

# Select Topics in Health Insurance Summer 2018

By Mike Bertaut

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Summer 2018



Louisiana

# Since We Have Managed to Build a Healthcare System NO one can afford to pay out of pocket....

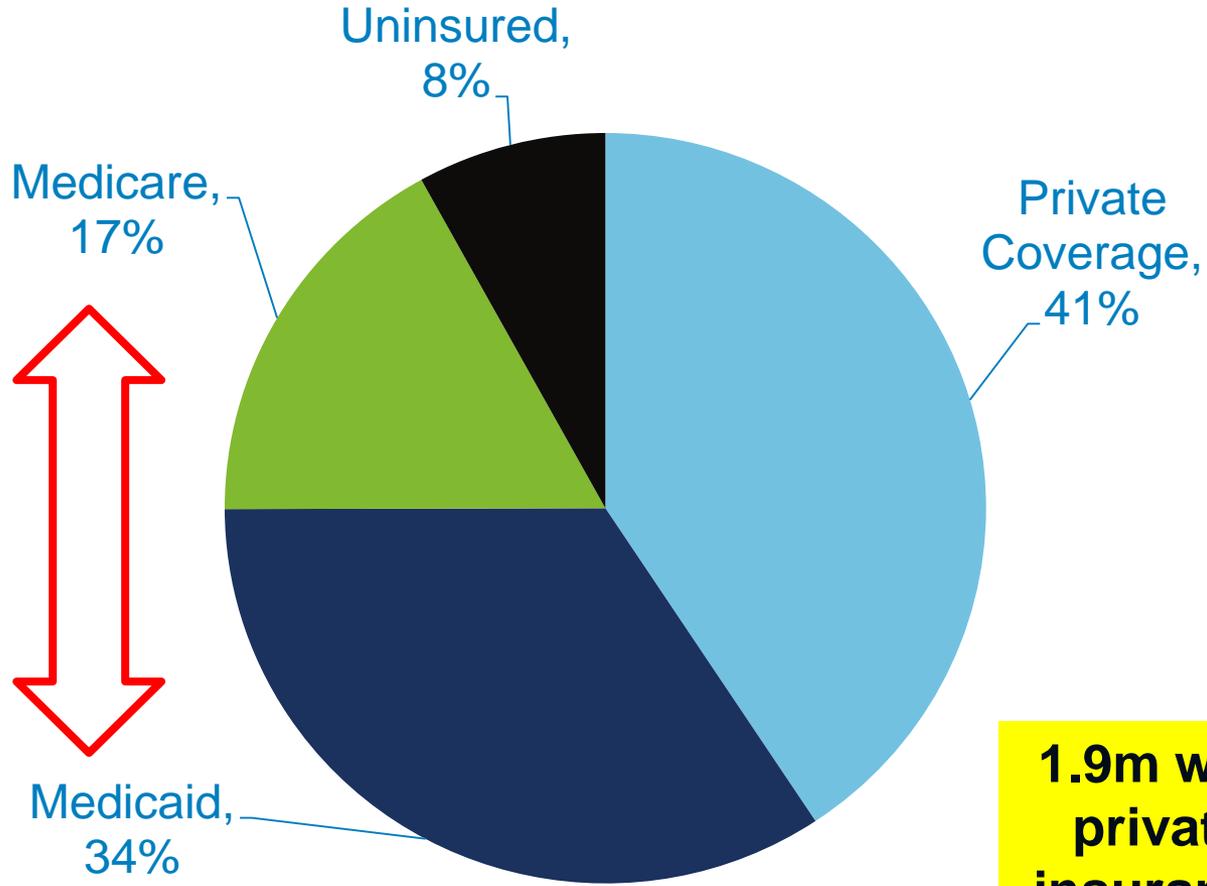
- We all are entirely dependent on 3<sup>rd</sup> party payers for our healthcare.
- 3 Biggest In Louisiana are
  - Medicaid (1.7m)
  - Blue Cross (1.5m)
  - Medicare (800k)

# Louisiana Insurance Status

## Mike's Best Estimate 1/1/18; 4.68m People

1/3<sup>rd</sup> of Medicare recipients are under 65.

Over Half of All Louisianans have health insurance coverage through a government entity.



