Health Insurance – Concurrent Session 3

Health Care Reforms in the USA and Lessons for India

Waves of Reforms…Oceans of Opportunities
2013 AGFA & 15th Global Conference of Actuaries
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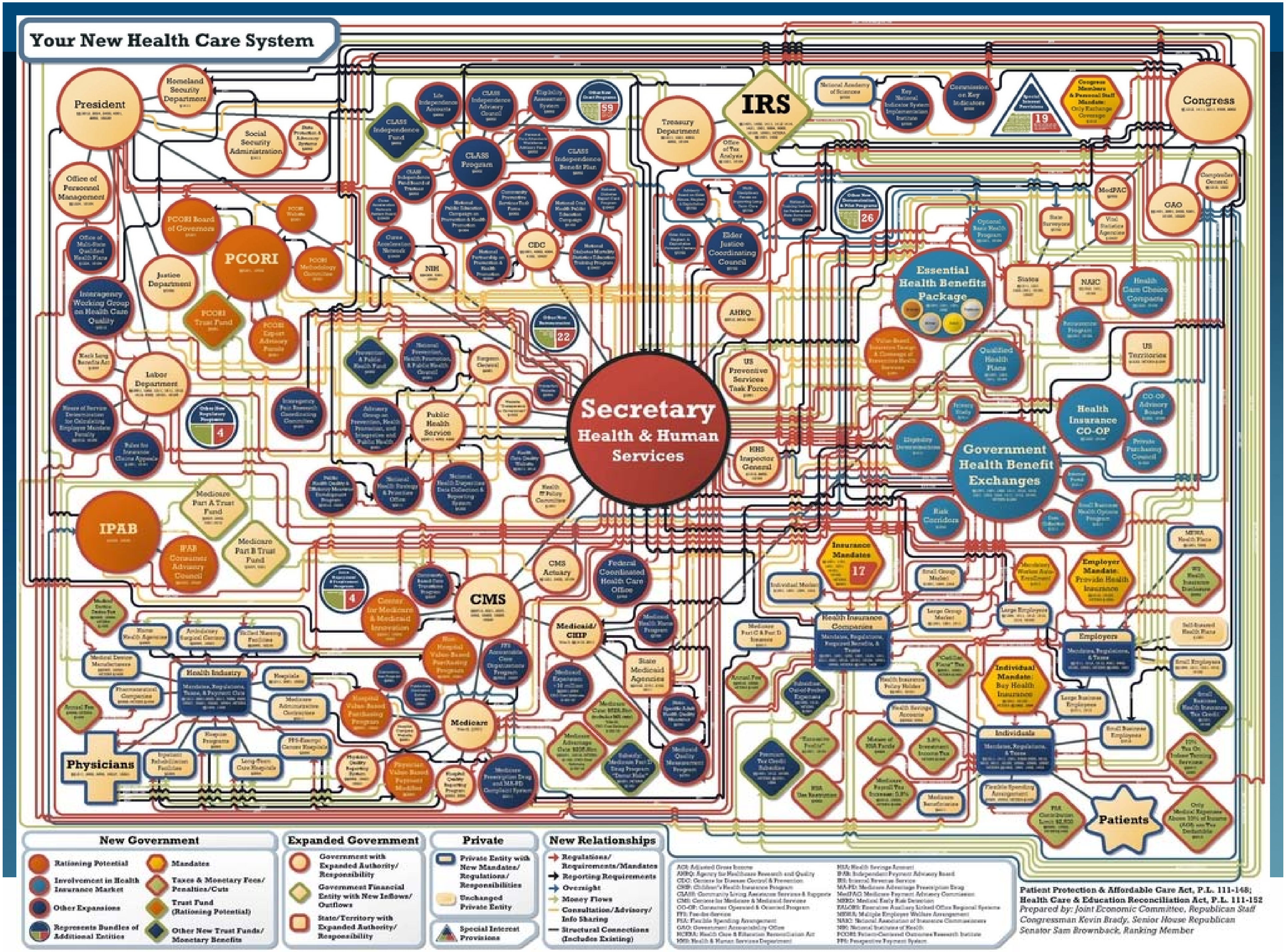
Trillion Dollar Wars
Who needs healthcare?



