



Federal Health Care Reform: Current and Emerging Health Insurance Issues in Michigan

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Federal Health Care Reform: Current and Emerging Health Insurance Issues in Michigan

Presentation Outline

- Background on MAHP and Current Status of Insurance
- Emerging Issues facing delivery of health insurance
- Medicaid
- Federal Reform and Health Insurance
- What can we Expect?
- What Does this Mean?

MAHP: Who We Are

MAHP Mission is to provide leadership for the promotion and advocacy of high quality, affordable, accessible health care for the citizens of Michigan.

- MAHP represents 16 health plans covering all of Michigan and 45 related business and affiliated organizations
- MAHP Member Health Plans provide coverage for nearly 2.8 million Michigan citizens—nearly one in every three citizens in Michigan
- MAHP Health Plans employ about 8,000 persons—all of whom pay taxes in Michigan.
- MAHP members collect and use health care data, supports the use of “evidence based Medicine” and facilitate disease management and care coordination in order to provide cost-effective care.

MAHP: Who We Are

MAHP Member Health Plans:

- CareSource Michigan_{2,3}
 - Health Alliance Plan _{1,3}
 - HealthPlus of Michigan _{1,2,3}
 - Midwest Health Plan_{2,3}
 - Omnicare Health Plan₂
 - Physicians Health Plan of Mid-Mich _{1,2}
 - ProCare Health Plan ₂
 - United Health Plan/Great Lakes _{1,2,3}
 - Grand Valley Health Plan ₁
 - Health Plan of Michigan _{2,3}
 - McLaren Health Plan_{1,2}
 - Molina Healthcare of Michigan_{2,3}
 - Paramount Care of Michigan ₁
 - Priority Health _{1,2,3}
 - Total Health Care _{1,2}
 - Upper Peninsula Health Plan _{2,3}
- *Key : 1 = Commercial Health Plan 2= Medicaid Health Plan 3= Medicare Advantage or Medicare Special Needs Plan*

MAHP Members Among the Top Health Plans in the Nation for 2010



**11 of the top 50 Medicaid Plans
5 of the top 50 Private Plans
2 of the top 50 Medicare Plans**

Great Lakes Health Plan

#20 Medicaid

Grand Valley Health Plan

#6 Private Plan

Health Alliance Plan of Michigan

#35 Medicare Plan

#43 Private Plan

Health Plan of Michigan

#17 Medicaid Plan

HealthPlus of Michigan

#26 Private Plan

#27 Medicare Plan

#42 Medicaid Plan

McLaren Health Plan

#32 Medicaid Plan

Molina Health Care of Michigan Inc.

#47 Medicaid Plan

Midwest Health Plan

#18 Medicaid Plan

Omnicare

#46 Medicaid Plan

Priority Health

#12 Medicaid Plan

#13 Private Plan

**Physicians Health Plan
of Mid-Michigan**

#38 Medicaid Plan

#40 Private Plan

Total Health Care

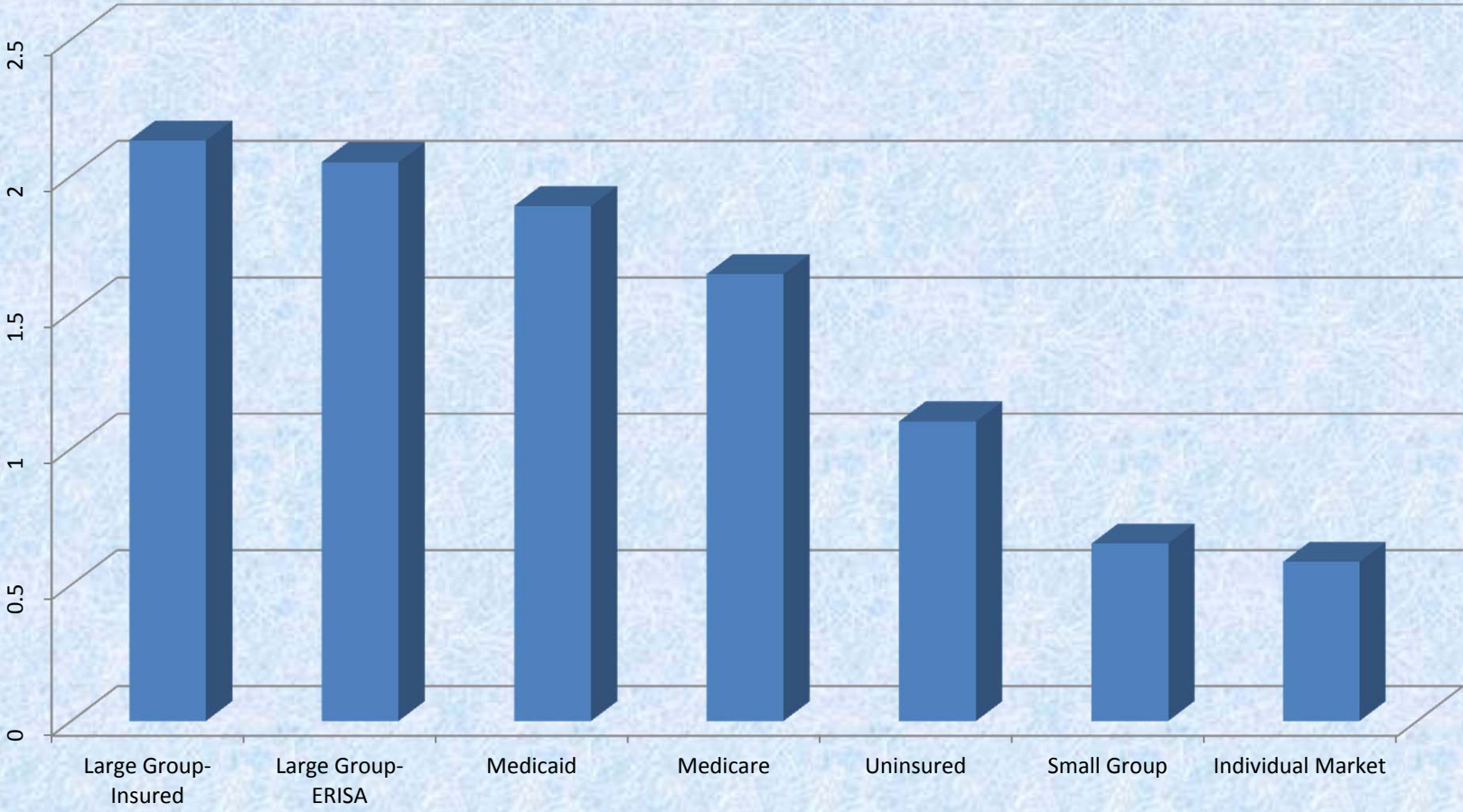
#33 Medicaid Plan

Upper Peninsula Health Plan

#19 Medicaid Plan

Coverage for Michigan Citizens (2009)