1.9m with private insurance

# Let's Talk About Government Insurance:

First, *Medicaid* Administered By:



# Medicaid Eligible—Pre 2016 Expansion

- **VERY Poor (<22%FPL)\***
- Blind
- Disabled
- Low Income Pregnant women (while pregnant) (1984)
- Children in low income households (1997)
- Developmental Disabilities
- This Original Medicaid population is a partnership between the federal and state government.
- Current La. Payment Mix is
  - *~63% Federal*
  - *~37% State*
  - ***National Avg. 50/50***

\* Asset test

# NEW Medicaid Eligible Population

- Only 1 Category and Only Income Based:
- ***Household Income of 138% of the Federal Poverty Line or less***
- Able-bodied are eligible.
- Over 468,000 enrolled since 7/1/16
- **Anticipated 275,000**
- State Match for new population
  - **2014 to 2016: 0%**
  - 2017: 5%
  - 2018: 6%
  - 2019: 7%
  - 2020: 10%
  - After 2020: 10%

State taxes hospitals, insurance carriers to cover match %

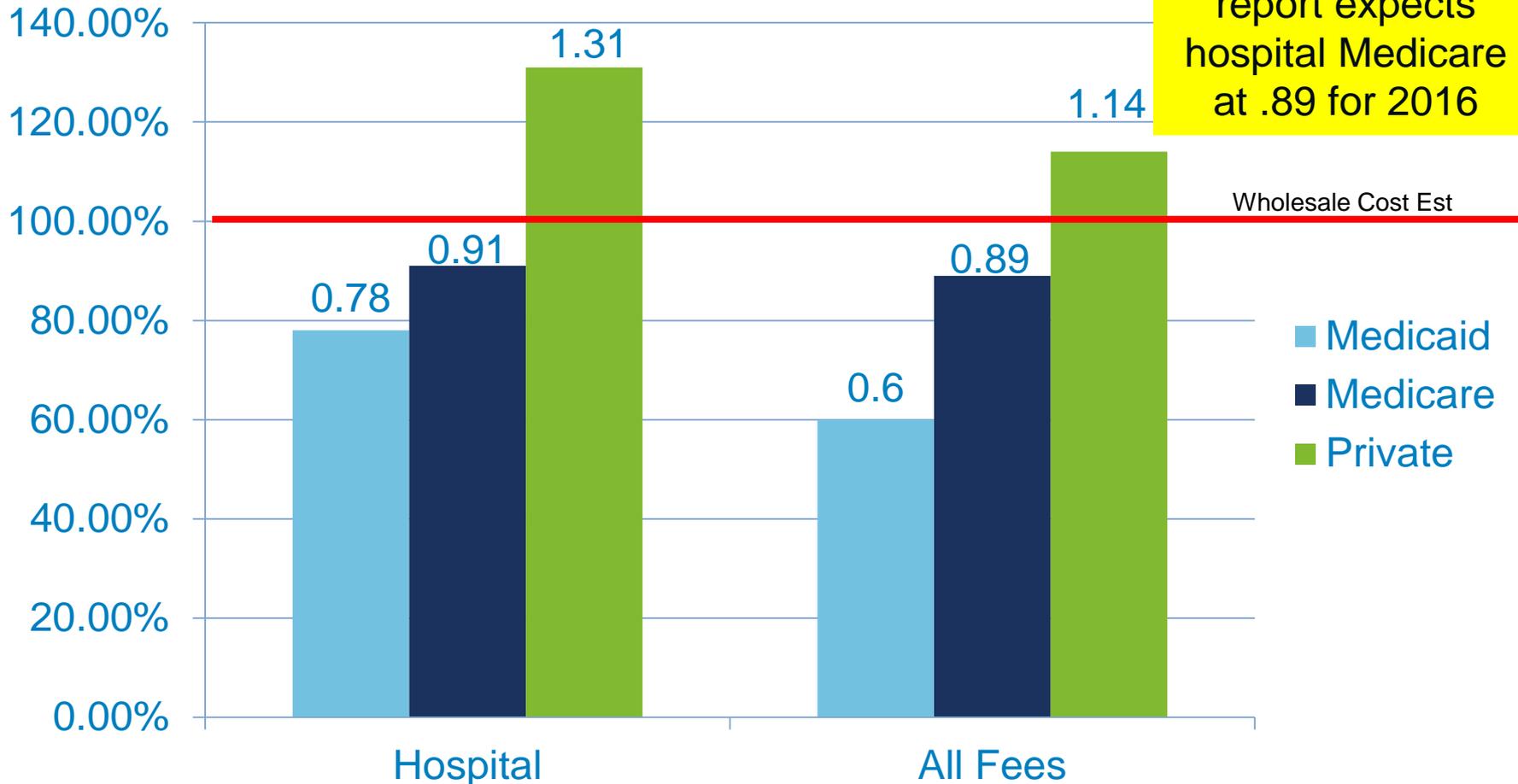
## What Is 138% of FPL?

