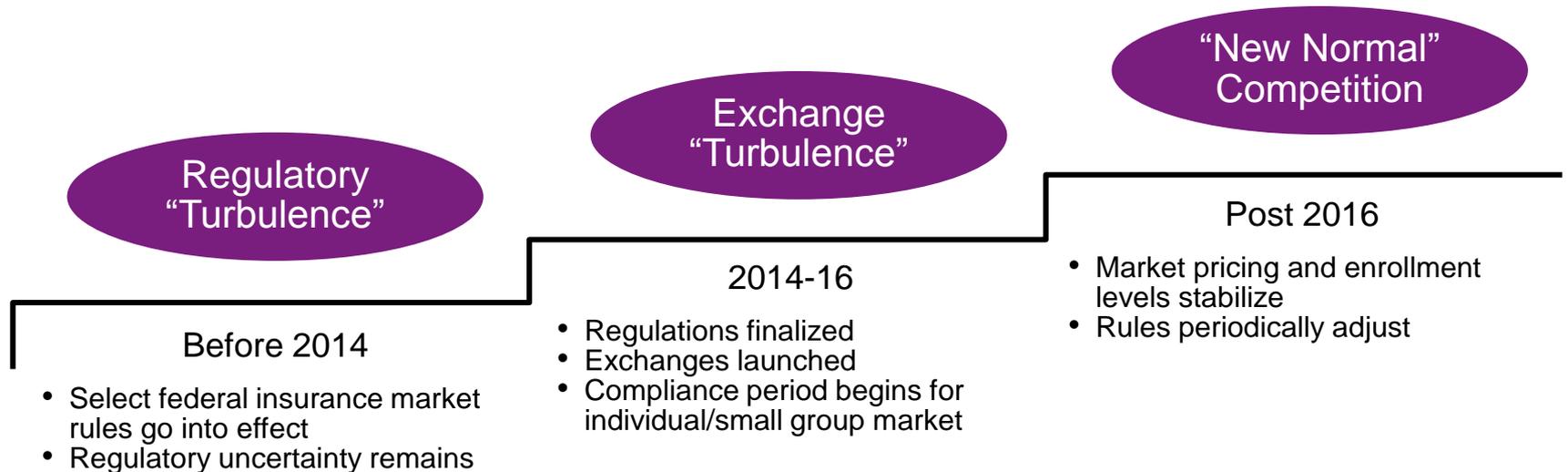




# AN INSURER'S PERSPECTIVE ON HEALTH CARE REFORM

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# PHASES OF HCR THROUGH 2016 AND BEYOND



## Issues to consider

- Assessing product/ segment strategy
- Addressing coverage shifts
- Refining products as markets mature

# COVERAGE OF PREVENTIVE SERVICES

**Mandate:** Requires new health plans to provide minimum coverage without cost-sharing for preventive services as designated by the U.S. Preventive Services Task Force.

**Year:** 2010

**EmblemHealth Actions:** EmblemHealth offers all preventive services without member cost sharing. EmblemHealth has also removed cost sharing from women's preventive services (i.e. contraceptives).

# MINIMUM MEDICAL LOSS RATIO

**Mandate:** Requires health plans to report the amount of premium dollars spent on medical services, quality, and other costs. It also requires health plans to provide rebates to consumers if the share of the premium spent on medical services and quality is less than 85% for plans in the large group market and 82% for plans in the individual and small group markets.

**Year:** 2011

**EmblemHealth Actions:** EmblemHealth informed all groups and members whether they were or were not eligible for a rebate.

**Emblem returned \$2,500,000 to members on behalf of PPO products; no rebates to HMO members**

# UNIFORM SUMMARY OF BENEFITS

**Mandate:** This provision of the Affordable Care Act (ACA) requires private individual and group health plans to make available a uniform summary of benefits and coverage (SBC) to all applicants and enrollees.

**Year:** 2012

**EmblemHealth Actions:** Project was in compliance by September 23, 2012. Account Management training took place the week of September 10 on roll out of initiatives.

# DEDUCTIBLE LIMITS

- ❖ **Mandate:** Requires insurers to cap the deductible for individual and small group plans at \$2,000 for individuals and \$4,000 for families. Catastrophic plans are excluded from this requirement.
- ❖ **Markets:** Individuals, SG
- ❖ **When:** On or after 1/1/2014
- ❖ **Responsibility:** Health Plan
- ❖ **EmblemHealth Actions:** Any necessary changes to deductibles in our Individual and SG portfolio will be made to come into compliance.

