

State of Arkansas

Basic Health Plan Considerations





Agenda | Topics of Discussion

Basic Health Plan

- A. Who is Eligible
- B. How is it Financed?
- C. Covered Services
- D. Advantages and Disadvantages



Who Is Eligible?

- Adults under age 65 with incomes between 133 and 200 percent of the federal poverty level (FPL); and
- Legally resident immigrants under age 65 with incomes below 133 percent FPL whose immigration status disqualifies them from federally matched Medicaid.
- Expected number of enrollees expected to be 62,426.



How is it Financed?

- States receive 95 percent of what the federal government would have spent on tax credits and subsidies for out-of-pocket costs in the exchange
- State sets up trust fund
- Federal government settles up at the end of the year
- Any unspent funds can be used to lower out of pocket costs, pay providers more, add services



What do consumers pay?

Out of pocket costs limited based on income

Premiums:

- between 133 and 150% of FPL would be capped at no more than 3% of income
- between 151 and 200% of FPL, up to 6.3% of income

Cost Sharing:

- incomes below 150 percent of poverty, the BHP pays at least 90 percent of the cost of benefits,
- incomes between 150 and 200 percent of poverty, pays at least 80 percent of the cost of benefits.
- (no cost sharing is allowed for prevention services)



Covered Services

States must provide at least the minimum essential health benefits under ACA:

- ambulatory patient services;
- emergency services; hospitalization;
- maternity and newborn care;
- mental health and substance use disorder services, including behavioral health treatment;
- prescription drugs;
- rehabilitative and habilitative services and devices;
- laboratory services;
- preventive and wellness services and chronic disease management; and,
- pediatric services, including oral health and vision care.



Implementation Options

- a separate program of its own,
- a Medicaid-like program,
- a CHIP program for adults at the option of the state; or,
- a two way bridge where potential enrollees have a choice between the exchange or the BHP



Implementation Options Continued

- competitive bid process
- contract with health plans, or:
- PCCM model with primary care medical home and care management/care coordination services



Factors for consideration:

- Eligibility
- Benefits
- Provider infrastructure
- Impact on the exchange
- Financial



State Considerations | Benefits

Advantages:

- The state would have the flexibility of tailoring the benefit plan of the BHP to service needs specific to this population.
- A seamless Medicaid-like program would reduce confusion for families often resulting in better compliance with rules and regulations for participation.



State Considerations | Provider Infrastructure

- If the BHP uses the Medicaid provider network, it may be more prepared for the provision of atypical services compared to the exchange's qualified health plans, who have traditionally served healthier populations.



State Considerations | Impact on the HBE

- The BHP population could be served by the Exchange at no cost to the State should the state be unable to pay for BHP services within available funding.
- The leverage provided by BHP-eligible covered lives as part of the exchange could reduce state costs for populations currently covered by the Medicaid program that would now become part of the exchange.



State Considerations | Financial

- There is likelihood that the cost of BHPs will become more favorable over time as BHP costs are likely to parallel increases in Medicaid costs. Experience indicates that commercial costs grow faster than Medicaid costs.
- Because the Federal government would reimburse states 95 percent of what it would cost to cover a potential enrollee in an exchange, the Federal government would likely pay all costs for BHP coverage in most, if not all, states mostly due to lower rates for provider payments than in the exchange.



State Considerations | Financial

- Based on the cost of subsidies for private insurance in the exchange, exchange payments for BHP eligible consumers are projected to exceed by 29 percent what it would cost Medicaid to cover BHP-eligible adults in the average state making the BHP the less expensive option for insuring this part of the population.
- If the BHP were contracted to a commercial plan the proportion of premium payments that go to health care quality improvement rather than administration (medical loss ratio) cannot fall below 85 percent. Most commercial plans have higher administrative costs than legislation allows for a BHP. Having said that, that has not been the experience of the Massachusetts Health Connector.



State Considerations | Eligibility

Disadvantages:

- For the Medicaid-like program, implementing a BHP could lengthen the time it takes to determine eligibility, especially considering the already increased volume from the increase in Medicaid eligibility up to 133% of FPL on the same timeline. A lengthened timeframe could cause a state Medicaid program to be out of compliance with Federal regulations which requires that Medicaid programs determine eligibility within 45 days. If this requirement is not met, states are required to use 100% state funds for each eligibility determination exceeding 45 days.