<u>HH Size</u>	<u>Annual</u>	<u>Monthly</u>
1	\$16,643	\$1,387
2	\$22,411	\$1,868
3	\$28,180	\$2,348
4	\$33,948	\$2,829
5	\$39,716	\$3,310
6	\$45,485	\$3,790
7	\$51,253	\$4,271
8	\$57,022	\$4,752
<b>2017</b>	<b>Results</b>	

## What Does it Cost To Use it?

- Medicaid has no premiums, no-copays (except an optional \$3 drug copay in certain plans), and no out of pocket spending required in Louisiana 2017.
- Work requirements for the able-bodied are under consideration.

# Reimbursement Ratios: National ('09-'14)



<https://www.texmed.org/June16Journal/>; Milliman "Eve of PPACA"; Clemens and Gottlieb at the National Bureau of Economic Research 2014

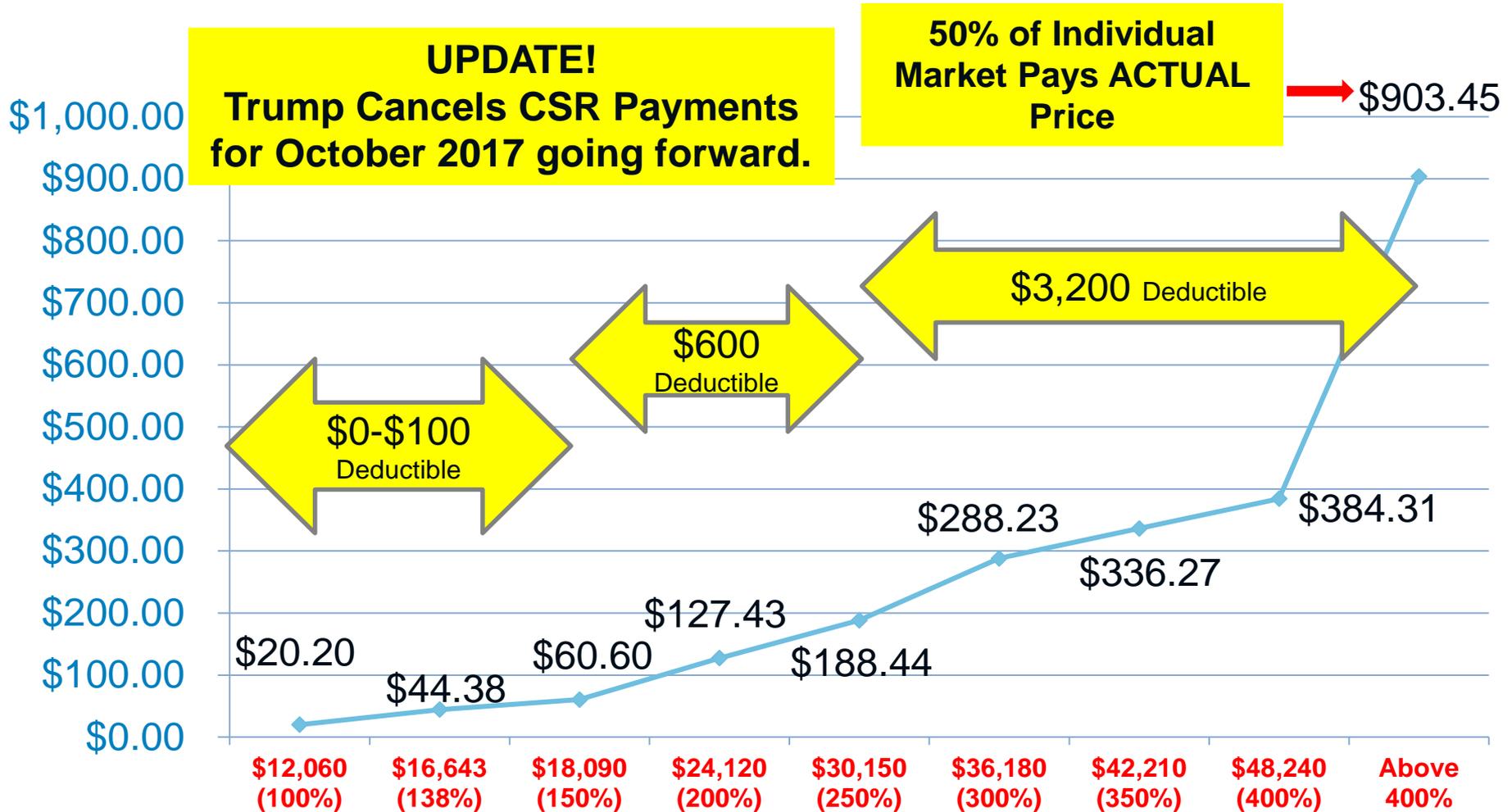
# The ACA Markets, 2019 and Beyond



Blue Cross and Blue Shield of Louisiana is an independent licensee of the Blue Cross and Blue Shield Association and incorporated as Louisiana Health Service & Indemnity Company.

# How Healthcare.Gov Works 2018

## (2nd Cheapest Silver Plan, 56 Yr Old, \$3,200 Deductible)



# Why Has Individual Health Insurance Doubled in Price Since 2013?

- Lack of Federal Enforcement means people can easily buy coverage AFTER they get sick.
- The risk pool is too old because federal age rating formula drives out young and healthy (AARP)
- Individual Mandate has 29 separate exemptions and **Expires in 2019**
- Generous new mandates drive up coverage costs once in the pool. Lots of freebies.
- Overlay natural growth in PHARMA, hospital spending and costs keep rising.

# Now 28 Exemptions to Individual Mandate

- Unaffordable Coverage (above 8% of MAGI)
- Member of an Indian Tribe
- Member of a Healthcare Sharing Ministry
- 3 month coverage gap (9 months covered)
- Income below the filing threshold
- Out of the country for 330 days last year
- Dual citizenship for an entire tax year
- A resident of a US Territory
- A citizen of a country with which the US has an income tax treaty
- Not lawfully present in the United States (undocumented immigrant)
- A non-resident alien
- Anyone who files a 1040 NR
- Incarceration for any portion of the tax year
- Member of certain religious sects recognized by the SSA as non accepting of insurance
