



Health Care Task Force

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

August 22, 2011

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Agenda

- **Major Health Care Reform Changes To Date**
- **Current Issues**
- **Planning for 2014**



Initial Provisions Effective September 23, 2010

- Dependent children covered up to age 26 (BCI early adoption in June for individual, upon renewal for groups)
- No pre-existing waiting period < age 19
- Preventive health services with no cost sharing
- Replace \$1 million lifetime max with annual limits and no annual limits in 2014
- No dollar limits on “Essential” benefits
- 54% of our employer groups elected grandfather status
- Revised contracts filed with DOI and approved prior to October 1



Price Impact of September 23 Changes Small Group Plans

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



Current Issues



Medical Loss Ratios

- Must be greater than:
 - 80% for individual and small group
 - 85% for large group
 - 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

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



Medical Loss Ratio Individual Policies

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



Exchanges

- Federally-Qualified State Exchange
OR
- Federally Controlled



Rate Review

- State or Federal review for determination of unjustified increase
- Department of Insurance is seeking Federal approval to be primary reviewer
- Department of Insurance to modify website to address public comments
- Insurance companies waive confidentiality rights



Business Planning Issues



Dealing With Uncertainty

- Supreme Court decision in 2012 session
- Will low income subsidies remain in a depressed economy?
- McKinsey: 30 – 50% of employers will no longer offer insurance (CBO said 7%)
 - Employer policies are 88% of all non-Medicare policies
 - Shift could be 7% (23,000) to 50% (163,000) of members moving from employer sponsored insurance to individual coverage

2014 Insurance Changes

- Guaranteed Issue / Mandate
- Initial Open Enrollment: October - February
- Adjusted Community Rating
- Fees on Insured Policies of \$8B to \$14B
 - Will cost BCI members \$29M in 2014
- Standard Metallic Benefits from 60% to 90% actuarial value
- Reinsurance, Risk Corridors, Risk Adjustment



Controlling Health Care Costs

- CMS Actuary: U.S. health care spending is \$2.7T today or \$8,650 per person and will grow to \$4.6T or \$13,710 by 2020.
- Current fee for service reimbursement rewards over-utilization.
- HCR provides for cost control pilots but CBO is not scoring any real savings
 - Accountable Care Organization
 - Medical Homes
 - Comparative Effective Research Center
- Wellness programs to address high cost of personal lifestyle choices



Medicaid

- MACPAC June 2011 Report to Congress
 - Comprehensive Risk Based Medicaid enrollment grew from 38% in 2000 to 48% in 2009
 - Primary Care Case Management remained at 14%



Medicaid

- 225,000 current Idaho Medicaid beneficiaries
- 100,000+ expansion through HCR
- Lewin estimates Managed Medicaid savings of \$37 million in year 1 and \$99 million in year 9
- Significant eligibility shift expected between Exchange subsidized insurance and Medicaid



Medicaid

- DHW to conduct a study of Medicaid managed care opportunities by November 1 and report recommendations to JFAC during the 2012 session
- Probable Dual Eligible demonstration project for 2013



Questions?

