small businesses obtain coverage: HB 1569 of 2007, signed May 2.
- Authorizes the creation of the Health Insurance Partnership. Similar to the "Connector" mechanism created in Massachusetts, the Partnership will offer benefits administration to small employers that have at least one employee who earns less than 200 percent of the federal poverty level (FPL). The Partnership also will provide sliding-scale premium subsidies to individuals who earn less than 200 percent of the FPL.
- Also improved transparency of cost and quality information for consumers, and the testing of an HSA-style "health opportunity account" in Medicaid.

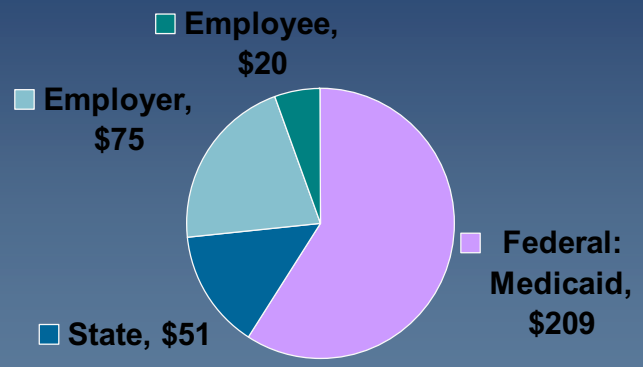
New York: Make Small Business Insurance More Affordable

- Program - Provide publicly-funded or other type of financed **reinsurance** for private coverage to assume a portion of insurer's high-cost claims.
- 20% of people account for 80% of health spending
- State subsidizes costs for expensive people with the goal of lowering premiums for all
- State requires all HMOs to offer product
- Small firms w/ low-wage workers, low income self-employed, uninsured workers w/o access to employer sponsored insurance may enroll

New York Reinsurance Subsidy, continued

- Estimated savings of 50% for individuals
- Over 110,000 enrolled (1/06)
  - Most enrollment is non-group
- State Reinsurance Fund spent $13.3 million in 2003 and $34.5 million in 2004

New Mexico's State Coverage Insurance- Contributions to Premium



$355 per person/month premium cost

Indiana "Check-Up Plan"

- signed into law by Gov. Daniels May 10, '07

- A 50% small business wellness program tax credit aimed at 103,000 businesses employing 815,000 workers.
- Requires insurance companies to allow parents to keep children on a family insurance plan up to the age of 24.
- Allows companies to use pre-tax dollars to pay for employee health insurance coverage. Part of the program also includes both a federal and state income tax deduction for employees.
- Expected to help 132,000 Hoosiers earning up to 200 percent of the poverty level.
- Expansion of the state's children's health insurance program to cover up to 39,000 additional needy children.
- Increased eligibility for pregnant women on Medicaid, estimated 17,000.

The Role of the Media- "*California plans: problems ahead?*"

- "None of the current health reform proposals circulating in the Legislature 'get at how much care is delivered and how much is paid' for it."
  - Marian Mulkey, program officer at the California HealthCare Foundation 6/20/07
- "… even if all the proposals were enacted some experts say it's not a sure thing that costs would stabilize or drop any time soon. "

  "… many are convinced that costs are likely to continue to rise unless lawmakers embrace an idea that seems as unlikely as it is controversial: restricting the use of costly medical technology and prescription drugs."
  - San Jose Mercury News 6/21/07

The Role of Building Consensus: **Colorado's Commission**, 2006-07

- Bipartisan 27-member Blue Ribbon Commission, convened by Legislature and Republican Governor, continued by Democratic Governor.
- Issued a public "RFP" seeking reform plans - received 31 proposals in May; narrowed to four in June.
- Will issue a report this fall to the '08 legislature.

