Minnesota
Health Care Financing Task Force
Seamless Coverage Workgroup

OCTOBER 22, 2015

ST. PAUL, MN

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Task Force Vision and Goals

Vision: Sustainable, quality health care for all Minnesotans

Guiding Principles

Realistic: The task force will make recommendations that can realistically be implemented.

High Value Impact: The task force will seek recommendations that have high value and are meaningful to Minnesota's health care reform efforts.

Holistic Perspective: The task force understands that health care finance and our recommendations do not exist in a vacuum, and are components of the health care and population health systems.

Focus: The task force recognizes that health care financing and system reform is extremely complex and it will contribute to the broader policy debates by focusing its time and attention on the issues it is charged with addressing.

Innovation: The task force is encouraged to identify opportunities for innovation in Minnesota's health care financing and delivery systems which show promise for lowering costs, improving population health and improving the patient experience.

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Agenda

Time	*Item*	*Presenter/Facilitator*
1:00 – 1:05 pm	**Welcome** • Review and approve takeaways	Lynn Blewett
1:05 – 1:25 pm	**Review Joint Preliminary Recommendations on Affordability and Financial Barriers to be Presented to Task Force**	Lynn Blewett/Manatt
1:25 – 1:55 pm	**Review Preliminary Recommendations for MNsure/Marketplace**	Introduction - Lynn Blewett Manatt
1:55 – 2:45 pm	**Options and Considerations to Promote Market Stability**	Department of Commerce Manatt
2:45 – 2:55 pm	**Public Comment**	Lynn Blewett
2:55 – 3:00 pm	**Wrap Up & Next Steps**	Lynn Blewett/Manatt

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JOINT PRELIMINARY RECOMMENDATIONS ON IMPROVING AFFORDABILITY AND REDUCING FINANCIAL BARRIERS

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Process

- Preliminary recommendations on improving affordability and reducing financial barriers to facilitate seamlessness in the coverage continuum developed jointly by Seamless Coverage and Barriers to Access Workgroups.

- Additional preliminary recommendations for improving affordability and reducing financial barriers also identified that are being considered by Seamless Coverage and Barriers Workgroups.

Criteria for Consideration

Assess recommendations in the context of:

- ✓ Improving availability of affordable and accessible health coverage
- ✓ Improving continuity in coverage and care
- ✓ Improving consumer health literacy
- ✓ Reducing health disparities and improving equity
- ✓ Promoting responsible consumer behavior
- ✓ Promoting financial sustainability
- ✓ Promoting administrative efficiency
- ✓ Maximizing federal funding

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Reduce Financial Cliff at 200% FPL

Recommendation: Explore options to reduce the financial affordability cliff in premiums, cost sharing and deductibles for health coverage at 200% FPL

Potential Option

Establish voluntary HSA-like accounts for Medical Assistance and MinnesotaCare enrollees to offset current or future premiums/cost-sharing for health insurance coverage, earn monetary rewards for wellness activities

Potential Option

Smooth cliff by expanding eligibility for enhanced subsidies to consumers with incomes 200-275% FPL

(pre-ACA MinnesotaCare eligibility levels)

Potential Option

Redistribute federal subsidies (advanced premium tax credits and cost-sharing reductions) to improve affordability for consumers with incomes 200-300% FPL

Programmatic and financing vehicles being further considered by the Seamless Coverage Workgroup

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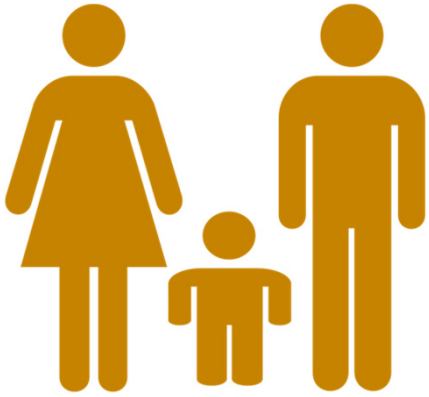
Reduce Cliff:
Modeling Needs

- Level of cliff at various income eligibility levels
- Number of individuals between 200 - 300% FPL
- Potential additional take-up in coverage and utilization at various income levels with improved affordability
- Overall state fiscal impact (e.g., under different scenarios and using different financing vehicles such as leveraging 1332, federal match, or state-only funds only)

Rationalize Affordability Definition

Recommendation: Rationalize affordability definition for families with access to employer sponsored insurance (ESI) (i.e., fix the family glitch)

The Family Glitch



- Low- to moderate-income families are precluded from obtaining federal tax credits to purchase coverage through MNsure because the family is deemed as having access to affordable ESI
- Affordability of ESI for spouses and dependents is based on the cost of **individual** coverage—not on the cost of **family** coverage—which may be unaffordable
- Through a 1332 waiver, change this ESI affordability definition for families to affordability on a family rather than individual basis