- Two or more family members aggregate costs of employer coverage exceeds 8.05% of HH income
- **Hardship circumstance: homelessness, eviction, foreclosure, domestic violence, death of a close family member, or unpaid medical bills.**
- Unaffordable coverage based on your NEXT year's projected income.
- Declared ineligible for Medicaid because you live in a non-expansion state..
- Income below 138% of FPL
- Your prior year plan was unrenewable and that triggered affordability problems
- You were in Americorps, VISTA, or NCCC
- Resident of Disaster Areas
- Live in County with only one carrier or less
- Only plans available cover abortion services

**Original Exemptions 1/1/2014**

**Exemptions Added  
6/2014 through 04/2018**

**MANDATE FINE  
REDUCED TO \$0 ON  
1/1/19!**

# SHORT TERM LIMITED DURATION HEALTH PLANS



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# Short Term vs QHP Exchange Policies

- New STLDI final reg issued late July.
- Duration 364 Days
- 36 months total renewals
- Not required to cover EHB's
- Not required to hit QHP value

# STLDI vs QHP Exchange Plans

- May be Underwritten
- Priced based on health, gender.
- Prices will be MUCH lower
- Significant disclaimers required to purchaser up front.

## Why Bother Selling STLDI?

- We lose 30,000 members in the individual market each year between Jan- and Dec-
- Research shows the majority are under 35 and healthy
- Drop coverage because of costs, stay uninsured in the main.

# What's the Deal with Association Health Plans?



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# Association Plans have Several Levels of Regulation

- LDOl has strict rules for forming a self-funded Association that are being updated today. Expect soon.
- LDOl will add registration requirements for fully insured associations soon. We are waiting on these.
- Key Question: Will rates even be lower? **No clear savings!**

# New Fed Rule: Who Can Join an Association?

- Membership Criteria:
  - Common Law Employees, or
  - **Working owners**, or
    - MUST be engaged in ongoing business activity
    - Must work 20 hours/week or 80 hours/month in said activity
  - Or Both.

