

watsonwyatt.com



Implications of Health Care Reform for Children Currently Enrolled in CHIP Programs

September 25, 2009

Agenda

- CHIP programs in effect today
- Modeling effects of health care reform
 - 2010 CHIP population baseline
 - 2010 CHIP population reform scenarios
- Key Points for CHIP population

CHIP Programs in Effect Today

- Only children covered
- Eligibility varies from state to state
 - 17 states included in study (including D.C.)
 - These states accounted for 2.6 million CHIP enrollees (54% of total CHIP enrollment as of June 2008)
 - Maximum family income for CHIP eligibility ranges from 200% to 400% in these states
 - Families with income of 225% FPL are ineligible in 5 of these states
- Range of premium contributions
 - 9 of these states have no premium contribution or enrollment fee at 175% FPL
 - 4 of these states have no premium contribution or enrollment fee at 225% FPL
- Very low cost sharing at point of care

CHIP and the Health Insurance Exchange

- Senate Finance and House bills place CHIP population into Exchange
 - Senate Finance
 - In 2013, CHIP will expand to families with incomes \leq 250% FPL
 - CHIP members will be enrolled in Exchange plans
 - House
 - Medicaid will expand to families with incomes \leq 133% FPL
 - CHIP enrollees required to obtain coverage through the Exchange the first year it is available
 - Under Energy and Commerce Committee amendment, CHIP enrollees would not move to Exchange until that coverage is certified comparable to typical CHIP plan

Senate Finance and House bills provide cost-sharing subsidies

- Both bills set minimum actuarial values varying by family income
- Subsidies for low income families will be based on plans with enhanced benefits
- These families might still face significant OOP expense
- These families would also pay 4-9% of income for premiums