Better Health Care for Colorado Medicaid-funded insurance subsidies under 300% FPL Basic benefit package through large pool with annual benefit cap; individuals can use subsidy to purchase employer-sponsored insurance Medicaid reform, including managed care, P4P, consumer-directed home care	**Solutions for a Healthy Colorado** Individual mandate-all must have insurance. Guaranteed issue of a core benefit plan for individual insurance; modified community rating Subsidies for those up to 250% FPL
A Plan for Covering Coloradans Individual mandate- must have insurance or pay assessment if they do not "Pay or play" for employers- either contribute to employee coverage or pay assessment Purchasers pool to negotiate with providers; Subsidies up to 400% FPL and small businesses.	**Colorado Health Services Program** Single-payer program governed and administered like a public utility Premiums charged through income tax or payroll deductions Consumers may choose any licensed health care provider in the state

In Summary…. Key themes

- Premium affordability is a core feature or goal in most state activity this year.
- Public-private partnerships embraced by most.
- Role of and impact within small business.
- "Political" successes most common after all stakeholders are at the table; bi-partisan endorsers.
- "Economic" successes can be measured in different ways - still fairly early to judge.

Appendix for the Idaho Task Force:

More state details and statistics, beyond today's schedule

New Medicaid Strategies Address Low Employer Involvement Rates

- New insurance products for small firms with low-wage workers
- Employers, individual and Medicaid pay premium.
  - **New Mexico** - open to uninsured adults <200% FPL, individuals may pay employer contribution.
  - **Oklahoma** covers workers and spouses <185% FPL who work for small firms; program begins with voucher; safety-net option will be provided for workers with employers unwilling to participate.
  - **Arkansas** recently received waiver to offer limited benefit product to small firms, Medicaid funding will be available for low-wage workers (<200% FPL).

Coverage Instability Problem

Coverage Patterns of Uninsured (48 month period)	Number (millions)	Share	Potential to Solve
Repeatedly uninsured	28.2	33%	Easiest (62%)
One coverage gap	24.4	29%	
Transition in or out of coverage	17.2	20%	Varied
Temporary coverage	4.8	6%	Hardest (18%)
Always uninsured	10.1	12%	
TOTAL	84.8	100%	

Source: 1996-1999 SIPP data as reported in: P. F. Short and D. R. Graefe, "Battery-Powered Health Insurance? Stability In Coverage Of The Uninsured," *Health Affairs* 22, no.6 (2003): 244-255.

Slide from Ed Haislmaier, Heritage Foundation, March 23 2007

State Subsidy Implications

Coverage Patterns of Uninsured (48 month period)	Income as % of FPL			
	<100	100-199	200-399	400+
Repeatedly uninsured	8.0%	12.1%	10.1%	3.0%
One coverage gap	4.5%	7.1%	11.5%	5.7%
Transition in or out of coverage	3.3%	6.7%	7.4%	2.9%
Temporary coverage	1.2%	2.4%	1.7%	0.4%
Always uninsured	2.7%	5.4%	3.0%	0.8%

Little or none = 41% | Some = 43% | Substantial = 16%

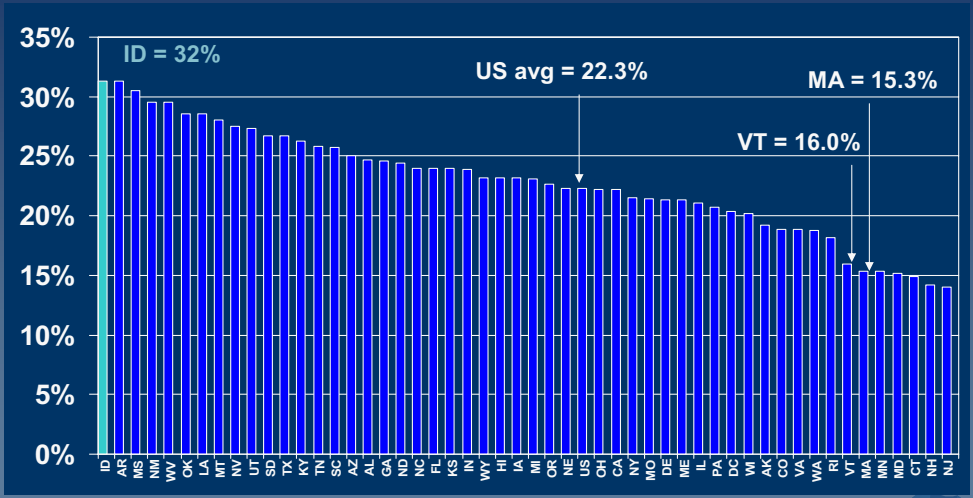
Slide from Ed Haislmaier, Heritage Foundation, March 23, 2007