# \*ESSENTIAL HEALTH BENEFITS

## At a minimum, EHBs include:

1. Ambulatory patient services.
2. Emergency services.
3. Hospitalization.
4. Maternity and newborn care.
5. Mental health and substance use disorder services, including behavioral health treatment.
6. Prescription drugs.
7. Rehabilitative and habilitative services and devices.
8. Laboratory services.
9. Preventive and wellness and chronic disease management.
10. Pediatric services, including oral and vision care.

**NY EHB Benchmark = SG Oxford EPO**



# ELIMINATION OF ANNUAL & LIFETIME DOLLAR LIMITS AND PRE-EXISTING CONDITION EXCLUSIONS

- ❖ **Mandate:** Requires insurers to remove all annual and lifetime dollar limits on benefits, and remove any pre-existing condition exclusions
- ❖ **Markets:** Individual, SG, LG, ASO
- ❖ **When:** 1/1/2014
- ❖ **Responsibility:** Health Plan
- ❖ **EmblemHealth Actions:** We do not impose annual and lifetime dollar limits or pre-existing condition exclusions today.

## 90-DAY WAITING PERIOD LIMITATION

- ❖ **Mandate:** Requires groups to guarantee coverage to eligible employees within a 90-day waiting period or less (called the administrative period)
- ❖ **Markets:** SG, LG, ASO
- ❖ **When:** Plan year on or after 1/1/2014
- ❖ **Responsibility:** Employers
- ❖ **EmblemHealth Actions:** Account managers must communicate these new provisions to groups.