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Rationalize Affordability Definition: *Modeling Needs*

- Number of individuals impacted
- Potential additional take-up in coverage and utilization with improved affordability
- Overall state fiscal impact, including implications for MinnesotaCare
- Potential federal fiscal impact under a 1332 waiver

For Further Consideration by the Seamless Coverage Workgroup:

Align Insurance Affordability Programs

Recommendation: Align insurance affordability programs including eligibility and enrollment rules, benefits and plan requirements

Consolidate MinnesotaCare with the Private Marketplace

Explore consolidation of the MinnesotaCare with the private Marketplace population, while maintaining Minnesota's affordability standards from 139-to-200% FPL

Consolidation of Public Programs

Explore consolidation of Medical Assistance and MinnesotaCare to maintain coverage for people up to 200% FPL through a single, streamlined program.

Maintain Status Quo on MinnesotaCare

State Financing Issues: Explore opportunities to provide new federal dollars to (1) help maintain MinnesotaCare (or a successor program) affordability standards and (2) smooth the cliff at 200% FPL. This includes seeking Medicaid waiver opportunities.

For Further Consideration by the Seamless Coverage Workgroup:

Align Insurance Affordability Programs

Workgroup members have raised two additional options for aligning insurance affordability programs. Both require more robust discussion at a future meeting.

Transition to a Single Payer Program Model

Consolidate All Programs in the Private Marketplace

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For Further Consideration by the Barriers Workgroup:

Develop Minnesota Affordability Scale

Recommendation: Establish a Minnesota tailored health coverage affordability scale to guide policy, program, and financing decisions with regard to Minnesota's coverage continuum

FPL	100% ($11,770)	138% ($16,243)	200% ($23,540)	201% ($23,657)	275% ($32,368)	300% ($35,310)	400% ($47,080)	401% ($47,198)
MA Premium	$0	$0	-	-	-	-	-	-
MA MOOP	$589 *(5% income)*	$812 *(5% income)*	-	-	-	-	-	-
MNCare Premium	$144 *(1.22% income)*	$192 *(1.22% income)*	$960 *(4.08% income)*	-	-	-	-	-
MNCare MOOP	None	None	None	-	-	-	-	-
ACA Max Premium	$247 *(2.01% income)*	$537 *(3.31% income)*	$1492 *(6.34% income)*	$1509 *(6.38% income)*	$2858 *(8.83% income)*	$3,345.45 *(9.5% Income)*	$4500 *(9.56% income)*	No Max
ACA MOOP	$2250	$2250	$5200	$5200	$6600	$6600	$6600	$6600
Employee Premium	$315.12 *(2.68-0.67% income)*							
Employee MOOP	$1,100 (excluding Rx)							

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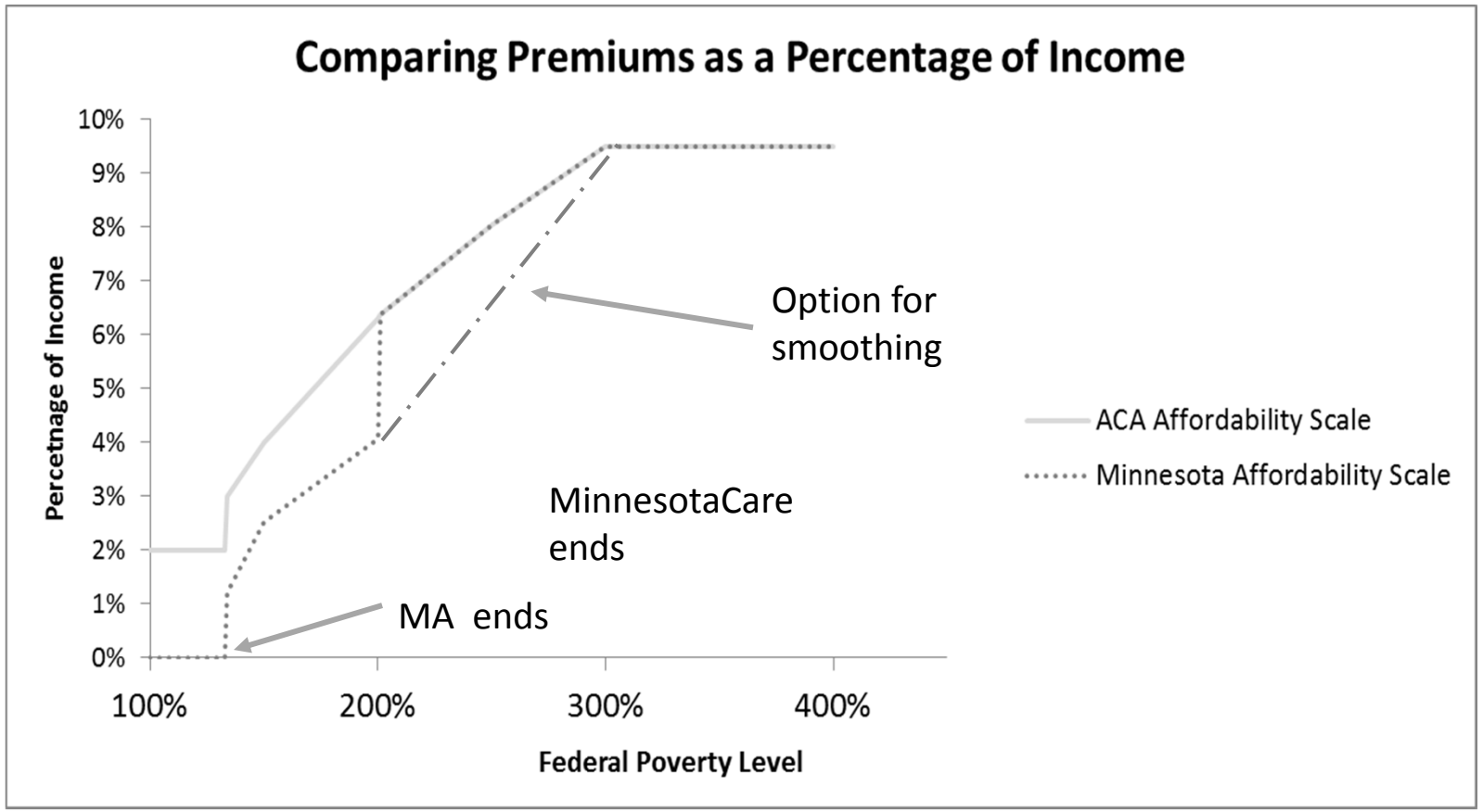
Note: 2015 FPL level used throughout (Marketplaces currently use 2014 FPL for APTC/CSR calculations); all amounts expressed as annual