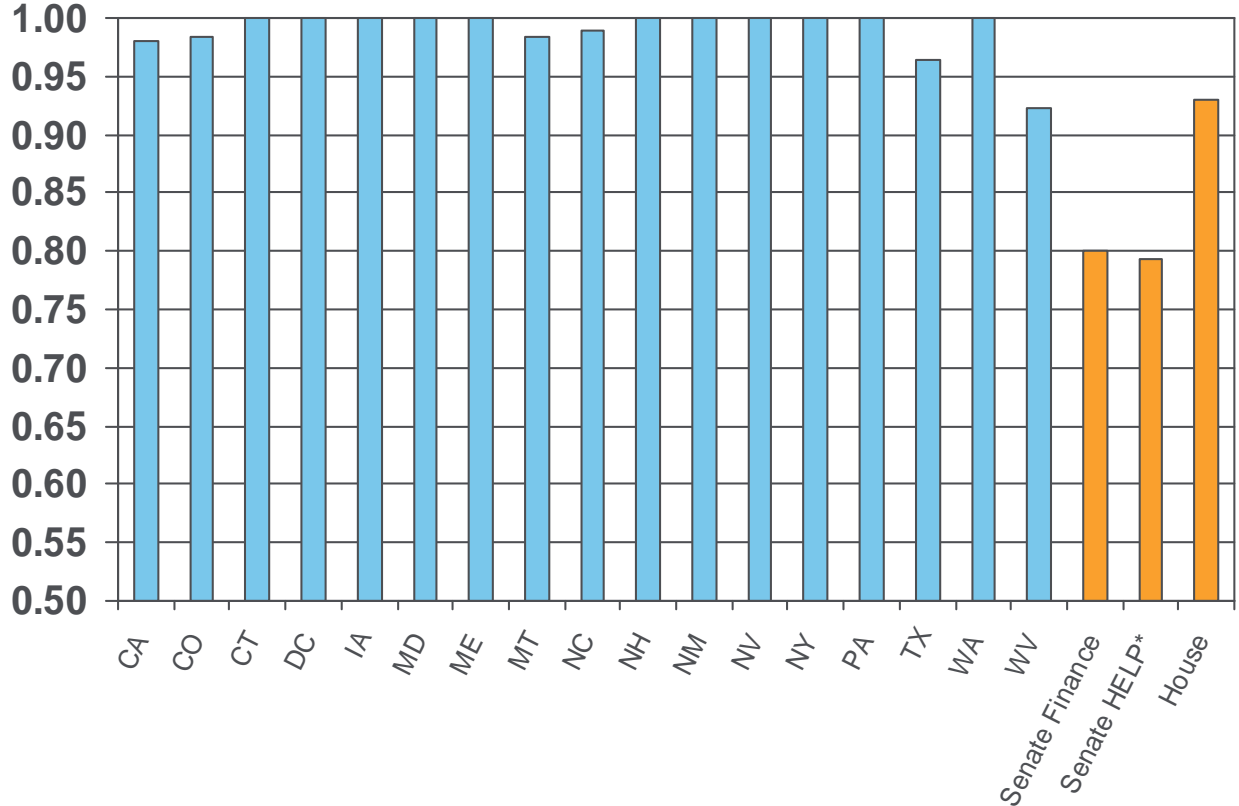
Key Elements of Existing Proposals

<u>Provision</u>	<u>Senate Finance Committee</u> (as of 9/22/09)	<u>Senate HELP Committee</u>	<u>House Bill</u>
Individual mandate	<ul style="list-style-type: none"> ■ Obtain coverage ■ Penalty varies with income ■ Exceptions 	<ul style="list-style-type: none"> ■ Obtain coverage ■ Pay \$750 per year ■ Exceptions 	<ul style="list-style-type: none"> ■ Obtain coverage ■ Pay tax up to national average premium ■ Exceptions
Employer mandate	<ul style="list-style-type: none"> ■ Free rider ■ Employer penalty if employees obtain subsidies in Exchange 	<ul style="list-style-type: none"> ■ Pay 60 percent premium or ■ \$750 per full-time employee ■ \$375 per part-timer 	<ul style="list-style-type: none"> ■ 72.5 percent individual premium ■ 65 percent family premium ■ Proportional for part-timers ■ Automatic enrollment or ■ Pay 8 percent of payroll
Insurance reforms and benefit standards	<ul style="list-style-type: none"> ■ Reforms for insured plans ■ Few requirements for employer coverage ■ Only small employers in Exchange 	<ul style="list-style-type: none"> ■ Application to group plans ■ Only small employers in Gateway 	<ul style="list-style-type: none"> ■ Application to group health plans ■ Rules for group plans prior to implementation ■ Large employers in Exchange? ■ State remedies in Exchange
Actuarial values	<ul style="list-style-type: none"> ■ 4 benefit levels (.65-.90) 	<ul style="list-style-type: none"> ■ 3 benefit levels (.76-.93) 	<ul style="list-style-type: none"> ■ 3 benefit levels (.70-95)