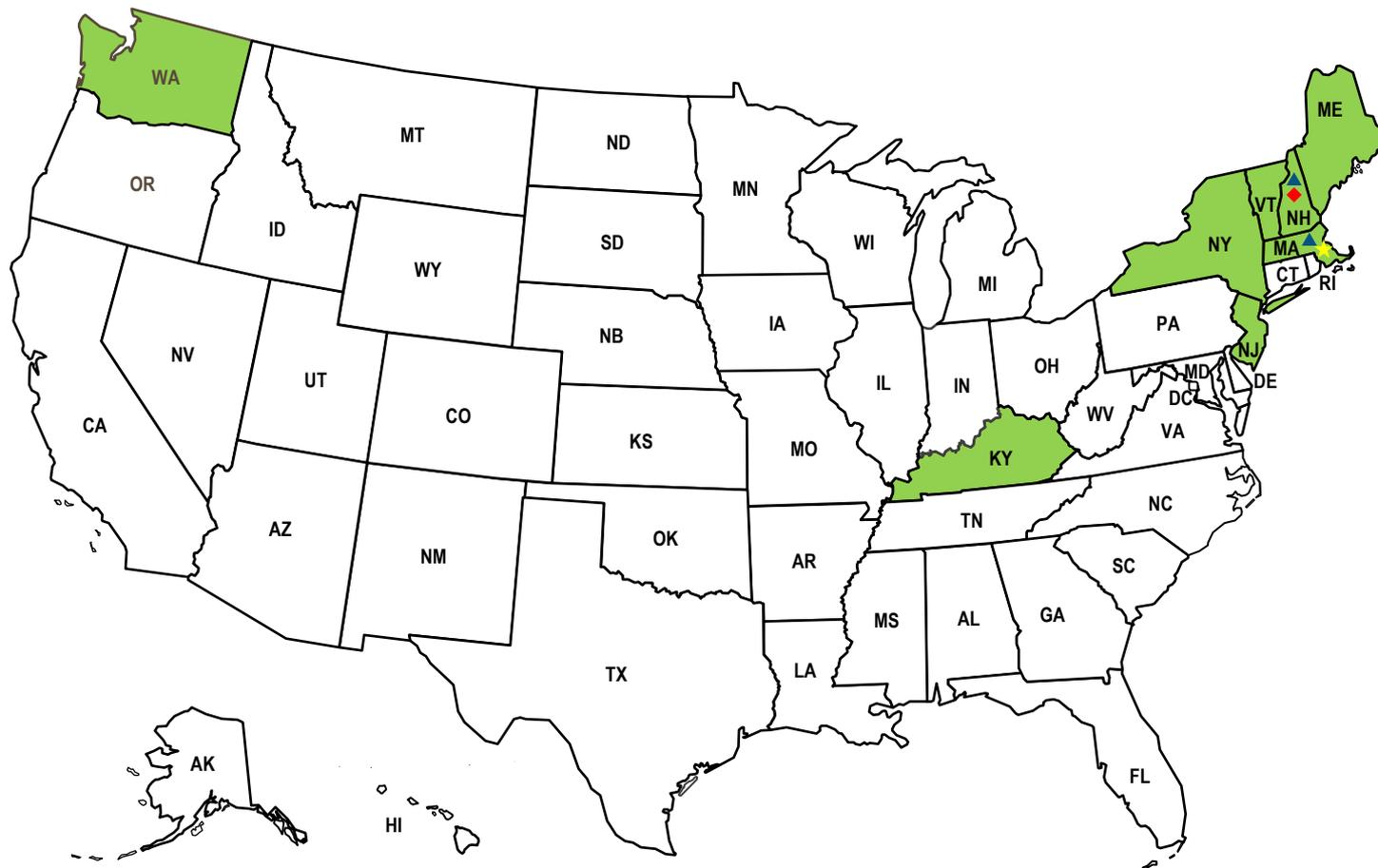
# GUARANTEED RENEWABILITY

- ❖ **Mandate:** All individuals and groups that apply to renew coverage are granted guaranteed renewability subject to certain exceptions involving non-payment of premiums, fraud, movement outside service area or loss of membership in a bona fide association.
- ❖ **Markets:** Individual, SG, LG
- ❖ **When:** 1/1/2014
- ❖ **Responsibility:** Health Plan
- ❖ **EmblemHealth Actions:** EmblemHealth will strategically evaluate how to proceed with large groups who would have otherwise been denied coverage. Individuals and small groups in NY already have this provision

# GUARANTEED ISSUE

- ❖ **Mandate:** All individuals and groups that apply for coverage groups are guaranteed coverage from an issuer subject to certain exceptions involving non-payment of premiums, fraud, movement outside service area or (for individuals) loss of membership in a bona fide association.
- ❖ **Markets:** Individual, SG, LG
- ❖ **When:** 1/1/2014
- ❖ **Responsibility:** Health Plan
- ❖ **EmblemHealth Actions:** EmblemHealth will strategically evaluate how to proceed with large groups who would have otherwise been denied coverage. Individuals and small groups in NY already have this provision.

# States That Implemented Community Rating and Guaranteed Issue in the Early 1990s



## Outcomes in all States

"Death Spiral" - only sicker individuals remain in the market

Dramatic premium increases

Major Decline in Enrollment

Loss of Carriers

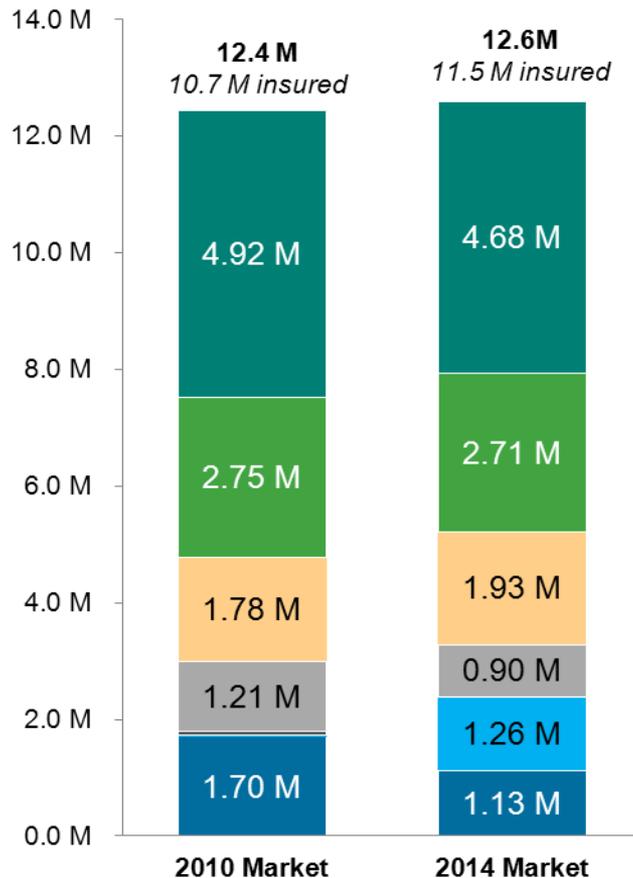
## Action Taken to Mitigate Damage

- ◆ GI and CR repealed
- ★ Individual Mandate imposed
- ▲ Subsidies initiated



# Significant market movement is expected as a result of reform, particularly within the individual and small group segments.