Comparing Current Minnesota and ACA Affordability Scales for Premiums

Minnesota has more affordable coverage than the ACA for incomes ≤ 200% FPL



Note: 2015 FPL level used throughout (Marketplaces currently use 2014 FPL for APTC/CSR calculations); all amounts expressed as annual

For Further Consideration by the Barriers Workgroup:

Address High Deductible QHP Products

Recommendation: Explore options to address high deductibles in QHP products in the Marketplace

Potential Option	Potential Option	Potential Option	Potential Option
Low or No Deductible Plans	***Exempt High-Value Services***	***Require Standard Designs***	***Limit Non-Standard Designs***
Require that carriers offer products with standard cost sharing designs featuring low or no deductible options (in addition to other products they choose to offer)	Exempt certain services from deductibles, which may be designed to incentivize utilization of primary care and generic prescription drugs	Create standard cost-sharing product that addresses all types of cost-sharing (deductibles plus co-insurance and co-payments)	Limit the number of "non-standard" plans a carrier may offer to reduce consumer confusion

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Address High Deductible Plans: *Modeling Needs*

- Number of individuals impacted
- Potential additional take-up in coverage and utilization with improved affordability
- Examples of standard cost-sharing designs
- Overall state fiscal impact

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PRELIMINARY RECOMMENDATIONS FOR MNSURE/MARKETPLACE

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MNsure's IT System for Eligibility and Enrollment (E&E): Strategy for 2016

Recommendation: Stay the course on MNsure's current IT improvement plan through the 2016 open enrollment period

- MNsure's IT system provides the integrated E&E solution for all public health coverage programs and is envisioned to become the portal for all public benefit programs
- MNsure's IT problems were serious enough to impede enrollment in Marketplace coverage in 2014 and continued to cause back end problems in 2015
- The problems are being addressed as part of a broader DHS modernization initiative with many inter-related components
- There are no alternative solutions that can be implemented for the 2016 open enrollment period (Nov. 1 to Jan. 31)

MNsure's Eligibility and Enrollment IT System: Strategy for 2017

Recommendation: Establish a framework for evaluating MNsure following the 2016 open enrollment period

- Evaluation framework to include:
  - Assessment of how MNsure fits into the health coverage landscape in MN, including private coverage enrollment trends, percentage of enrollees accessing tax credits, effectiveness of consumer outreach/education strategies, and adequacy of MNsure financing
  - Assessment of consumer experience, including comparisons to Healthcare.gov and selected SBMs, potentially with the assistance of an independent expert
  - Progress report on meeting benchmarks in IT development and modernization plan, including timeline and cost for completing remaining functionality
- Compare MNsure plan to three alternative Marketplace models

Marketplace Models

In these three models, new IT development will be required

State Based Marketplace (SBM)
("Stay the Course")