(Millions)



Health Insurance In Michigan

Working Through the Maze for Insurance Coverage

- Traditional Indemnity
- HMO (Health Maintenance Organization)
- PPO (Preferred Provider Organization)
- BCBSM (Blue Cross/Blue Shield of Michigan)
- ASO (Administrative Services Only)
- ERISA Exempt
- Risk Based Carriers
- Capitation vs. Fee for Service
- Insurance Code vs. Public Act 350 (State Regulation)
- Medicaid Health Plans
- ACO (Accountable Care Organizations)

Regulation of Health Insurance

For each of the following key Insurance Regulatory Issues—decisions are made depending on whether the carrier is a Commercial Plan (Regulated under Insurance Code); an HMO (regulated under Chapter 35 of Insurance Code) or Blue Cross/Blue Shield, (Regulated under PA 350).

Benefits Flexibility

Commercial Rate Filing

Use of Experience Rating

Financial Standards

Rule Promulgation by Commissioner

Standards for Rates

Participation and Provider Contracts

Guaranteed Issue

Review of Benefit Denials

Required Benefit Plan Offerings

Commercial Contract and Policy Form Filings

Self-Funded/ASO Arrangements

Geographic Limits on Product/Service Offer

Use of Health Status in Premium Rating

Small Group Reform Permitted Rating Factors

Pre-Existing Condition Exclusions

Guaranteed Renewal

Health Insurance in Michigan

- Current General Issues Facing our Industry:
 - Keeping Health Insurance Affordable
 - Major Cost Drivers (Hospital/Physician/Drugs)
 - Uncompensated care from Uninsured (largely from ER)
 - Legislative Mandates
 - Consumer behavior and unhealthy lifestyle
 - Administrative Costs (What can Health Plans do)
 - Claims Processing/Eligibility Verification (Move to Electronic Standard)
 - Authorizations/Referrals (Reduce and Standardize)
 - Credentialing/Accreditation Requirements (Standardize)
 - Audits (Fraud/Abuse/Waste) – Continue to Focus
 - Medical Loss Ratio Pressures—Impact from Federal Reform
 - HIPAA, including 5010 transaction codes and ICD-10 Transition (IT Cost)

Health Insurance in Michigan

Medicaid

- Michigan Medicaid Program has chosen to use HMOs to deliver most of the Medicaid benefits (Currently 1.3 million of 1.9 total Medicaid).
 - Mostly “Moms and Kids” (950,000) & Disabled Population (350,000)
 - Expanding enrollment into managed care for Dual Eligibles (Medicare/Medicaid)
 - Expanding enrollment into managed care for Children’s Special Health Care Services
- Administration Proposes **New Claims Tax** to be paid by carriers and self insurers to Support Medicaid and avoid reductions in benefits, provider rates, and services
- Assuming eligibility expansion by 2014, **one in four in Michigan** will be on Medicaid

Health Insurance in Michigan

Federal Reform (Game Changer)

- Health reform ushers in unprecedented change for health plans, affecting nearly all aspects of business operations
- ***Increasing coverage to millions will strain the delivery system, potentially resulting in access to care issues***
- The federal government's role in the sale of commercial health insurance is increasing dramatically and changing the traditional landscape of state regulation



Federal reform act—key provisions

- **CONSUMER PROTECTION**

- Ban on Lifetime caps (2010)
- Restrict annual Caps (2010) ban (2014)
- Prohibit Rescissions (2010)
- Provision of premium subsidies/tax credit (2014)
- Insurance Ombudsman (2010)
- Web Based Portal (2010)

Federal reform act—key provisions

- **Access & Coverage Changes**
 - Individual Mandate (2014)
 - Medicaid Expansion (2014)
 - Pilot for Uninsured (2010) & State Subsidy Program (2014)
 - 1st Dollar coverage for prevention & Wellness(2010)
 - Coverage of Emergency Services (2010)

Federal reform act—Key provisions

- **Access & Coverage Changes**
 - Essential Benefit Design (2014)
 - Health Insurance Exchange (2014)
 - Dependent Coverage (2010)
 - Employer Responsibility (2014)
 - Guaranteed Issue (2014)
 - High Risk Pool (2010)
 - CHIP Expansion (2016)
 - Clinical Trials (2015)

Federal reform act—key provisions

- **MEDICARE, DUAL ELIGIBLES, LONG TERM CARE**
 - Medicare Advantage Plan payments (2011)
 - Eliminate Employer subsidy for Part D
 - Payroll deduction for long term care (CLASS) (2011)
 - Community Care Transitions for high risk Medicare (2011)
 - Home and Community Based Services options (2011)
 - Doughnut hole reduction (2010) then elimination (2020)
 - 50% discount on all drugs in “doughnut hole”
 - Care Coordination for Dual Eligibles (2010)

Federal reform act—key provisions

- **HOSPITAL AND PROVIDER**
 - **Accountable Care Organizations and payment bundling pilots (2012)**
 - **Medicaid Payments to Primary Care Physicians increase to Medicare level (2013)**
 - **Scholarship and Loan Repayments (2010)**
 - **Workforce Commission created (2010)**
 - **GME residency slots for Primary Care (2011)**

Federal reform act—key provisions

- **HOSPITAL AND PROVIDER**
 - **Expansion of RAC Audits to Medicaid (2010)**
 - **Non Profit Hospital Community Survey (2010)**
 - **Medicare Institutional Payment Reductions (2010)**
 - **Reductions in Medicaid/Medicare DSH (2014)**
 - **Readmission Payment Adjustments (2012)**
 - **Physician Quality Reporting (2012)**

Federal reform act—key provisions

- **TAXES/CREDITS**

- Excise Tax on “Cadillac Plans (2018)
- Premium tax on Health Plans (2014)
- Premium tax on Plans for Research (2012)
- Limits of Blue Cross Federal Tax Exemption
- New Fee on Pharmaceutical Industry (2010)
- New Fee on Medical Device (2013)
- New Tax on Indoor Tanning (2010)

Federal reform act—key provisions

- **INSURANCE ISSUES**
 - Group Size Redefined (2010)
 - Temporary Reinsurance for high risk (2014)
 - Temporary reinsurance for >55 not eligible for Medicare (2010-2014)
 - Risk Adjustment (equalization) (2010)
 - Medical Loss Ratios (2010)
 - Permitted Rating Factors (2014)
 - Rate Reviews

Exchanges, Mandates and Subsidies

The development of the “Exchange” is one of the most critical issues for health plans as it will change the way individual and small group products are marketed and sold.