Your New Health Care System
President
Congress
IRS
Treasury Department
Secretary Health & Human Services
PCORI
IPAB
CMS
Medicare
Medicaid/CHIP
CDC
NIH
AHRQ
CLASS Program
Essential Health Benefits Package
Government Health Benefit Exchanges
Health Insurance CO-OP
Insurance Mandates
Employer Mandate: Provide Health Insurance
Individual Mandate: Buy Health Insurance
Health Insurance Companies
Health Industry
Employers
Individuals
Physicians
Patients
Labor Department
Justice Department
Office of Personnel Management
Social Security Administration
Homeland Security Department
GAO
MedPAC
NAIC
States
US Territories
Elder Justice Coordinating Council
US Preventive Services Task Force
HHS Inspector General
Public Health Service
Medicare Part A Trust Fund
Medicare Part B Trust Fund
Center for Medicare & Medicaid Innovation
CMS Actuary
Federal Coordinated Health Care Office
State Medicaid Agencies
New Government
Rationing Potential
Involvement in Health Insurance Market
Other Expansions
Represents Bundles of Additional Entities
Mandates
Taxes & Monetary Fees/Penalties/Cuts
Trust Fund (Rationing Potential)
Other New Trust Funds/Monetary Benefits
Expanded Government
Government with Expanded Authority/Responsibility
Government Financial Entity with New Inflows/Outflows
State/Territory with Expanded Authority/Responsibility
Private
Private Entity with New Mandates/Regulations/Responsibilities
Unchanged Private Entity
Special Interest Provisions
New Relationships
Regulations/Requirements/Mandates
Reporting Requirements
Oversight
Money Flows
Consultation/Advisory/Info Sharing
Structural Connections (Includes Existing)
Patient Protection & Affordable Care Act, P.L. 111-148;
Health Care & Education Reconciliation Act, P.L. 111-152
Prepared by: Joint Economic Committee, Republican Staff
Congressman Kevin Brady, Senior House Republican
Senator Sam Brownback, Ranking Member

Health Reforms – At A Glance

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Annexure

Additional details of the US health care reforms

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Key Features

- Summary of Benefits and Coverage (SBC) and Uniform Glossary

  Health insurers are required to provide an easy to understand summary about a health plan's benefits and coverage. It helps in to better understand and evaluate your health insurance choices.

- Preventive Care Services

  Under ACA, people enrolled under health plans may be eligible for some important preventive services − which can help them avoid illness and improve their health − at no additional cost.

- Pre-Existing Condition Insurance Plan (PCIP)

  The Pre-Existing Condition Insurance Plan makes health coverage available to those who have been denied health insurance because of a pre-existing condition, *and* have been uninsured for at least six months. It can also be used to treat pre-existing disease

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Key Features

- Children's Pre-Existing Conditions

  Under ACA, health plans cannot limit or deny benefits or deny coverage for a child younger than age 19 simply because the child has a "pre-existing condition" − that is, a health problem that developed before the child applied to join the plan.

- Curbing Insurance Cancellations

  ACA stops health plans from retroactively canceling the insurance coverage solely because member & member's employer made an honest mistake on your insurance application.

- Fighting Unreasonable Health Insurance Premium Increases

  The Act ensures that, in any State, large proposed increases will be evaluated by experts to make sure they are based on reasonable cost assumptions and solid evidence. Additionally, insurance companies must provide easy to understand information to their customers about their reasons for significant rate increases.

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Key Features

- Removes Insurance Company Barriers to Emergency Services

  You can seek emergency care at a hospital outside of your health plan's network. You do not have to bear extra co-pay or co-insurance.

- Consumer Operated and Oriented Plans (CO-OPs)

  ACA creates a new type of non-profit health insurer. These insurers are run by their customers. CO-OPs are meant to offer consumer-friendly, affordable health insurance options to individuals and small businesses.

- The Health Insurance Marketplace (Exchanges)

  The Health Insurance Marketplace is designed to make buying health coverage easier and more affordable. The Marketplace will allow individuals and small businesses to compare health plans, get answers to questions, find out if they are eligible for tax credits for private insurance or health programs like the Children's Health Insurance Program (CHIP), and enroll in a health plan that meets their needs.

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Key Features

- Medical Loss Ratio (MLR)

  MLR requires insurance companies to spend at least 80% or 85% of premium dollars on medical care, with the review provisions imposing tighter limits on health insurance rate increases. If they fail to meet these standards, the insurance companies will be required to provide a rebate to their customers.

- State Innovation Waivers

  The Affordable Care Act allows for States to pursue strategies to help people obtain affordable health insurance. The rules lay out the steps States will have to take to gain an Innovation Waiver under the Affordable Care Act.

- Annual Limits

  Annual limits are the total benefits an insurance company will pay in a year while an individual is enrolled in a particular health insurance plan.

  Starting in 2014, the Affordable Care Act bans annual dollar limits.

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Key Features

- Healthcare.gov

  HealthCare.gov is the first central database of health coverage options, combining information about public programs with information on more than 8,000 private insurance products. Consumers can review options specific to their personal situation and local community. The website connects consumers to quality rankings for local health care providers as well as preventive services.