Supported SBM

Partially Privatized SBM

Federally Facilitated Marketplace (FFM)

In these three models, state can partner with carriers and web brokers to allow consumers to access tax credits and enroll in coverage through private web sites

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Marketplace Models, cont'd

Further work group discussion will be required to evaluate and narrow the options

IT Governance

Recommendation: Codify the current IT executive steering committee structure for overseeing the IT modernization plan, including MNsure's IT system

- This recommendation is compatible with all Marketplace models, though the scope of committee decisions would be impacted under the three alternative models
- Governance of MNsure is a separate issue and the state has broad flexibility to retain or change MNsure's governance model except under the FFM model, where the state has no governance role
- Recommendation is from Office of the Legislative Auditor

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OPTIONS AND CONSIDERATIONS TO PROMOTE MARKET STABILITY

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Introduction

Goal of Market Stability Strategies

Ensure affordable health insurance and avoid large rate increases

Importance of Market Stability

- Predictable rates enhance consumer confidence and minimize enrollment losses due to unaffordable rate increases
- Some stabilization strategies also slow rate of medical inflation by reducing underlying costs of care

ACA & Market Stability

ACA had three premium stability programs but **two** of them (reinsurance and risk corridors) end after 2016

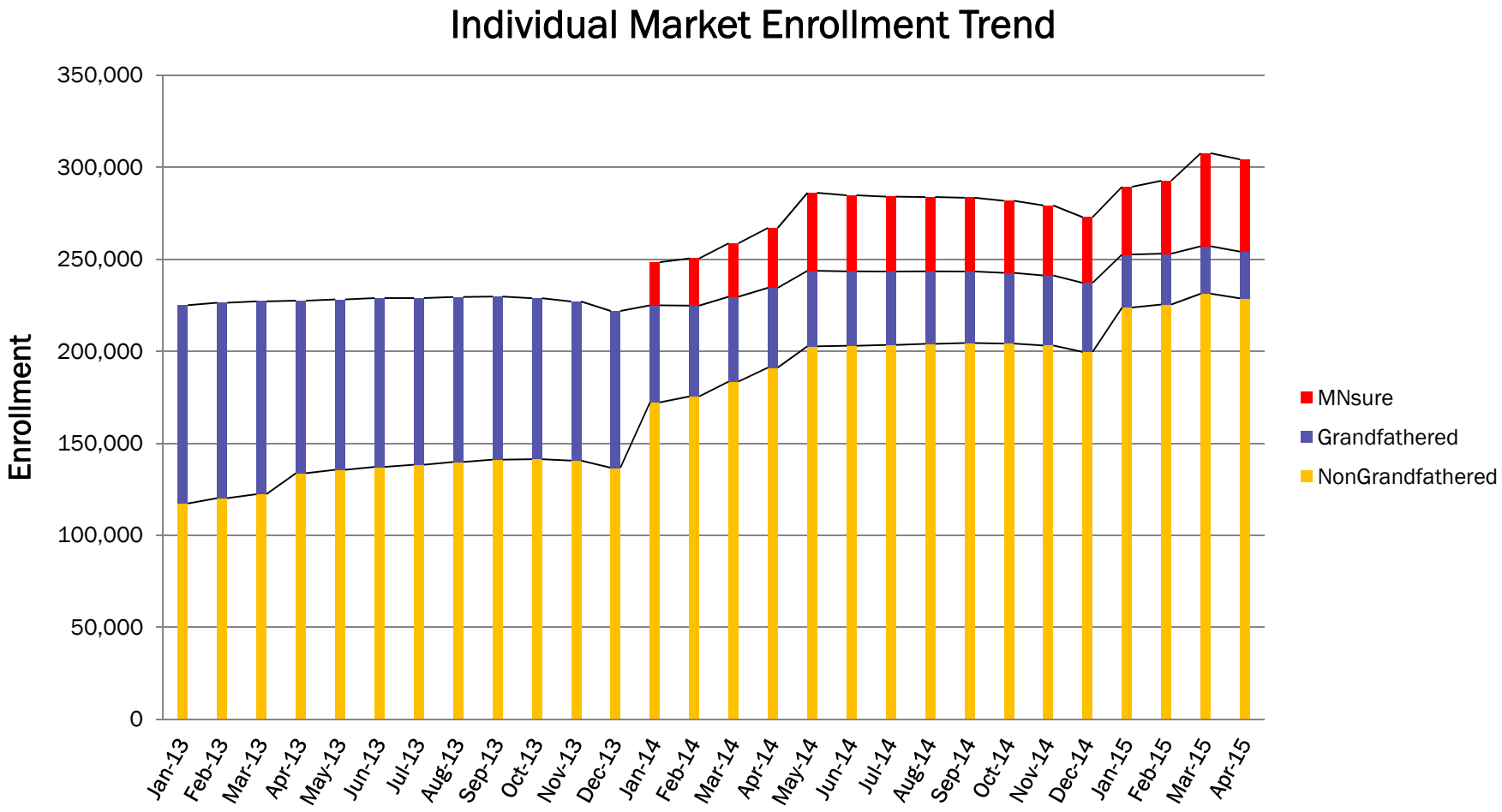
As ACA program phases out, MN should take lead on crafting its **own premium stability strategy**