- Exchanges are initially for the individual and small group market
- The provisions for subsidies for those below 400% of poverty and credits for small business is directly linked to obtaining coverage through the Insurance Exchange.
- Will it be a state governmental agency or nonprofit entity?
- Will it be formed as a Market Organizer or Active Purchaser?
- Input in the design phase will be very important
- The Insurance Exchange is to be operational by January 1, 2014

MAHP Vision on Exchange

“Consumers will be enabled to make informed decisions regarding health insurance coverage and insurers will be able to freely compete in an equitable marketplace that encourages innovation, quality and price competitiveness.”

MAHP Vision—Insurance Exchange

Desired Characteristics:

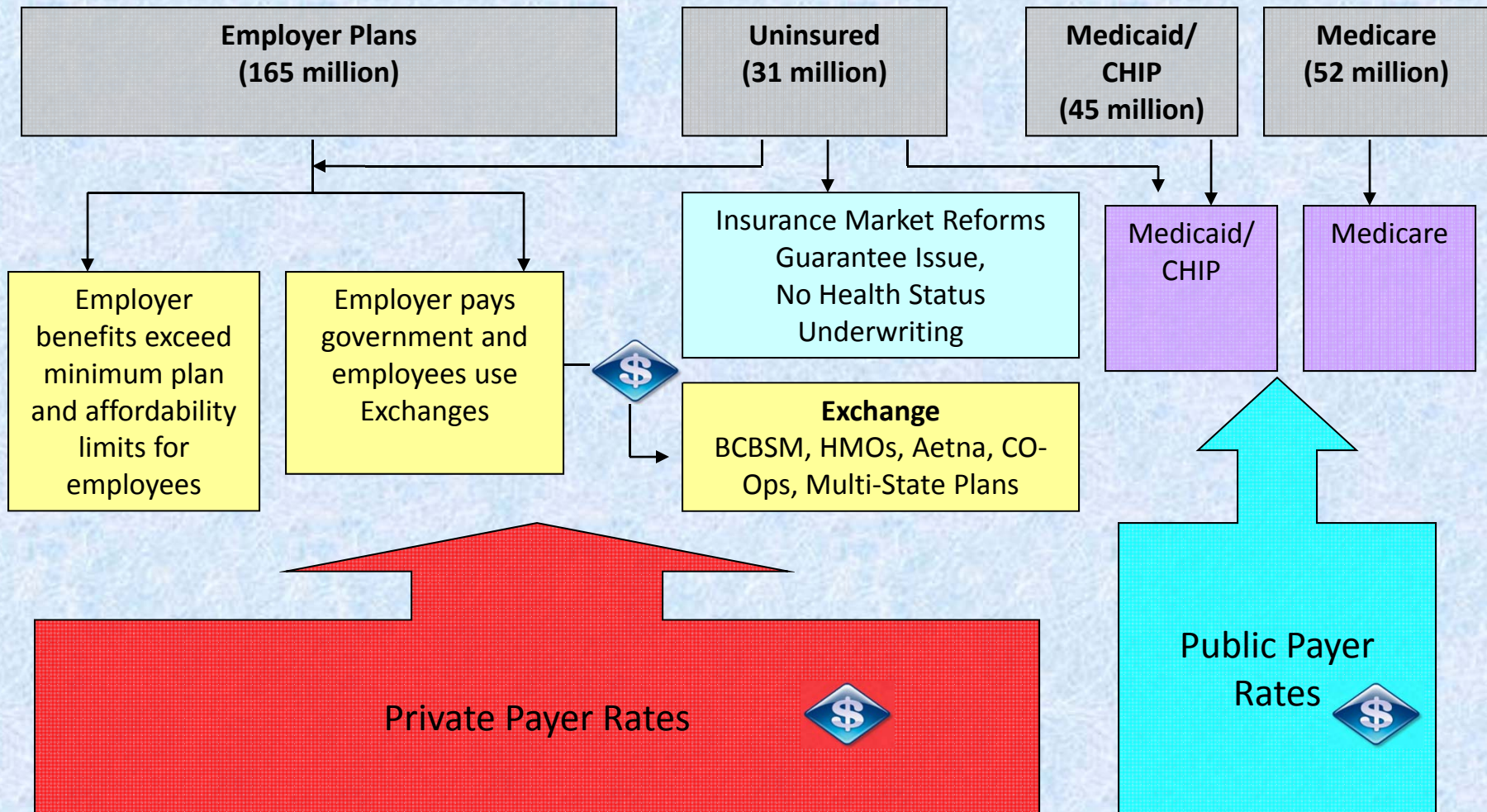
- Recognize the “local” nature of delivery of care
- Allow regional differences to be reflected in choices for customers, including choice of health plan
- Create attractive risk environment with predictable rules to avoid adverse selection
- Be operated efficiently and with dedication toward serving unique markets and customers
- Should start small—build on success

Insurance Exchange: Options

Two real examples: Massachusetts and Utah (both set up prior to the enactment of the federal law).

- Massachusetts is considered regulatory purchaser model.
 - Active in selecting the insurance plans that can participate
 - They negotiate rates.
 - They are more structured in terms of the benefit design.
- Utah is often referred to as a model for a free market exchange or a “farmer’s market”.
 - Creates an open door for insurance plans.
 - No regulatory role for the exchange.

