



**Health Care Task Force**

**Blue Cross of Idaho  
Response to Health Care Reform**

**October 11, 2010**

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# Near Term Provisions

- Early retiree reinsurance
- **High risk pools**
- **Medical loss ratios**
- Rate review
- Small business tax credit
- Salary non-discrimination
- **Dependent coverage**
- **Grandfathering**
- **Pre-existing for children**
- Internet portal
- **Essential benefits**
- **Annual/lifetime limits**
- **Preventive health**
- Patient protections
- Quality of care reporting
- Rescissions
- Transparency
- Uniform explanation of coverage



# Timeline for Changes

- Most provisions take effect September 23
  - After 9/23, any new coverage plan sold must reflect the new law
- We only begin coverage the 1<sup>st</sup> of any month
- So, changes become effective October 1
- Group and individuals with existing coverage
  - PPACA changes take effect on annual renewal date
  - Some PPACA changes affect grandfathered as well as non-grandfathered policies



# Grandfathered Plans

*“If you like the insurance you have, you can keep it”*

- Health plans in place on March 23, 2010, and you have not made changes....you can keep it
- We will manage grandfathered and non-grandfathered plans
- Fully Insured Groups cannot change carriers and maintain grandfathered status
- Some changes are allowed, but most changes result in loss of grandfathered status

# High Risk Pools

- Federal government will administer a high risk pool
- Idaho has opted to use the federal high risk pool and not create a new state pool
- The current Idaho High Risk Pool will remain in place
  - Believe IHRP is not subject to healthcare reform
  - Blue Cross of Idaho will continue to administer Idaho HRP plans



# *Dependent* Age

*Children are covered to age 26*

- Members can add ***dependent*** children dropped from coverage or newly eligible dependent children
  - 30 day open enrollment
    - *Individual required by September*  
*BCI early adopt in June*
    - *Group at annual renewal*



# No Pre-existing Waiting Periods

*No pre-existing waiting periods  
for members under age 19*

- Does not apply to grandfathered individual policies
- We have amended policies
- We will re-rate policies when dependents are added



# Medical Loss Ratios

- Must be greater than:
  - 80% for individual or rebates owed
  - 80% for small group or rebates owed
  - 85% for large group or rebates owed
  - 85% for Medicare Advantage in 2014
- Rebates paid in 2012 on 2011 experience





# Medical Loss Ratio

Loss Ratio = Incurred Claims + Expenses to  
Improve Health Care Quality

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Earned Premium – Federal and State Taxes and  
Licensing and Regulatory Fees



# Medical Loss Ratio Individual Policies

$$MLR = \frac{C + HQIE}{P - T} = \frac{77.2 + 1.0}{100 - 2.2} = \frac{78.2}{97.8} = 80.0\%$$



# Medical Loss Ratio

## Individual Policies – Current Ratio

Premium	\$100.00
Claims	\$ 77.20
Remainder	
• Administrative Cost	\$ 13.60
• Broker Commission	\$ 5.70
• Premium Taxes	\$ 1.50
• Member Reserves	\$ 2.00





# **Benefit Changes**

**Effective: September 23, 2010**



# Essential Benefits

*Benefits deemed “essential”  
cannot have dollar restrictions*

- No specific regulations yet....just high level categories
  - *Doctor office services, inpatient hospital, surgery, lab work, emergency care*
  - *OT/ST/PT, inpt rehab, MHSA, home health skilled nursing, SNF*
  - *Prescription Drugs*
- Non-essential
  - *Contraceptives, hospice, chiro, TMJ*



# Annual/Lifetime Limits

## *No \$ limits on essential benefits*

- \$1M lifetime replaced with \$1.25M annual limit (transitional phase)
- Removed essential 'dollar limits' only
- Annual dollar limits replaced with visit limits
  - *Example: OT/ST/PT = 20 visits*
- Non-essential benefits can retain \$ limits
- Grandfathered non-group products can retain annual dollar limits



# Preventive Health

*In-network preventive services and immunizations covered with no cost sharing*

- Blended current preventive list with new requirement
- Applied consistent preventive list to grandfathered and non-grandfathered products
- Grandfathered individual keeps \$500 wellness limit
- \$500 wellness limit removed from new group and individual policies
  - No dollar or visit limits on wellness services
  - Colonoscopy most significant price impact



# Preventive Health

*In-network preventive services and immunizations covered with no cost sharing*

- Immunizations:
  - Retain current immunization list for grandfathered individual policies
  - Expanded immunization list to include four additional vaccines for new group, individual policies
    - Hepatitis A
    - HPV
    - Meningococcal
    - Zoster (shingles)





# Price Impact of Near-Term Changes Small Group Plans

- Cover Dependent to Age 26 0.56%
- Replace \$1M Lifetime Max with \$1.25 Annual Max 0.30
- Preventative Health 0.19
- Remove Pre-ex <19 0.02
- Benefit Change Rate Impact 1.07%