Health Insurance Market Stabilization Reform

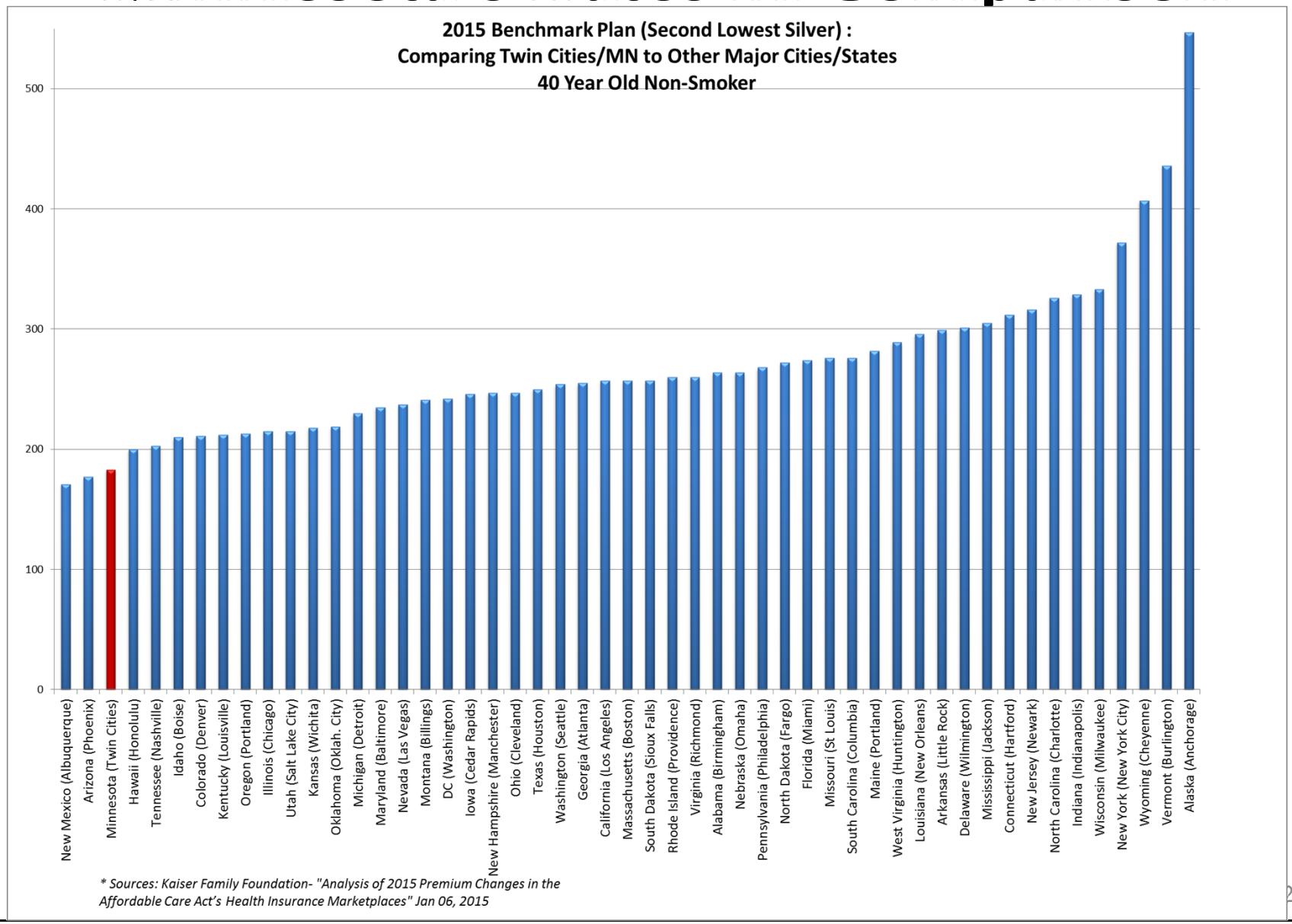
Minnesota Rate Review Process

- Purpose: to protect consumers pursuant to statutory standards
- Minnesota has an "effective rate review" process
- Commerce must approve proposed rates if a company demonstrates compliance with state law
- Minnesota's Department of Health reviews network adequacy filings