The New Health Insurance Market (2014)



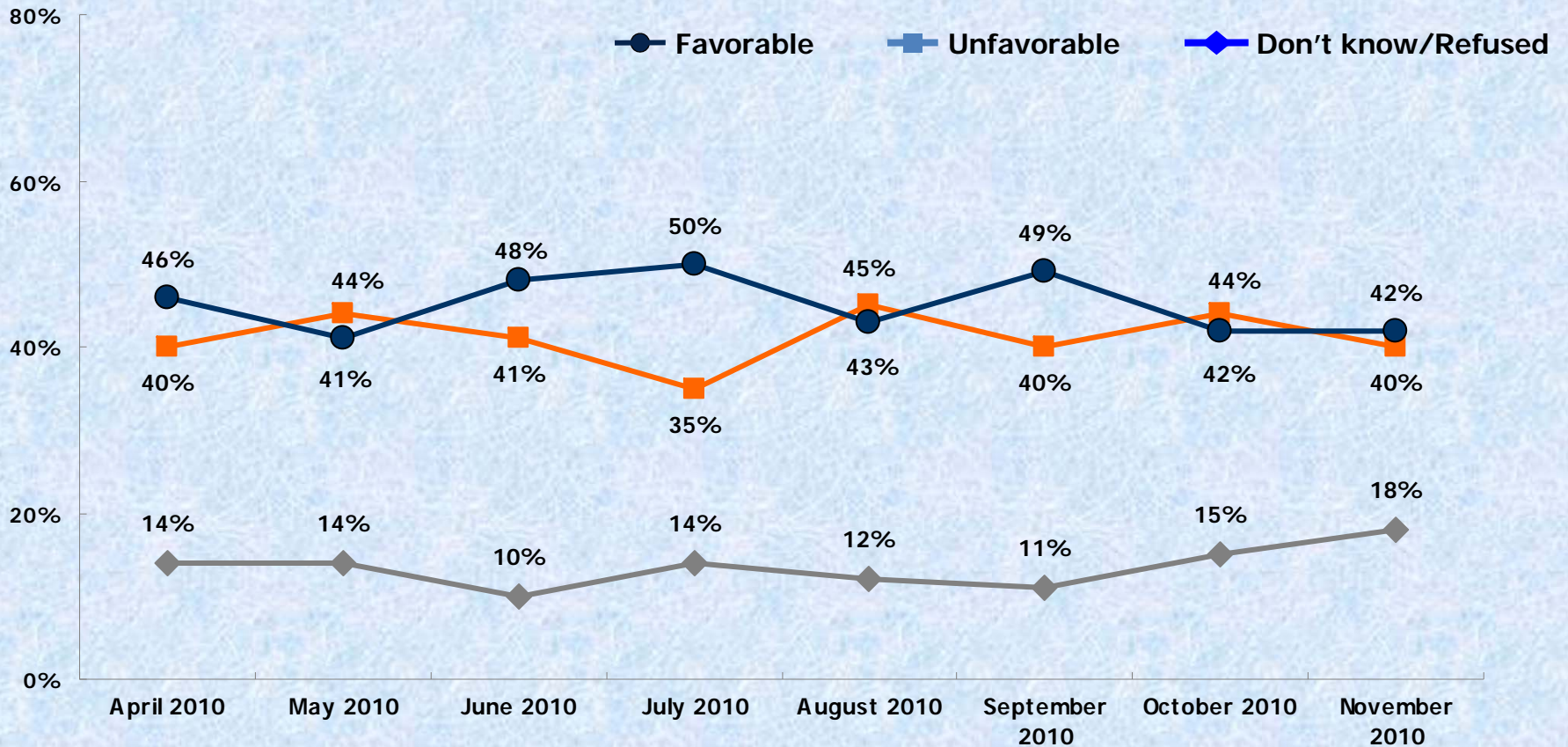
POLITICAL ENVIRONMENT- WASHINGTON

New environment suggests the following events are likely to take place:

1. Discretionary funding will be reduced/eliminated
2. Federal rules will be delayed or blocked
3. Federal Guidance will be delayed
4. A vote on overall repeal will take place (and fail)
5. Selective repeal of component of reform will take place and succeed: (e.g., individual mandate)

Views on Health Reform Remain Divided

As you may know, a new health reform bill was signed into law earlier this year. Given what you know about the new health reform law, do you have a generally favorable or generally unfavorable opinion of it?