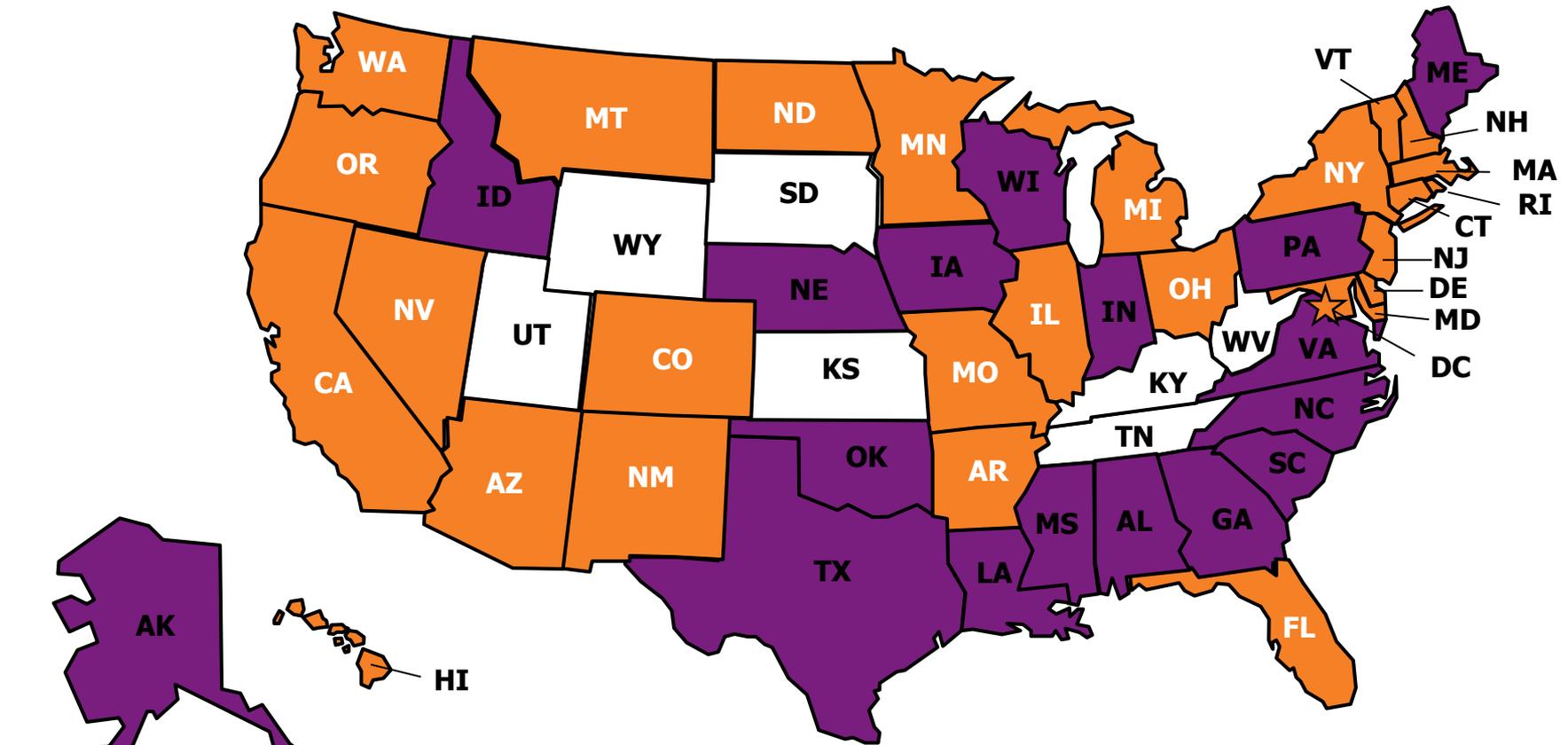
## Pre- and post-reform insurance market estimates Downstate New York



Segment	Post-reform market share	
LG / ASO	35% to 40%	Migration between FI and ASO; limited exit or shift to defined contribution immediately post-reform
Medicaid <sup>1</sup>	20% to 25%	Medicaid enrollment declines slightly post-reform; however, ~460 K - 490 K previously uninsured subscribe to Medicaid
Medicare + Others <sup>2</sup>	10% to 15%	Will continue to grow as a result of aging population
SG / Chambers <sup>3</sup>	5% to 10%	Remaining SG market maintain traditional benefits, except for those that may exit benefits entirely
Healthy NY <sup>4</sup>	N / A	All Healthy NY members move to the exchange
Individual <sup>3</sup>	8% to 10%	Significant growth as a result of reform mandated subsidies, penalties, and online exchanges
Uninsured	5% to 10%	A segment of the market will remain uninsured despite the roll out of subsidies and the expansion of Medicaid benefits; aggressive promotion can yield more enrollment from this group

