



# House Health Policy Committee

## Current and Emerging Health Insurance Issues in Michigan

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# 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 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

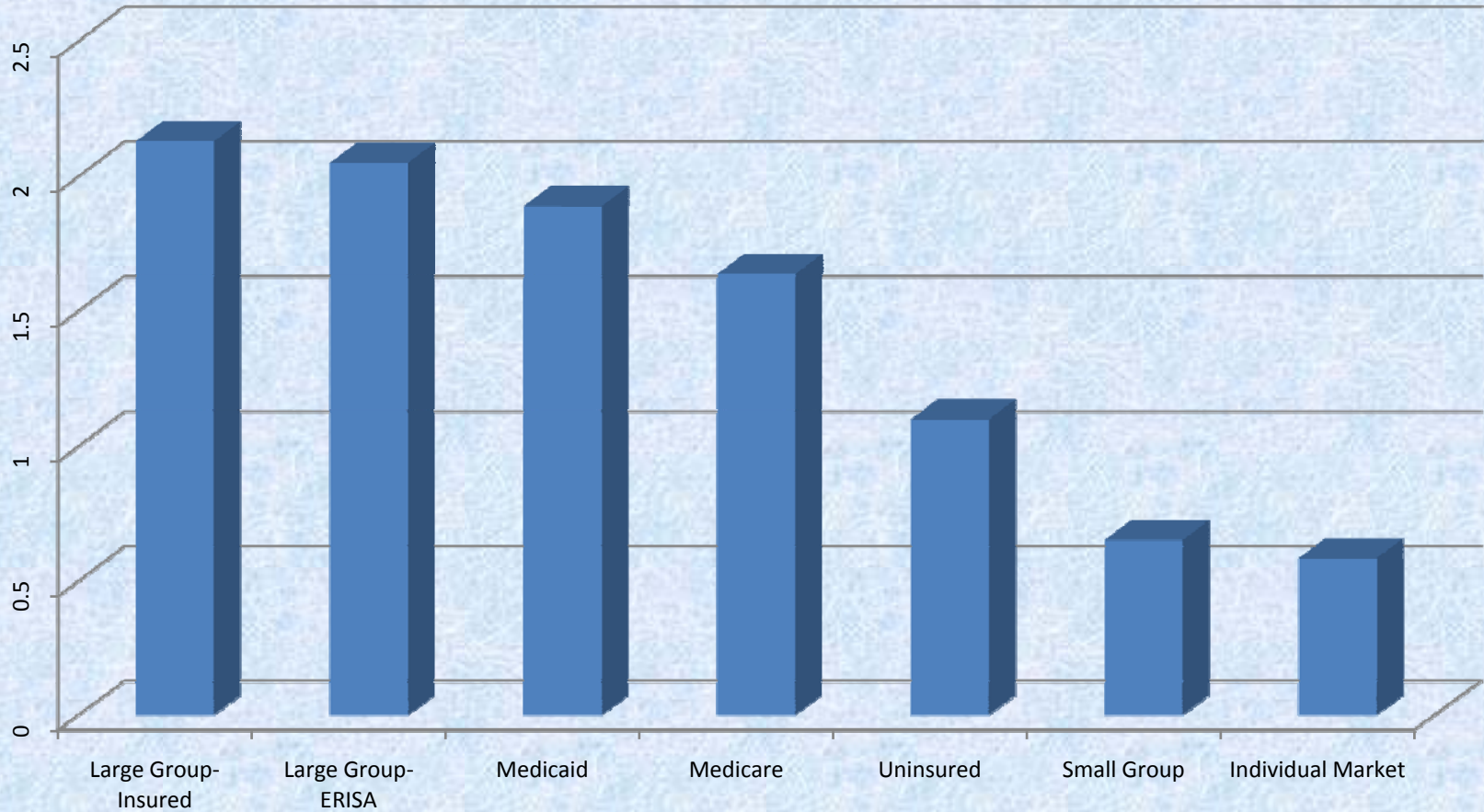
**Total Health Care**

#33 Medicaid Plan

**Upper Peninsula Health Plan**

#19 Medicaid Plan

# Coverage for Michigan Citizens (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)
  - Assuming eligibility expansion by 2014, **one in four in Michigan** will be on Medicaid
- Managed Care provides a point of accountability and cost-effectiveness. Over last decade this form of delivery has saved the state and federal government \$4 Billion dollars compared to regular Medicaid fee for service operations.
- As result of being the main delivery system, Medicaid HMOs are in the middle of State Budget Issues—funding for Medicaid Managed care currently exceeds \$4.0 billion in State Budget
- 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

# 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

# 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 to be operational by Jan. 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

# Key State Issues

- **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
  - The Legislature should begin consideration of these changes during this current legislative session

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

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