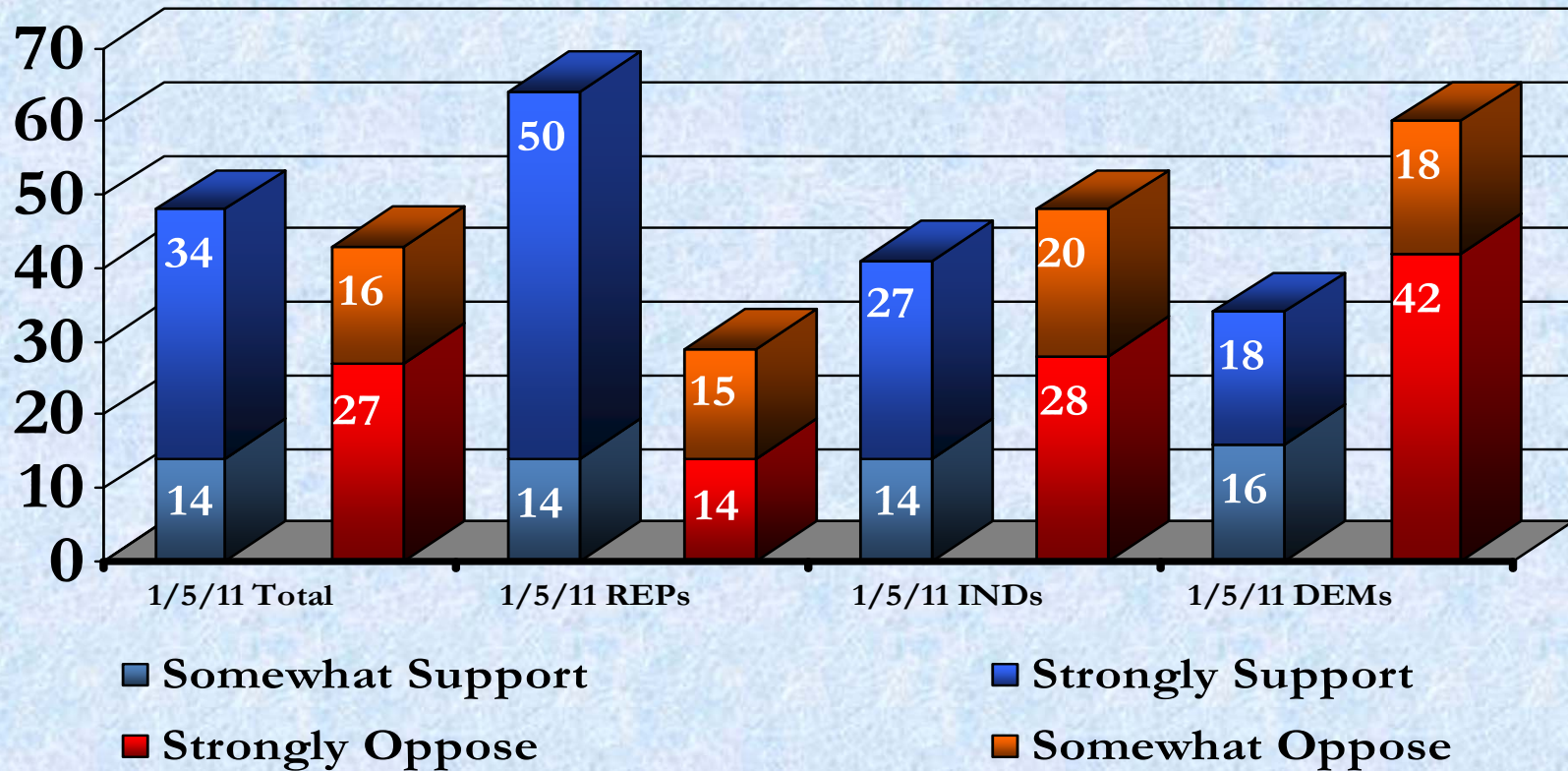


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Source: Kaiser Family Foundation *Health Tracking Polls*