Note: For assumptions driving market migration shifts, please see Appendix. (1) Includes Medicaid, CHP and FHP. (2) Includes TRICARE, dual eligibles, and retirees. (3) Excludes Healthy NY members (4) Includes all Healthy NY members (employers, sole proprietors, and individuals)

# STATES CONTINUE TO WEIGH THE MEDICAID EXPANSION DECISION.



**Governor's Position on the Medicaid Expansion, as of Mar. 5, 2013**

-  Supports Expansion (27 states, including DC)
-  Opposes Expansion (17 states)
-  Weighing Options (7 states)

# NEW YORK STATE EXCHANGE

- ❖ Established by executive order under State DoH (which also manages Medicaid)
  - ❖ Legislature unwilling to enact legislation establishing exchange
- ❖ **Major differences between HMO and other health insurance needed to be aligned**
  - ❖ For example, HMOS subject to maximum co-payment requirements which are not consistent with Bronze-level products
- ❖ **Rating regions heretofore based on individual plan decision; need for standardization of regions**
  - ❖ Plans must offer throughout region
- ❖ **Exchange products must be offered outside of the exchange**
- ❖ **Risk adjustment applies both inside and outside of exchange**

# NEW YORK STATE EXCHANGE CONT.

- ❖ **State developed standard product at each metal level which must be offered**
- ❖ **Plans limited to four products per metal level**
- ❖ **Product equals Benefits + Cost Sharing + Network**
- ❖ **Plans must have similar number of products at each metal level**

# Current New York State Policy Allows Only Geographic Rating in SG and Individual Markets

Rating Region	New York State: NY counties in Rating Region
Region 1	Albany, Columbia, Fulton, Greene, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren, Washington
Region 2	Allegany, Cattaraugus, Chautaugua, Eri, Genesee, Niagara, Orleans, Wyoming
Region 3	Deleware, Dutchess, Orange, Putnam, Sullivan, Ulster
Region 4	Bronx, Kings, New York, Queens, Richmond, Rockland, Westchester
Region 5	Nassau, Suffolk
Region 6	Livingston, Monroe, Ontario, Seneca, Wayne, Yates
Region 7	Broome, Cayuga, Chemung, Cortland, Onondaga, Schuyler, Steuben, Tioga, Tompkins
Region 8	Chenango, Clinton, Essex, Franklin, Hamilton, Herkimer, Jefferson, Lewis, Madison, Oneida, Oswego, Otsego, Lawrence



# INDIVIDUAL AND SHOP EXCHANGE

- ❖ EmblemHealth will participate in the individual exchange (HBIX) but not the small group exchange (SHOP)
- ❖ The small group market has generally not been profitable in New York.
  - ❖ MLR exceeds 90% of premium for many products
- ❖ **Cost -sharing subsidies are not available in SHOP**

# CRITICAL DIFFERENCES BETWEEN HBIX AND SHOP

- ❖ **Cost -sharing subsidies are not available in SHOP**
- ❖ **Many small group employers will drop coverage and send employees to the individual exchange**
  - ❖ We believe nearly 25% of small groups may drop coverage entirely, resulting in approximately 300K – 315K consumers entering the individual market, of which 250K – 280K will purchase individual insurance
- ❖ **NYS is establishing inadequate participation requirements in SHOP**
  - ❖ NYS proposed approach will require non- HMO's to have an exchange participation of 50%, whereas HMO's will not have a minimum participation requirement
  - ❖ Creates an unfair advantage for non-HMO carriers that already have significant portions of the small group market (Oxford)
- ❖ **Small Group Risk pool likely to deteriorate**

# PRIOR APPROVAL PROCESS AND SMALL GROUP MARKET DECISIONS

- ❖ New York's Prior Approval process predates enactment of PPACA, thus we have three years of experience
- ❖ NYS Prior Approval has focused on reducing proposed rates.
- ❖ Experience has demonstrated that approved trend factors have been below actual trends
- ❖ Result is that our small group products generally have negative margins and some with Medical Loss Ratios in excess of 100%
- ❖ We and other carriers are withdrawing many products from this segment or ceasing to market them

# CURRENT SITUATION

- EmblemHealth has adopted a strategy to **identify and target specific neighborhoods** in the New York City area that offer unique opportunities for membership growth and retention.
- EmblemHealth will focus on the marketable neighborhoods in order of **ranked ability to effectively support** Commercial, Medicare and SSP lines of business.
- EmblemHealth is opening Neighborhood Care Centers in strategic neighborhoods