MN Health Insurance Market Overview



Minnesota's Rates in Comparison



** Sources: Kaiser Family Foundation- "Analysis of 2015 Premium Changes in the Affordable Care Act's Health Insurance Marketplaces" Jan 06, 2015*

Market Stability Issues/Factors

- Individual market characteristics
- MN Comprehensive Health Association
- High claims costs and utilization
- June 2015 federal publication of rate proposals
- 3-year federal stability mechanisms

Market Stability Issues: Federal Mechanisms

- Federal 3 Rs
  - Risk Adjustment
  - Reinsurance
  - Risk Corridors
- Reinsurance and risk corridors last only 3 years through 2016
- Timing and amount of funds through these programs has uncertainties

Action Steps: MN Price Stability Mechanisms

- Consider state reinsurance program
  - examples
- Consider state risk adjustment, risk corridors, or both
- Any other options should be considered
- Viable options carefully studied, modeled and tailored to MN

Action steps: Insurers' Reserves and Profits

- Commerce reviews insurers' reserves and profits for solvency
  - Risk-Based Capital (RBC) Framework
  - Past: Capital Reserve Corridor
- Hybrid: add corridor and cap to prevent excess reserves
- Additional flexibility to use this information in the rate review process

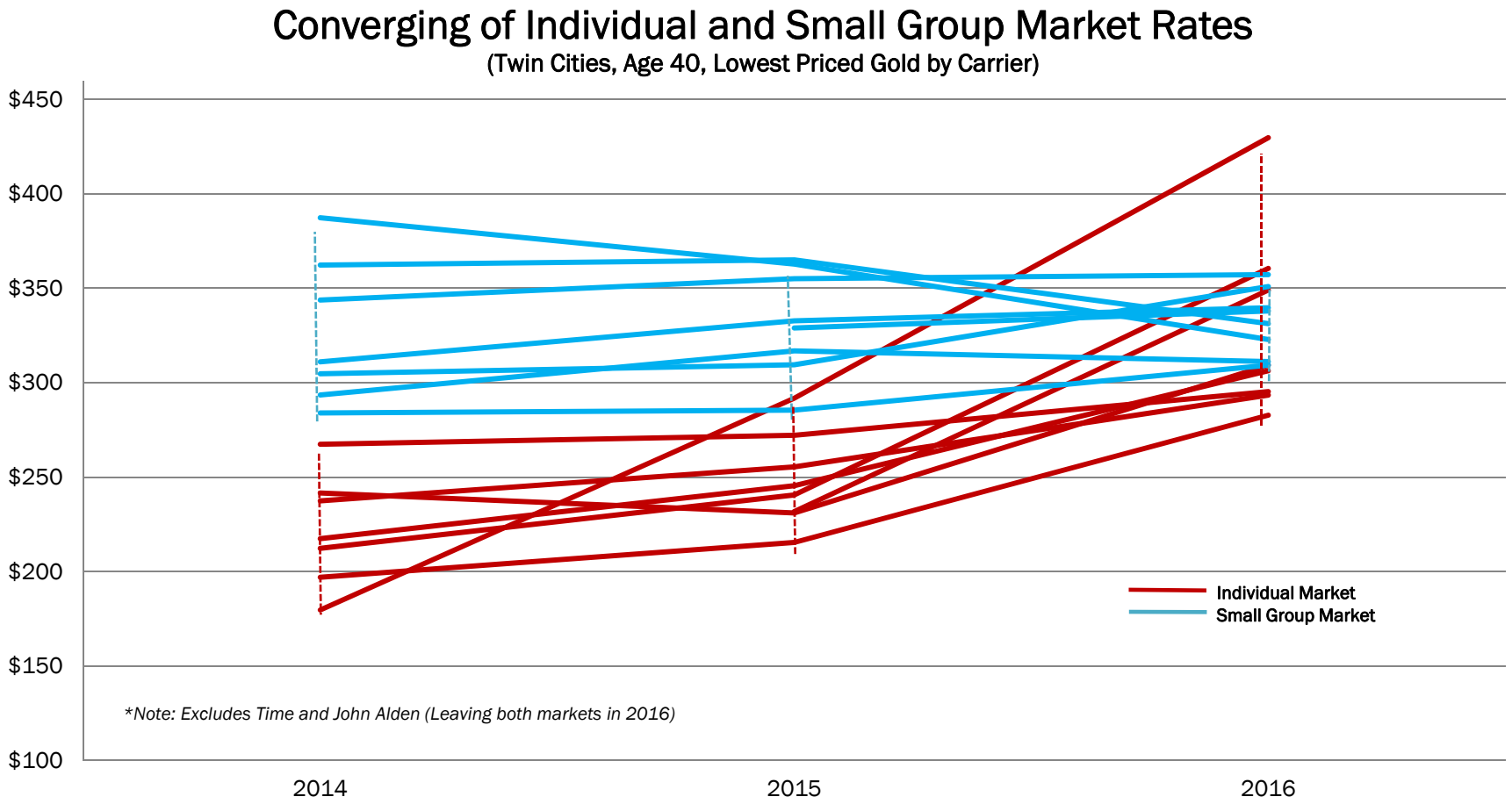
Action steps: Price Transparency & Cost Competition