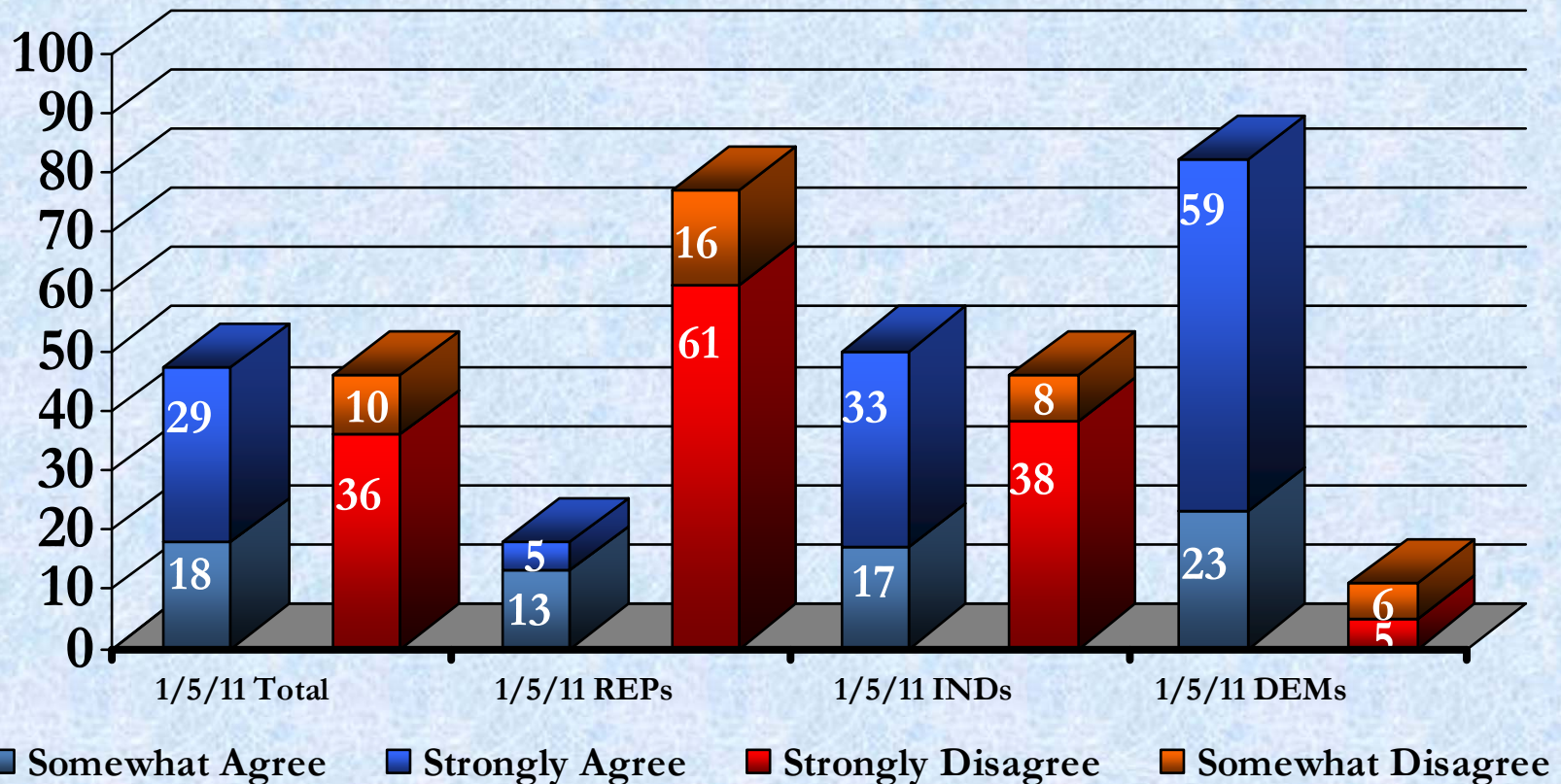
MICHIGAN ASSOCIATION OF HEALTH PLANS

Repealing The Federal Health Care Act Passed Last March By President Obama



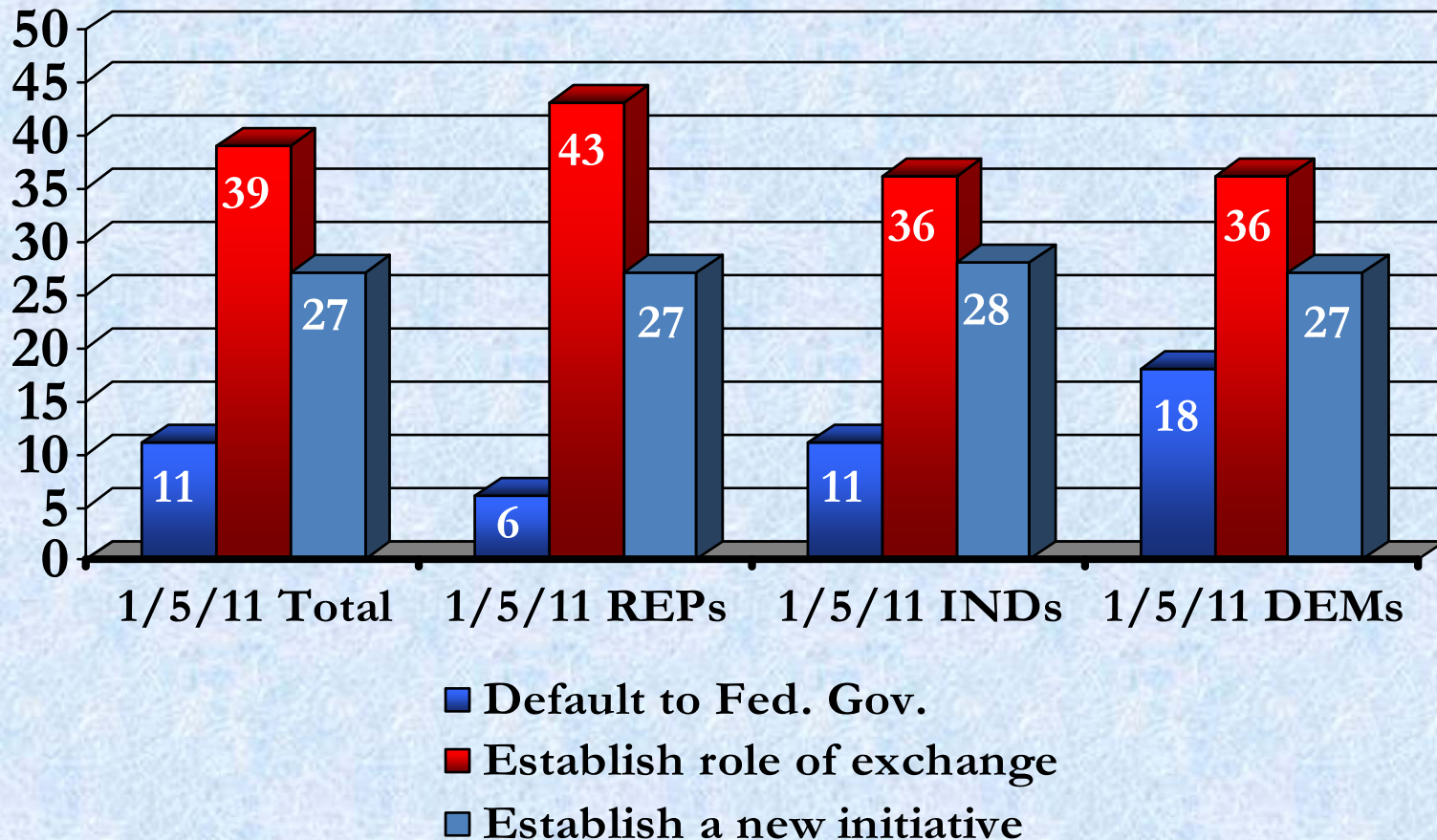
There is an overall support of +5% for repealing the federal health care act.

"Now that healthcare is the law of the land, the Governor and Legislature in Michigan should pass the necessary state legislation to put the law into effect"



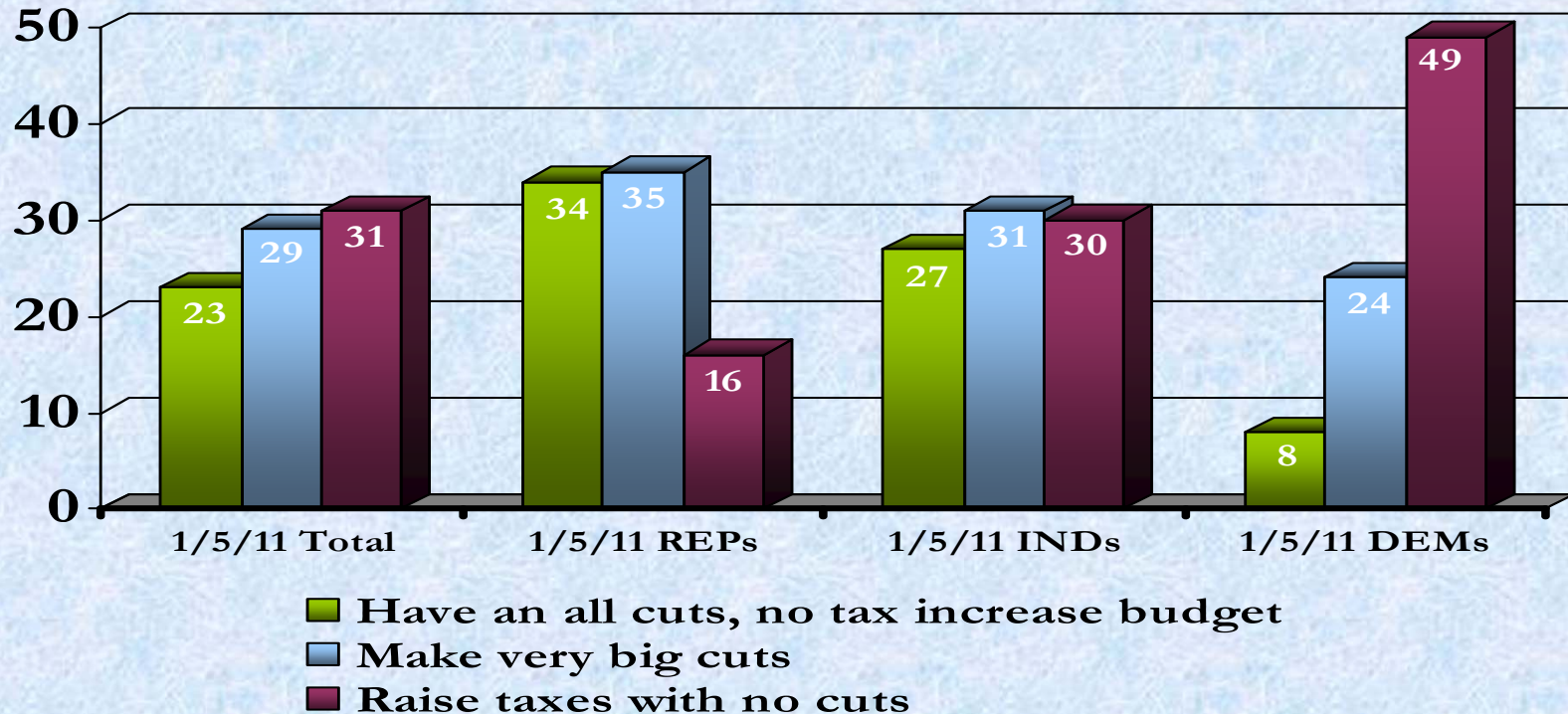
With such a heated topic, the viewpoints of Republicans and Democrats are almost opposite. Opinions of Independent voters are almost identical to the overall perception of Michigan voters.