- Risk Mitigation

  There are three risk mitigation tactics in play starting in 2014. They are Risk Adjusters, Reinsurance and Risk Corridors.

- Taxes and Fees

  There are numerous new taxes and fees that are assessed for various purposes.

- Many other features too numerous to describe

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Summary of ACA's 3 Main Risk Mechanisms

	Reinsurance	Adjusters	Corridors
Goal	Reimburse individual carriers for likely adverse selection due to insuring highest cost individuals.	Mitigate adverse selection by ensuring plans compete based on efficiency (e.g., discounts, admin costs, etc.), not health status.	Give carriers comfort when participating in new markets on 1/1/14 by limiting their gains / losses.
Mechanism	All plans (including self-funded) will pay into a pool from which individual carriers will draw based on a percent of individual claims beyond an attachment point.	HHS will use a distributive approach to collect medical diagnoses (HCCs) and calculate a zero-sum payment transfer among the carriers based on a concurrent basis on medical and Rx costs for their risks insured.	Government will collect from (or reimburse) qualified health plans based on their financial results beyond a 3% loss ratio corridor after the reinsurance and risk adjustment calculations.
Starts	January 1, 2014		
Ends	Contributions end December 31, 2016; Payments may go through 2018	Indefinite	December 31, 2016
Authority	State Option		HHS
Markets	Pay: Commercial FI/SI plans; Receive: Ind non-GF Exch & Non	Individual and Small Group	
	Exchange and Non-Exchange (excl. Grandfathered)		QHPs Only: Exchange and Non

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Pricing for the 3 Rs

- Reinsurance
  - Quarterly payments starting January 15, 2014
  - Calculate tax and build it into the insurance prices
  - Factor in reimbursement for any individual exchange business
- Risk Adjusters
  - Load base rate for average morbidity of insureds
  - Consider uninsured and newly self-insured
  - Price to a 1.00 risk [with potential margin to reflect imperfect risk adjusters]
  - Need to work risk scores to improve revenue
- Risk Corridor
  - Estimate net impact of pricing too high/low
  - May want to use in pricing strategy

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Temporary Risk Corridor Program

- Risk corridor compares Allowable Cost to Target Amount
- Any gain/loss is shared with HHS
- Proposed Rule changes definition of Allowable Administrative Cost to include taxes and profit
- Purpose to make Risk Corridor program consistent with MLR definitions and approach
- Recognizes that issuers should be allowed to make a profit
- Profit defined as: Greater of
  1. Three percent of after-tax premiums earned; and
  2. Premiums earned minus allowable costs and administrative costs

  Subject to 20% cap on allowable administrative costs

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Selected ACA Taxes / Fees

		Reinsurance Subsidy	Health Insurer Fee/Tax (ACA Sec. 9010)	Comparative Effectiveness Research	Cadillac / Excise
Rationale/Description		All markets help subsidize poor morbidity in individual market	Fixed fee collected by government based on allocation of premium relative to total	Fee funds research to compare health outcomes and clinical effectiveness	Method to put individual and group insurance on taxation level playing field
How long?		2014-2016	Indefinitely	2012 – 2019	2018+
How much?	***Dollars***	$12/$8/$5 billion total; $10/$6/$4 billion shared; $2/$2/$1 billion Treasury Plus Administrative	2014: $8B 2015/6: $11.3B 2017/8: $13.9-14.3B Index: Premium Trend	PY ending on or after: 10/1/12: $1 PMPY 10/1/13: $2 PMPY Indexed to NHE	40% of fully insured equivalent costs over $10,200/$27,500 trended at CPI-U+
	Est. PMPM	$5 PMPM Paid (?) $20-50 PMPM Indiv. Offset	$5 PMPM (?)		Varies based on many factors, incls: FSA/HRA/HAS
	Est. % Prem	1-2%	1-2%	<0.2%	
Who Pays?	***Individual***	Applicable to Carrier			NA
	Small FI				Employer will ultimately pay the bill
	Large FI				
	Self-insured	Plan Sponsor (TPA liable?)	Stop-loss Only or NA	Plan Sponsor	
	Exemptions		0%: <$25M prem, NPs, Ltd ben. policies 50%: $25-50M,501(c)	Medicare, Medicaid, Stop-loss carriers, FSAs, etc.	Higher thresholds for high risk groups, Applies to GFd plans
Other Thoughts		This is one of the three risk adjustment mechanisms.	FIT: Not deductible NA:DI, LTC, MedSupp Incls: Medicaid MCOs		Rationale: (1) Reduce utilization and (2) Fund UI'd

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Health Insurance Fee/Tax (ACA 9010)