- Underlying costs of health care need to be more transparent to the public
- Exorbitant charges for medical services and drugs
- You should be able to afford insurance, and afford to use it when you get sick
- All reasonable options should be considered
- Health Care Delivery Design and Sustainability Work Group

Action steps: Consider Merging Markets

- Individual & Small Group Market Characteristics
- Reasons for and against merging
- Market dynamics and problems
- Expanding pool of individual market with healthier populations
- Medical loss ratios
- Individual market rates increasing
- Small group market rates flattening

Action steps: Consider Merging Markets



Next Steps

- Convene experts to study and report back on reform proposals over the next few weeks
- Expert analysis of all existing data over the short- and long-term
- Viable options carefully studied, modeled and tailored to MN
- Task Force report should include recommendations to the Legislature

Additional Proposals

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Increase Transparency in Rate-Setting

What is it?

Make the rate filing and rate review process more transparent and open to public input

ACA Requirements:

- ACA requires public disclosure and actuarial justification when insurers propose rate increases above 10%

States have widely varying rate review practices but general trend is toward expanded transparency and more public input into the process

Proposals to Reduce Underlying Costs of Care

- **Total cost of care target / Global cap in NYS Medicaid**
  - Massachusetts' Chapter 224 sets a total growth rate of total per person medical expenditures, benchmarked to the growth rate of the state's economy.
- **Require plans participating in Marketplace to engage in chronic disease management**
  - California requires that all plans offered in its Marketplace track the health status of enrollees to improve health. Plans must also report to the Marketplace outcomes of referrals to care management and chronic condition management.
- **Require plans to contract using alternative payment models/value-based purchasing (Massachusetts (all payer), New York (Medicaid))**
  - NYS DSRIP waiver program requires 80-90% of managed care payments to providers be paid through value-based purchasing arrangements by 2019
  - Massachusetts Chapter 224 requires all payers to maximize use of alternative payment mechanisms, and sets specific APM benchmarks for Medicaid

Proposals to Reduce Underlying Costs of Care

- **Cost transparency in consumer pricing**
  - OR and MA require insurers to post prices for common services so that consumers can comparison shop
- **Cost transparency in insurer-provider contracting practices**
  - Federal and state regulators have addressed anti-competitive practices in provider contracting, such as insurer use of most favored nation clauses that limit provider discounting
  - New York has protected consumers from "surprise" bills where providers charge out of network prices for services at in network facilities without advance disclosure
- **Cost transparency for major cost drivers, such as drug pricing**
  - Regulators considering wide range of strategies, including more transparency about drug pricing, for addressing high drug prices

Discussion

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Reinsurance Considerations

Pros:

- Spreads the costs of expensive enrollees
- Reduces volatility in claims experience for insurers which may reduce premium
- Can have bigger premium impact if financing draws on outside funding sources

Cons:

- Requires financing
- Complex to administer

Merging Markets Considerations

Pros:

- Larger pool helps stabilize premiums
- Reduces disruption in cases where small employer eliminates group plan and employees move to individual market
- Simplifies regulatory oversight

Cons:

- Creates winners and losers to extent there are premium differences between markets
- Requires detailed data analysis to assess impact

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Limits on Profits: Considerations

Pros:

- MLR ensures that premium dollars go to cover medical costs
- Surplus regulation levels playing field (large surplus creates market advantages, including predatory pricing)

Cons:

- May constrain insurer investment in longer term cost saving measures
- Could impact solvency if too aggressive

Increasing Transparency Considerations

Pros:

- Enhances public accountability by allowing public scrutiny of rate filings
- Increases public understanding of factors impacting rates
- Facilitates comparative analysis of insurer rate filings

Cons:

- May affect competitive dynamics in the marketplace
- May create upward pressure on requested rates

Thank you!