Options For Michigan Insurance Exchanges



Establishing an exchange with a limited role using technology (something similar to Orbitz or Travelocity and build on that success) is the preferred method amongst Michigan voters. With slightly more support from Republicans than Independents and Democrats.

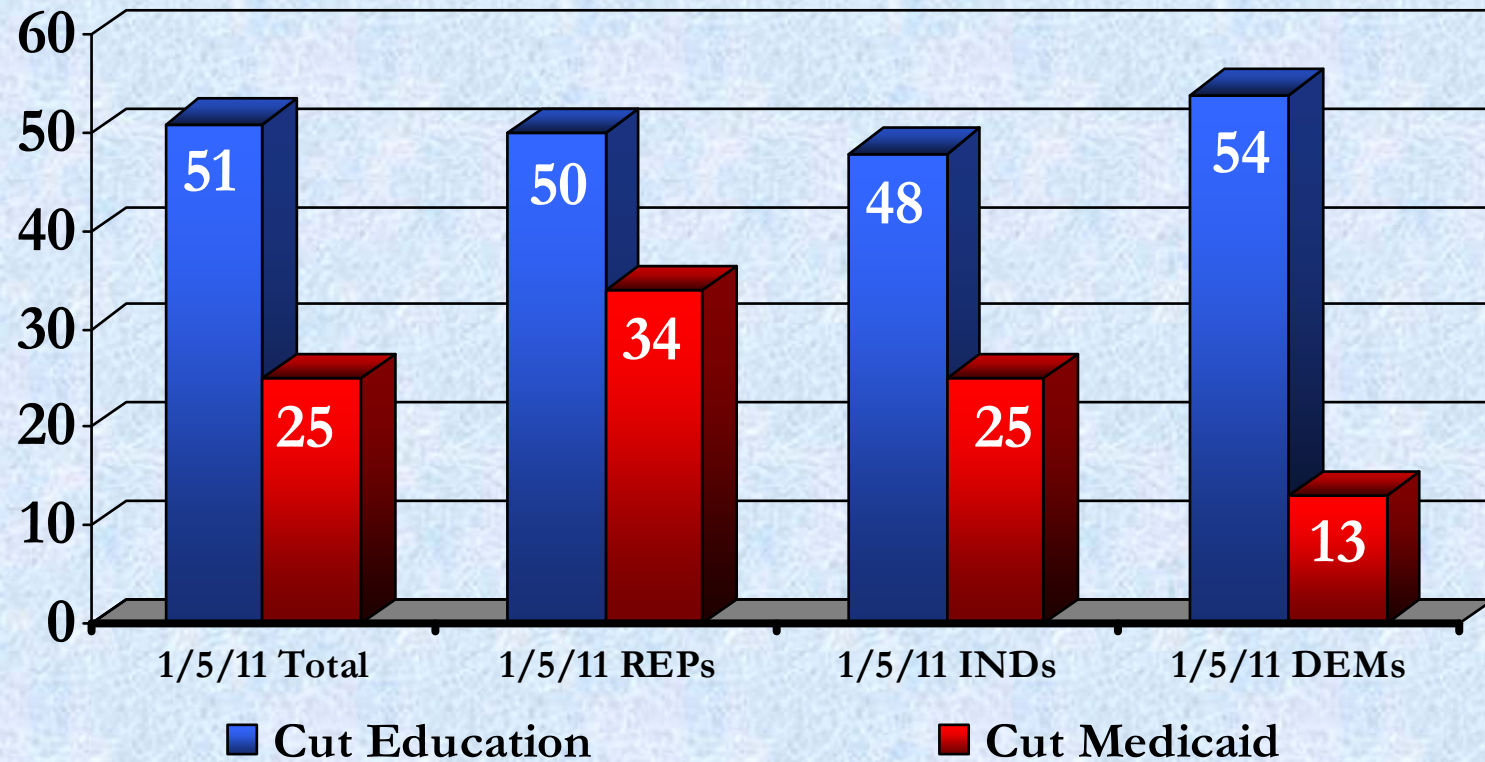
Three Options To Balance The Budget



Of the three options:

- “making big cuts...” is the most consistent among the three party groups.
- The largest conflicting view is the option to “raise taxes with no cuts...”
- The second largest conflict is the option to “have an all cuts, no tax increase budget...”

Cutting education or Medicaid



WHAT CAN WE EXPECT? AND WHAT DOES THIS MEAN?

- **Unreasonable Premium Rate Increase Disclosure and Review (July 1, 2011)**—how is this defined and by whom?
- **Accountable Care Organizations (Jan. 1, 2012) (Friend or Foe)?**
- **Medicare Value-Based Purchasing (Oct. 1, 2012)**
 - Establishes a hospital value-based purchasing program in Medicare to pay hospitals based on performance on quality measures and requires plans to be developed to implement value-based purchasing programs for skilled nursing facilities, home health agencies, and ambulatory surgical centers.
- **Patient-Centered Outcomes Research Trust Fund Levy (Effectiveness Research) (Oct. 1, 2012)**
 - Health insurance policies assessed a \$2.00/enrollee fee beginning with the plan year after September 23, 2012 (\$1.00/enrollee in 2013).
- **Medicare Advantage Payment Changes (July 1, 2011)**

WHAT CAN WE EXPECT? AND WHAT DOES THIS MEAN?

- **Minimum Medical Loss Ratios (Jan. 1, 2011)**
 - Health plans (including grandfathered plans) must meet *minimum* medical loss ratios and provide premium rebates to subscribers/enrollees **if ratios not met.**
 - Large Group Market $\geq 85\%$; Small Group Market and Individual Market $\geq 80\%$. -- **State can establish higher percentages.**
 - Small group re-defined as 1-100; and large group is 100+.
 - Will Michigan adopt legislation to reinstate the current 2-50 small group definition for years prior to 2016?
 - **Health plans must assess how premiums dollars are spent (and, in particular the extent of their administrative expenses) in light of the MLR requirements.**

WHAT CAN WE EXPECT? AND WHAT DOES THIS MEAN?