# Can an AHP be Formed JUST to provide Health Benefits?

- NO!
  - *The AHP MUST have at least one other business purpose than just the provision of health benefits.*
  - This activity is not required to be a for-profit activity.
  - *Test is: Would the Organization still be a viable entity if it didn't offer a Health Plan?*

# What Kind of Structure Do Associations Have to Have to form AHP's?

- **A Recognizable, Stable Structure with a;**
  - Board
  - Bylaws, or similar indications of formality, in writing.
  - Readily identifiable parties responsible for operations
  - **Fiduciaries**
    - Responsible for determining bona fide eligibility
  - Ultimate control by Member Employers—Association Must pass a Control Test
    - Do members nominate controlling Officers on a regular basis?
    - Can employer members remove an officer with, or without cause?
    - Do employer members have the authority to monitor, edit, or veto decisions of the governing body?

# What Does An AHP Have to Cover?

- *EHB's are NOT required, BUT if any part of an EHB is covered the entire EHB category must be covered.*
- Minimum Value is NOT required
- USPSTF Schedule A/B at \$0 copay IS REQUIRED
- Must cover maternity
- Max Out of Pocket limits apply
- No lifetime or annual dollar limits allowed
- Mental Health Parity applies (based on size of AHP)
- State authority still applies (Sec 514 ERISA)
- Fully Insured AHP's can be licensed by the State

# What Does an AHP Have to Cover? (cont'd)

- **All Title I disclosure requirements apply to AHP's**
  - SPD's, SMM's, SMR's
  - All “rights and obligations” documents”
  - Cost sharing provisions, limits on benefits, drug coverage, etc in plain language
- **NO pre-x exclusions, or up-charging based on health conditions**
- Kids to age 26 (if the AHP offers dependent coverage at all)
- No waiting periods beyond 90 days
- OB/GYN's, pediatricians as primary care must be allowed.
- Standard Appeals process for non-GF plans

# Health Insurance Company Roles in AHP

- The final rule retains the requirement in the Proposed Rule that the group or association sponsoring the AHP **cannot be a health insurance issuer or owned or controlled by a health insurance issuer** in order for it to qualify as bona fide.
- In general, Carrier employees cannot sit on the Boards of such Associations

## Current BCBSLA Position on AHP's

- If a state approved **self-funded** association requests a quote/sends out an RFP we will participate.
- If a **fully insured** association wants a quote, we are not ready to do that at this time.
  - Need state rules
  - Need to see if rates are any lower
  - Need business rules, especially on administration and liability before we decide.

# State of the State Information

## Louisiana Falling Behind?



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# BCBSLA 2017 INCOME STATEMENT

## 82% of Premiums Went to Medical in 2017

In 2017, BCBSLA collected \$3.3B in risk premiums, broken out like this:

Includes non-recurring HIT windfall of \$80-\$100m

7.2% Workforce  
3.7% Commissions  
2.8% Taxes/ACA Fees  
4.3% Reserves

\$1.2B;  
35%

\$740M;  
22%

\$830M;  
25%

\$610M;  
18%



Hospital

Physician

Drugs

Everything Else!

# Louisiana Healthcare Challenges: We're Not California

MEASURE	Louisiana	California	Difference
<b>Life Expectancy</b>	75.7 years	80.8 years	-5.1 Years
<b>Cancer Deaths*</b>	186	144	+42 people
<b>Heart Disease Deaths*</b>	216	142	+74 people
<b>Accidents, all types*</b>	49	29	+20 people
<b>Stroke Deaths*</b>	46	34	+12 people
<b>Lung Disease*</b>	46	32	+14 people
<b>Diabetes*</b>	25	20	+5 people
<b>Tobacco Use Rate</b>	21.9%	11.7%	+10.2%

\* Deaths per 100,000 residents annually from 2015-2016 data

# *Do All the Solutions Lie with the Federal Government?*



***“After two years in Washington, I often long for the sincerity and realism of Hollywood.”***

*Tennessee Senator & Actor  
Fred Dalton Thompson  
(b1942-d2015)*

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**SHAMELESS PLUG SECTION!**

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**I'd Love to Hear From You!**



**“Call me  
Doctor Abby!”**

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“I’M GOING TO PT SCHOOL!!”**