Insurance Offer Rates by State Regulation Tightness

US average (percent employees in small firms who offer)	61.0%
Loose pooling regulation	
Ohio	65.7%
North Dakota	40.9%
Tight pooling regulation	
California	62.4%
Connecticut	75.3%
Massachusetts	72.2%
New York	69.4%

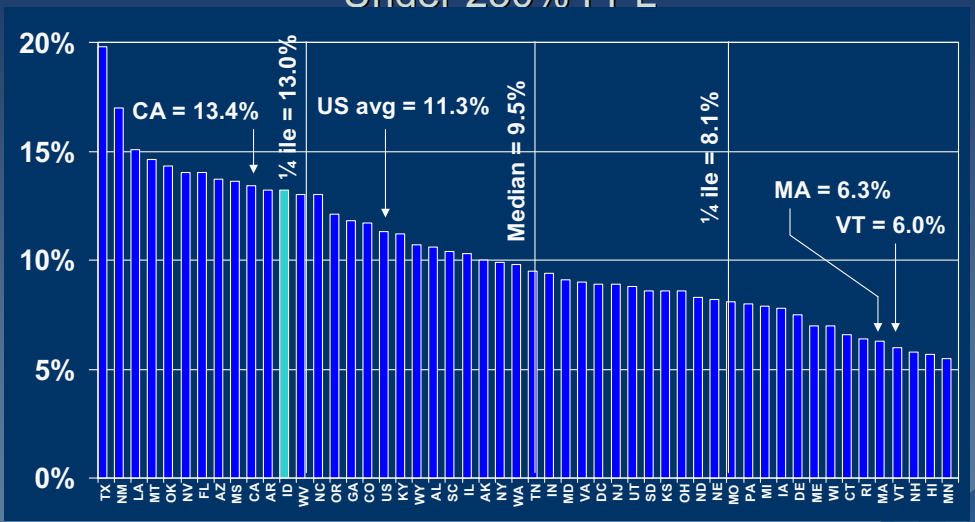
Source: AHRQ, MEPS-IC data, 2004.

Crowd-Out Risk: % of Population with Employer Sponsored Insurance (ESI) with Income Under 250% FPL



CPS 3-year average - Data Collected in 2003 to 2005. Persons in Poverty Universe, Age 0-64. Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2003 through 2005
Source: Rick Curtis, 2/14/07 http://www.ncsl.org/programs/health/webcastfeb07.htm#expandingpool

One Way to Measure Relative Subsidy Cost: Percent of State Population *both* Uninsured and Under 250% FPL



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Source: Rick Curtis, 2/14/07 http://www.ncsl.org/programs/health/webcastfeb07.htm#expandingpool

NCSL Sources and Resources

- Dick Cauchi, Program Director, Health-Denver
  303 856-1367 dick.cauchi@ncsl.org
- Kala Ladenheim, Program Director, Forum for State Health Policy, NCSL-D.C. 202 624-3557
- Laura Tobler, Program Director, Health-Denver
  303 856-1545

- WEB: Insurance - www.ncsl.org/programs/health/healthmc.htm
- Access/Health Reforms - http://www.ncsl.org/programs/health/h-primary.htm
- Critical Health Areas Project - http://www.ncsl.org/programs/health/forum/chap/index.htm

Additional expert sources

Acknowledgements for individual slides & handouts:

- Agency for Healthcare Research & Quality (AHRQ/HHS)
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- Institute for Health Policy Solutions, Rick Curtis
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