State Insurance Reform (addition to Exchange)

- Under an environment where all carriers will be “insurers of last resort” by end of 2013 and will have guaranteed issue requirement:
 - Michigan will need to **amend Insurance Code** (Chapters 34,35,36,37) for consistency on benefits and mandates
 - Michigan will need to **amend PA 350** to address similar issues and to repeal provisions in light of changes in insurer of last resort obligation for all carriers
- Mandates beyond the essential benefits identified for the Exchange will be at State Expense

WHAT CAN WE EXPECT? AND WHAT DOES MEAN?

- **Medicaid Expansion**

- Potential **access problems**—delivery system capacity to absorb newly insured coupled with low provider rates (both supply and reimbursement)
- Medicaid payment to Michigan hospitals was approximately **83%** of cost (2007)
- Michigan's Medicaid physician fee schedule is among the lowest in the country (44th)
 - Payment is **63%** of the Medicare physician fee schedule (and Medicare fees are about **78%** of average commercial fees)
- Federal law provides that primary care services are to be paid at 100% of Medicare fee schedule for 2013 and 2014

- **Massachusetts** experience—recent bill introduced to require physicians to participate in government programs as a condition of licensure

WHAT CAN WE EXPECT? AND WHAT DOES MEAN?

U.S. Dept of Justice/Atty Gen Anti-Trust Lawsuit and other lawsuits involving BCBSM and potential issues:

- Most Favored Nation Clauses
- Provider Rate Parity
- Repeal of all or significant portions of PA 350
- Rewrite of sections of Insurance Code

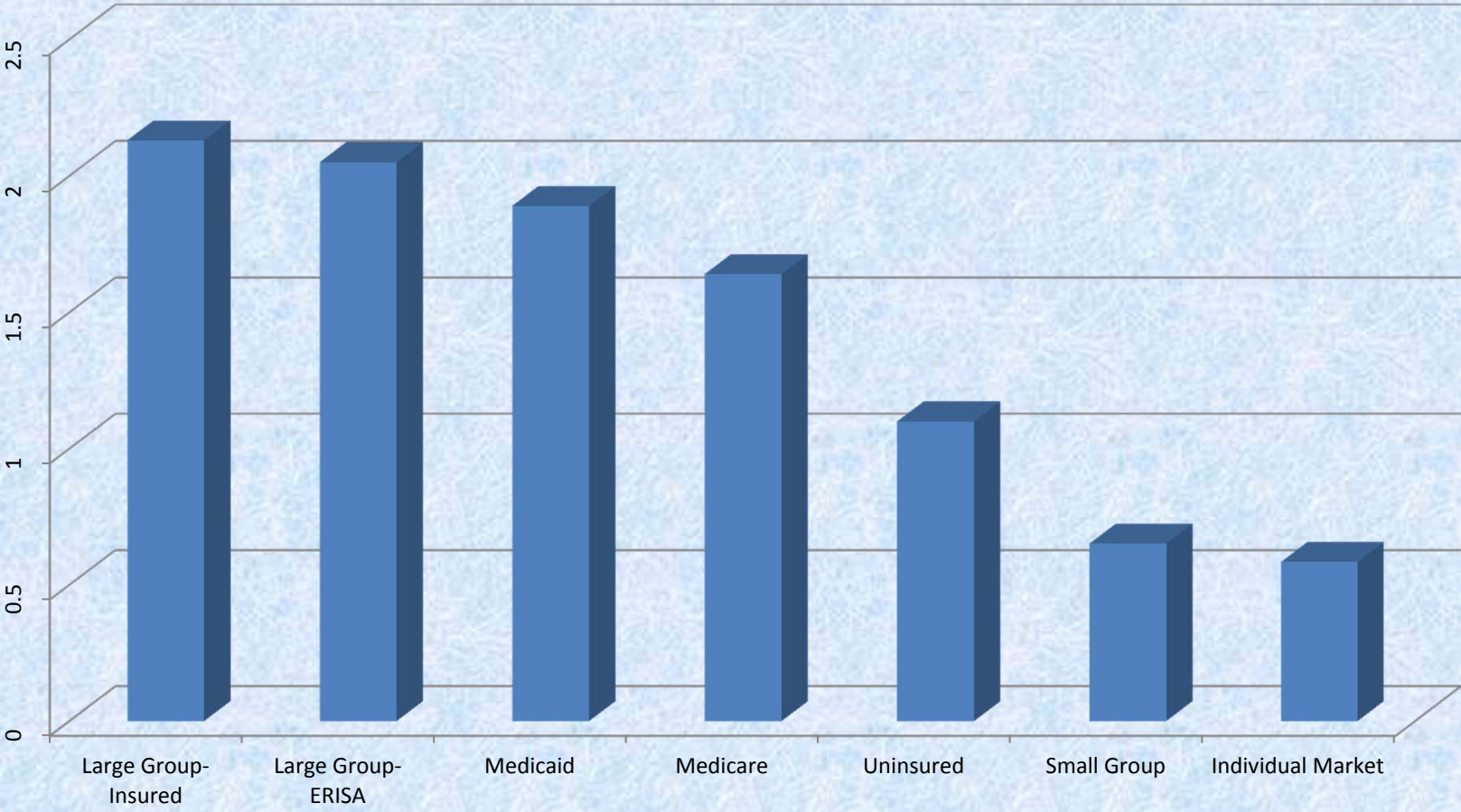
WHAT CAN WE EXPECT? AND WHAT DOES MEAN?

Anticipated Legislation (including that promoted by MAHP)

- Scope of Practice Legislation
- Variety of mandates, including autism
- Access to MAPS (MAHP Initiative)
- Access for 3rd Party Liability/COB (MAHP Initiative)
- Variety of Pharmaceutical Legislation
- Tax Simplification
- Social Issues Legislation (Family Planning, abortion, etc)
- Amending Michigan's No Fault Auto Insurance (Unlimited Medical)
- Banning Most Favored Nation clauses and other anti-competitive practices

Coverage for Michigan Citizens (2009)

(Millions)



For more information on health reform, please visit MAHP's website (www.mahp.org) and newly updated links:

<http://www.mahp.org/federalreform.html>