The Hilltop Institute

Using an APCD to Support State-Based Marketplaces: The Maryland Experience

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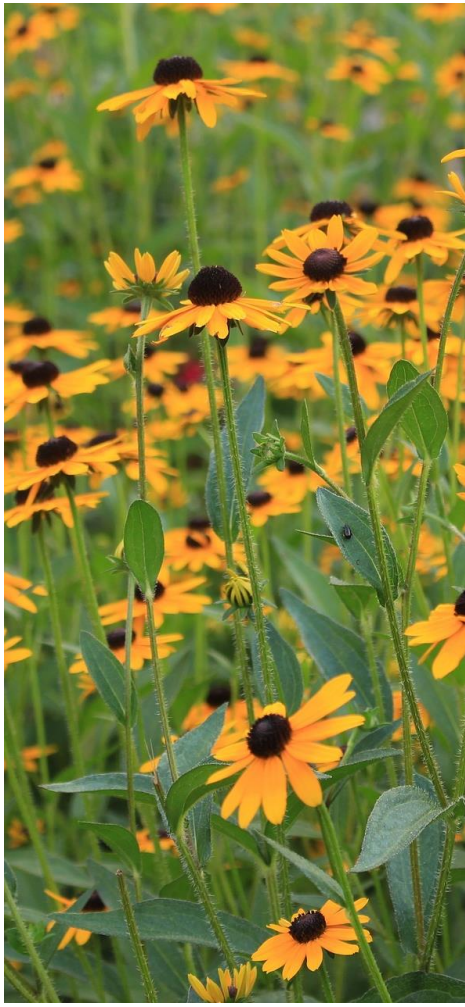

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Outline

- 1. Maryland Context
- 2. State reinsurance for individual exchange policies = solution to cost increases and death spiral
- 3. State out-of-pocket cost calculator tailored to individual insurer offerings = informed consumer choice
- 4. Opportunity fot ten states with both APCDs and state marketplaces

1. Maryland Context

- Maryland Health Benefit Exchange (MHBE): Among 13 states with state-based ACA insurance exchange for individual and small-group coverage
  - Most states use the Federal Marketplace, although some are starting their own exchanges
- Long-standing APCD collected and administered by the Maryland Health Care Commission (MHCC)
- All-payer regulated hospital payments effects on insurer costs

2. Individual Exchange Market Situation circa 2017

- Only two carriers: Kaiser and CareFirst
- CareFirst is the only option in 11 of 25 counties
- Individual market rate increases predicted 43-76% for 2018
- Federal policy:
  - De-funding of cost-sharing reductions
  - Elimination of individual mandate penalty
- Concern: “Death spiral” as exit of low-cost members continually raise premiums for remaining

Reinsurance Terminology

- Attachment point = payment threshold per enrollee at which point reinsurance payment made to carriers
- Cap = threshold spending level ceasing payments to carriers
- Coinsurance rate = % of health care costs for an individual between the threshold and the cap representing payment to carriers

State Supplemental Reinsurance Programs

- State options:
  - Set the attachment point at higher or lower levels
  - Set the reinsurance cap
  - Vary the coinsurance rate
- But, requires federal §1332 waiver

Section 1332 Waivers

- Section 1332 of the ACA allows states to apply for waivers to pursue innovative strategies for providing residents with access to health insurance
- This waiver may be used by states to implement their own reinsurance program

Maryland APCD

- APCD provides data on use and spending in the individual market
- Population for analysis:
  - Maryland resident
  - Aged 0-64 years
  - Coverage type – Individual market
  - Product type
    - Removed those with catastrophic coverage only
    - Removed those in a plan that is considered grandfathered or transitional under the ACA

Claims Analysis

- Combined the total payment amount for professional, institutional, and pharmacy claims at the person-level
- Adjusted CY 2015 dollars to estimate for projected costs in CY 2019:
  - Health care costs
    - Medical cost inflation factor using CMS Personal Health Care Price Index
  - Sample size
    - Adjusted to match estimates provided by Maryland Insurance Administration (MIA)
  - Morbidity adjustment

Estimated Premium Impact from Model

- Compared average PMPM with and without reinsurance
- Individual market options estimated decrease -12.4% to -14.5%
- Assuming ↓ in claims cost = corresponding ↓ in premium
- Post-waiver, average premium -13.2%

3. MHBE Cost Calculator

- Develop a web-based calculator on the Exchange enrollment website to help consumers estimate potential out-of-pocket costs for different health plans, based on the actual expenditure levels of Exchange enrollees
- The calculator allows consumers to see estimates of total spending (to include premiums and cost-sharing) across various health insurance plans
- This will help with choosing the best plan based on the total cost rather than just premium or deductible.

Project Goals

- Requires commercial insurance data: MHCC APCD
- Account for variation based on geography, age levels, gender, and predicted risk of low or high use of services.
- Adjusting two- to three-year-old data to forecast the forthcoming enrollment year

Expenditure Trend Factor

- 2018 data used to represent utilization for 2021
  - Requiring a three-year forecast
  - During which there will be changes in both payment rates ***and*** in utilization
  - So, inflation adjustment (e.g., CPI medical care index) is not sufficient

Expenditure Trend Factor
continued

- CMS Annual Forecast of National Health Expenditure
- Decades-long methodology improved and updated
  - Is disaggregated by payment source (e.g., private vs. public insurance) and provider totals
  - Takes account of changes in distribution/utilization of services (e.g., shift away from inpatient, increases in Rx)
- Private health insurance expenditures expected to grow 1.037 * 1.046 * 1.048 = 1.137, or an increase of 13.7% over three years
- Future CMS annual revisions based on actual expenditures can be used to update these forecasts before OOP calculator goes live

User Classifications

- A great deal of discussion and testing of the distribution of the cost and utilization, with MHBE actuary. Eventually 3 levels were chosen.
- Low cost would be cut at the 50th percentile of total spending, 90th for medium, and the high will include the top of the distribution from 91st to 100th percentile.
- As an aside: We found that once you had any hospital use whatsoever, you were "high" cost.

4.

- Ten States with Both APCDs and State Marketplaces: How to go forth and do?
- State policy potential for improving market transparency

About Hilltop

The Hilltop Institute is a nonpartisan research organization at the University of Maryland, Baltimore County (UMBC) dedicated to improving the health and wellbeing of people and communities. We conduct cutting-edge data analytics and translational research on behalf of government agencies, foundations, and nonprofit organizations to inform public policy at the national, state, and local levels.

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