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Appendix:
Background & State Examples

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State-Funded Reinsurance Program

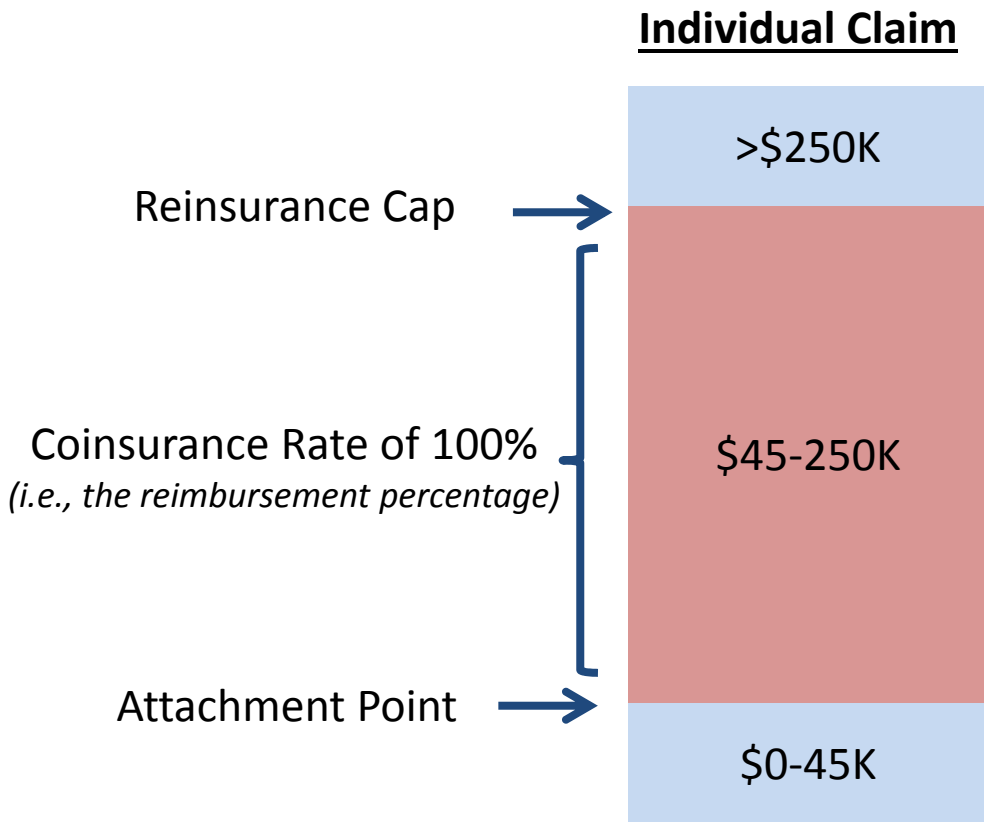
What is reinsurance?

- Insurance that reimburses insurers for a portion of their high-cost claims
- Reinsurance programs can be financed by insurers in program or by a funding source outside of the program. The latter approach has a more direct impact on reducing premiums.

Federal Transitional Reinsurance Program

- Program established by the ACA effective 2014 through 2016
- For 2014 benefit year, over $7.9B will be paid to 437 issuers nationwide for claims above $45K **in the individual market only**
- Financed by all individual and group insurers plus self-insured plans, meaning the group market helped reduce individual premiums
- Assessments phase out over three years causing upward pressure on individual premiums

2014 Parameters for Federal Transitional Reinsurance Program



For individual claims between $45-250K, the insurer will be paid 100% of the cost of the claim over the $45K attachment point

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New York's Reinsurance Program

- Healthy NY uses tobacco-settlement funds to reduce premiums for previously uninsured low-income workers to enroll in HMOs
- State-subsidized reinsurance reimburses issuers for 90% (coinsurance rate) of a worker's annual claim costs above $5K (attachment point)and below $75K (reinsurance cap)

Merging Small Group and Individual Markets

What is it?

Merging individual and small group markets to create one larger risk pool

Merging Small Group and Individual Markets: Massachusetts Example

- 2006 health care reform initiative included a measure to merge individual and small group markets for rating purposes
- MA was unique in that individual market was very small and rates were not significantly different than small group rates
- ACA allows MA style mergers but most states have not done so yet because of differences in regulation and premiums between markets
- By requiring similar rate regulation in both markets (guaranteed issue and modified community rating), ACA is causing convergence in rates between the two markets that makes merger more attractive

Closer Scrutiny of Issuer Profits

What does this entail?

Corridor & cap would limit excess reserves and Commerce would have flexibility to consider high reserves in rate review

Current Limits on Profits:

ACA requires issuers to spend at least 80% of premium dollars on medical care and quality improvement, leaving only 20% for administration, marketing and profit (85/15 in group)

States have minimum surplus requirements to minimize insolvencies but generally do not limit surplus on upper end or consider high surplus during rate review

Rate-Setting Process: Oregon Example

1. Issuer submits proposed rate requests for individual and small group plans to Oregon Insurance Division
2. Filings include actuarial justification for the proposed rates
3. Filings describe any changes in the insurer's cost control efforts, including any new cost containment programs, estimated savings, and the mechanism for generating savings (e.g., reducing waste, improving health)
4. Filings are made public for review and comment (except narrowly defined trade secrets)
5. Public hearings provide opportunity for public comment with funding available to support consumer input
6. Regulator makes final decision on rates based on actuarial standards (rates are still based on claims costs, not on what is affordable)