State Considerations | Benefits

- Many Medicaid programs have tried in recent years to reduce Medicaid benefits due to state financial challenges, only to be prevented from doing so because of pressure from advocacy groups, threat of lawsuits, or MOE provisions. Providing services to potential enrollees as part of the exchange would eliminate the threat of much more stringent Medicaid regulations for BHP enrollees, should Congress decide at a future date to streamline standards between the Medicaid program and the BHP.



State Considerations | Provider Infrastructure

With the exception of atypical provider types, it is expected that commercial insurers who participate in the exchange will have a more abundant choice of providers from whom enrollees may receive services.



State Considerations | Impact on the HBE

Reduces the size of the Exchange - average state's individual market in the Exchange would serve only 6 percent compared to 8 percent of non-elderly residents. As a result the proportion of residents receiving coverage through the exchange would decrease from 16 to 14 percent.



State Considerations | Impact on the HBE

It decreases the number of participants among whom the Exchanges spread fixed administrative costs.

- It could also decrease the Exchange leverage to improve quality, lower premiums, and achieve goals such as reforming health care delivery, increasing portability, improving consumer information, and holding insurers accountable.
- The risk pool in the Exchange's individual market may change as its lowest-income members depart depending on the state's demographics and policy decisions.



State Considerations | Financial

- The implementation of a BHP would require the state to take on risk it would not otherwise have in the sense that the state may incur financial costs if the BHP is not self sustaining
- Unlike exchange planning grants it is unclear if there is any money set aside to pay states for the establishment of the BHP whether that means a new program or creating a DHHS Medicaid-like program. For example – expanding call center functions, amending the MMIS to accept new eligibility, etc
- The average cost of covering a BHP-eligible adult through Medicaid payment is \$3,624. The average federal BHP is \$4,680.



State Considerations | Financial

States also have the flexibility of implementing a "two-way" bridge between public programs and the Exchange as consumers change FPL levels. If selecting this option, states would need to guard against adverse selection and compensate plans for the difference between BHP payments and subsidies in the Exchange.



Consumer Considerations | Eligibility

Advantages:

- Implementing a BHP as a Medicaid-like program could provide stability for the enrollee and provide less confusion for potential enrollees who change programs frequently. It is also expected that implementing the BHP as a Medicaid-like coverage program improves affordability and continuity of coverage for low income residents.
- The Children's Health Insurance Program (CHIP) eligibility legislation is scheduled to expire in 2015, the implementation of a BHP, administered as a CHIP plan could provide a safety net for replacement coverage if CHIP legislation is not extended in the future at the Federal level.



Consumer Considerations | Benefits

- If the state elects to provide BHP coverage as a Medicaid-like program to 200% of FPL, lower income consumers may gain in the area of benefits. Medicaid benefits tend to be more generous than most commercial plans allowing consumers with high, atypical medical needs, not generally served in a comprehensive way by commercial insurers, to be better served by a Medicaid-like program.
- A more stable eligibility environment leads to less transfer amongst health care providers and better continuity of care when enrollees are not forced to change providers due to expected FPL changes.



Consumer Considerations | Benefits

The number of plan choices, the comparisons of each, and the possibility of churning in and out of Medicaid, even with the help of navigators, could be overwhelming, resulting in the choice of purchasing no insurance at all.



Consumer Considerations | Provider Infrastructure

Provider infrastructure could be better for members who require atypical services more prevalent in Medicaid provider infrastructures.



Consumer Considerations | Financial

ACA's tax credits and other subsidies will make coverage much more affordable in an exchange but research suggests that higher cost sharing in the exchange could still deter consumers from signing up for coverage. Furthermore, out of pocket costs could delay or prevent utilization of necessary care, making the exchange less palatable for low income consumers.



Consumer Considerations | Provider Infrastructure

Disadvantages:

- With the exception of atypical provider types, it is expected that commercial insurers who participate in the exchange will have a more abundant choice of providers from whom enrollees may receive services.



Consumer Considerations | Financial

- As part of enrollment in an exchange consumers receive tax credits based the previous year's income as reported to the IRS. If income changes throughout the year there is a possibility that consumers could owe money to the exchange as a result. Implementation of a BHP avoids this risk for consumers.



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