# Price Impact of Near Term Changes Individual Policies

## Provisions affecting all plans (Grandfathered & Non-Grandfathered)

– Dependents covered to age 26	0.26%
– Replace \$1M Lifetime Maximum with \$1.25M Annual Maximum	0.37%
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Total	0.63%



# Other Price and Benefit Impacts of Near Term Changes on Individual Policies

Provisions affecting new business and policies issued 3/23/2010 – 9/1/2010 (upon renewal):

- Preventive Health @ 100%: 0.2% to 8.1%, depending on plan design
- No internal maximums on medical “Essential Benefits”: 0.5% for some plans, 7.5% for other plans after offset for adding \$250 advanced imaging copay.
- No internal maximums on drug “Essential Benefits”
  - Would have been 4 – 5% most plans, instead we changed design to \$15 copay generic / \$5,000 deductible w. \$30 copay brand, reducing premium instead, better coverage for the higher-cost members.
  - Federal HSA rules did not allow this plan design change, so gave enrollees a choice of dropping the limit with a 7% to 9% increase, or dropping the limit but covering only generic for a decrease of 9% to 10% of premium.



# Additional Impact of Near Term Changes for New Policies: Two Examples

HCR Requirement and Benefit Change	Essential Blue Plus 1000 \$302.83	HSA Blue 5000 \$232.43
Remove \$2K Diagnostic Lab/Imaging Limit	Added \$250 Advanced Imaging Copay Increase Rates 8.4%	N/A
Remove \$500 Ambulance Limit	Increase Rates 0.4%	N/A
Enhanced Preventive Care Benefits	Increase Rates 0.2%	Increase Rates 0.6%
Change PT/OT/ST from \$2K Maximum to 20-visit Maximum	N/A (not covered)	Increase Rates 0.1%
Eliminate \$1,200 Maximum on Drug Benefit	Changed to \$15 Copay Generic / \$5,000 deductible, \$30 Copay Brand <u>Decrease</u> rates 2.9%	Eliminate Maximum Increase Rates 8.6%
		Eliminate Maximum Cover Generic Only <u>Decrease</u> Rates 9.4%
<b>TOTAL RATE IMPACT</b>	<b>6.1%</b>	<b>9.3% / -8.7%</b>



# Benefit Changes

## By 2014

- ✓ No pre-existing condition exclusion for anyone
- ✓ No annual limits on essential benefits
- ✓ 90-day limit on waiting period for coverage upon start of employment
- ✓ Standard Metallic Benefit from 60% to 90% actuarial value



# Insurance Changes

- Guaranteed Issue
- Adjusted Community Rating
- Fees on Insured Policies of \$8B to \$14B
  - Will cost BCI members \$29M in 2014
- Other fees (Exchange, Pharmacy, etc.)



# Rate Change in 2014 Healthy 25-Year-Old Male

Change	Value	Percent
<b>Starting Rate, \$5000 Deductible PPO Plan</b>	<b>\$ 85.34</b>	<b>100.0%</b>
Age / Gender Compression (No gender rating, 3:1 Age Band)	\$ 31.23	36.6%
Health Compression (No health rating)	\$ 28.14	33.0%
Loss of Idaho High Risk Pool Effective Subsidy	\$ 10.56	12.4%
Risk moving from Small Group and Uninsured	\$ 16.92	19.8%
Federal Insurer Fees @ 2.7%	\$ 4.65	5.4%
Plan Change to Catastrophic Plan	(\$ 13.09)	-15.3%
<b>Total</b>	<b>\$ 163.75</b>	<b>191.9%</b>

Ignores: Exchange fees, subsidies, risk adjustment, \$5B  
 Federal risk adjustment fee (goes to general fund, not pool or administration), additional selection due to inadequate mandate



# Rate Change in 2014 Very III 55-Year-Old Male

Change	Value	Percent
<b>Starting Rate, \$5000 Deductible PPO Plan</b>	<b>\$ 791.61</b>	<b>100.0%</b>
Age / Gender Compression (No gender rating, 3:1 Age Band)	(\$ 33.23)	-4.2%
Health Compression (No health rating)	(\$ 444.29)	-56.2%
Loss of Idaho High Risk Pool Effective Subsidy	\$ 22.91	2.9%
Risk moving from Small Group and Uninsured	\$ 36.70	4.6%
Federal Insurer Fees @ 2.7%	\$ 10.08	1.3%
Plan Change to Bronze Plan	\$ 72.14	9.1%
<b>Total</b>	<b>\$ 455.62</b>	<b>57.6%</b>

Ignores: Exchange fees, subsidies, risk adjustment, \$5B  
 Federal risk adjustment fee (goes to general fund, not pool or administration), additional selection due to inadequate mandate)





# Questions?