- General
  - Government will allocate tax based on premiums
  - Payments are due September 30th in given year
- Premium calculation
  - Premiums = (First $25 million x 0) + (50% x 2nd $25 million) + (Premium > $50 million)
  - Net written + reinsurance written less ceded – ceding commission
  - Includes: Hospital, medical, vision, dental, FEHBP, Medicare, Medicaid
  - Excludes: Accident, disability, critical illness, indemnity, LTC, Med supp
- Special Treatment
  - Tax-exempt entities count 50% of their premium
  - Entities are exempt if they are:
    - Non-profit and get >= 80% revenue from government programs
    - Self-funded plans (with the possible exception of stop-loss premiums)

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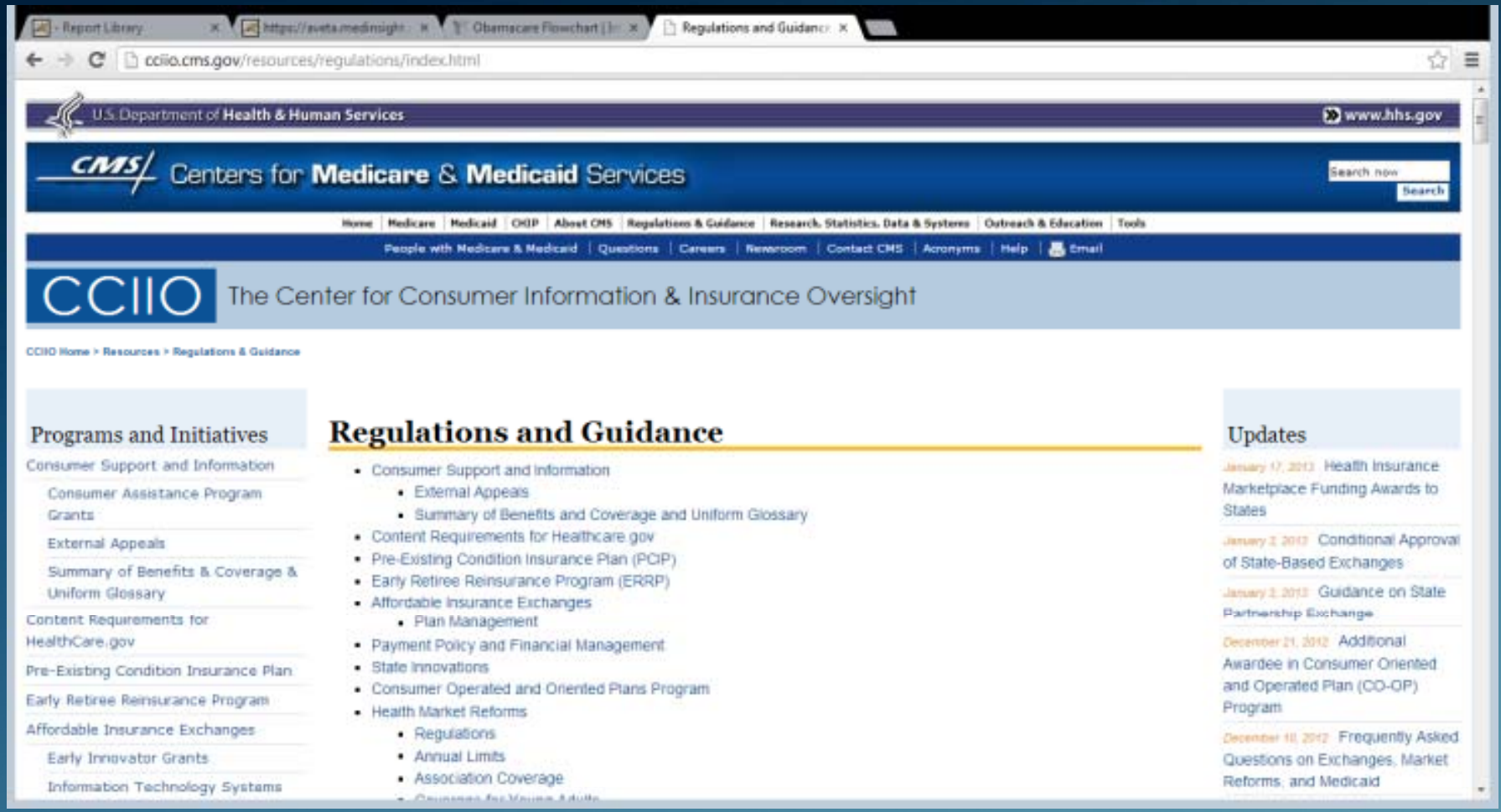
CCIIO – The Center for Consumer Information & Insurance Oversight



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Lessons for India

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