Select Topics in Health Insurance Summer 2018

By Mike Bertaut
Healthcare Economist, Exchange Coordinator
Summer 2018
Since We Have Managed to Build a Healthcare System NO one can afford to pay out of pocket....

- We all are entirely dependent on 3rd 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

1/3rd of Medicare recipients are under 65.

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

1.9m with private insurance

Uninsured, 8%

Private Coverage, 41%

Medicaid, 34%

Medicare, 17%
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?**

<table>
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<tr>
<th>HH Size</th>
<th>Annual</th>
<th>Monthly</th>
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<tbody>
<tr>
<td>1</td>
<td>$16,643</td>
<td>$1,387</td>
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<tr>
<td>2</td>
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<td>$1,868</td>
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<td>3</td>
<td>$28,180</td>
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<td>$45,485</td>
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<td>$4,271</td>
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<tr>
<td>8</td>
<td>$57,022</td>
<td>$4,752</td>
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<tr>
<td>2017</td>
<td>Results</td>
<td></td>
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</table>

**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)


2016 Medpac report expects hospital Medicare at .89 for 2016
The ACA Markets, 2019 and Beyond
How Healthcare.Gov Works 2018
(2nd Cheapest Silver Plan, 56 Yr Old, $3,200 Deductible)

UPDATE!
Trump Cancels CSR Payments for October 2017 going forward.

50% of Individual Market Pays ACTUAL Price

$903.45

$0-$100 Deductible

$600 Deductible

$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

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**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
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?
Association Plans have Several Levels of Regulation

- LDOI has strict rules for forming a self-funded Association that are being updated today. Expect soon.
- LDOI 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?
In 2017, BCBSLA collected $3.3B in risk premiums, broken out like this:

- **$1.2B; 35%**
- **$740M; 22%**
- **$830M; 25%**

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

- **7.2% Workforce**
- **3.7% Commissions**
- **2.8% Taxes/ACAFees**
- **4.3% Reserves**

82% of Premiums Went to Medical in 2017

- 82% of Premiums
- 7.2% Workforce
- 3.7% Commissions
- 2.8% Taxes/ACAFees
- 4.3% Reserves

In 2017, 79% of risk premiums were allocated to Healthcare Costs:

- **Hospital: $610M; 18%**
- **Physician: $740M; 22%**
- **Drugs: $830M; 25%**
- **Everything Else!**

Includes non-recurring HIT windfall of $80-$100m
## Louisiana Healthcare Challenges: We’re Not California

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

* 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)
WWW.STRAIGHTTALKLA.COM is your Policy Touchstone

WHY WE ARE HERE

SO, WHAT'S A SHORT-TERM LIMITED DURATION Health Insurance Policy?

WHY LOUISIANA ISN'T CALIFORNIA

MAKING A DIFFERENCE FOR PRESCRIPTION DRUGS

SHAPING LOUISIANA'S HEALTH FORWARD: Addressing health disparities and social determinants of health
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I’d Love to Hear From You!

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Dec 2017 Graduate BS in Biology
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SELU 13 Club
“I’M GOING TO PT SCHOOL!!”

“Call me Doctor Abby!”

SHAMELESS PLUG SECTION!