Key Elements of Existing Proposals

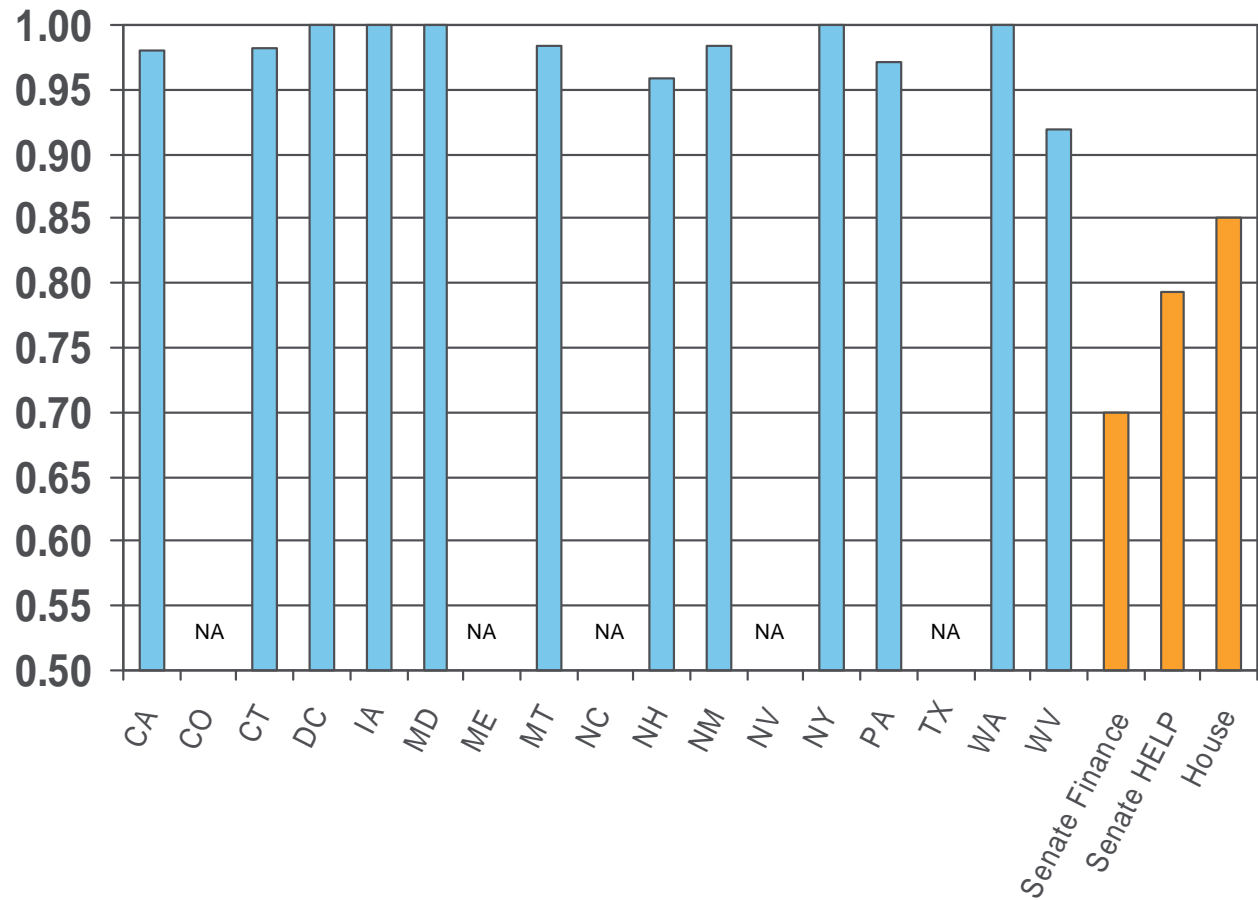
<u>Provision</u>	<u>Senate Finance Committee</u> (as of 9/22/09)	<u>Senate HELP Committee</u>	<u>House Bill (H.R.3200)</u>
Premium subsidies within the Exchange	<ul style="list-style-type: none"> ■ 100 to 400 percent of poverty ■ Eligible individual to pay 2 to 12 percent of income towards premium 	<ul style="list-style-type: none"> ■ 150 to 400 percent of poverty ■ Eligible individual to pay 3 to 13 percent of income towards premium 	<ul style="list-style-type: none"> ■ 133 to 400 percent of poverty ■ Eligible individual to pay 1.5 to 11 percent of income towards premium
OOP Subsidies within the Exchange	<ul style="list-style-type: none"> ■ Families with income <= 200% FPL receive sliding scale subsidies that guarantee a minimum actuarial value of 80-90% 	<ul style="list-style-type: none"> ■ None 	<ul style="list-style-type: none"> ■ Families with income <= 400% FPL receive sliding scale subsidies that guarantee a minimum actuarial value of 70-97%
CHIP provisions	<ul style="list-style-type: none"> ■ Medicaid maximum income increased to 133% FPL ■ CHIP maximum income increased to 250% FPL ■ CHIP enrollees must participate in Exchange 	<ul style="list-style-type: none"> ■ Medicaid maximum income increased to 150% FPL ■ CHIP enrollees may enroll in CHIP or a plan offered by Gateway 	<ul style="list-style-type: none"> ■ Medicaid maximum income increased to 133% FPL ■ CHIP enrollees must participate in Exchange

Actuarial Values for Children in 17 State CHIP Programs and 3 Benchmark Plans, 2010 (175% FPL)



*Senate HELP bill requires plan at least equivalent to typical employer-based plan.

Actuarial Values for Children in 17 State CHIP Programs and 3 Benchmark Plans, 2010 (225% FPL)

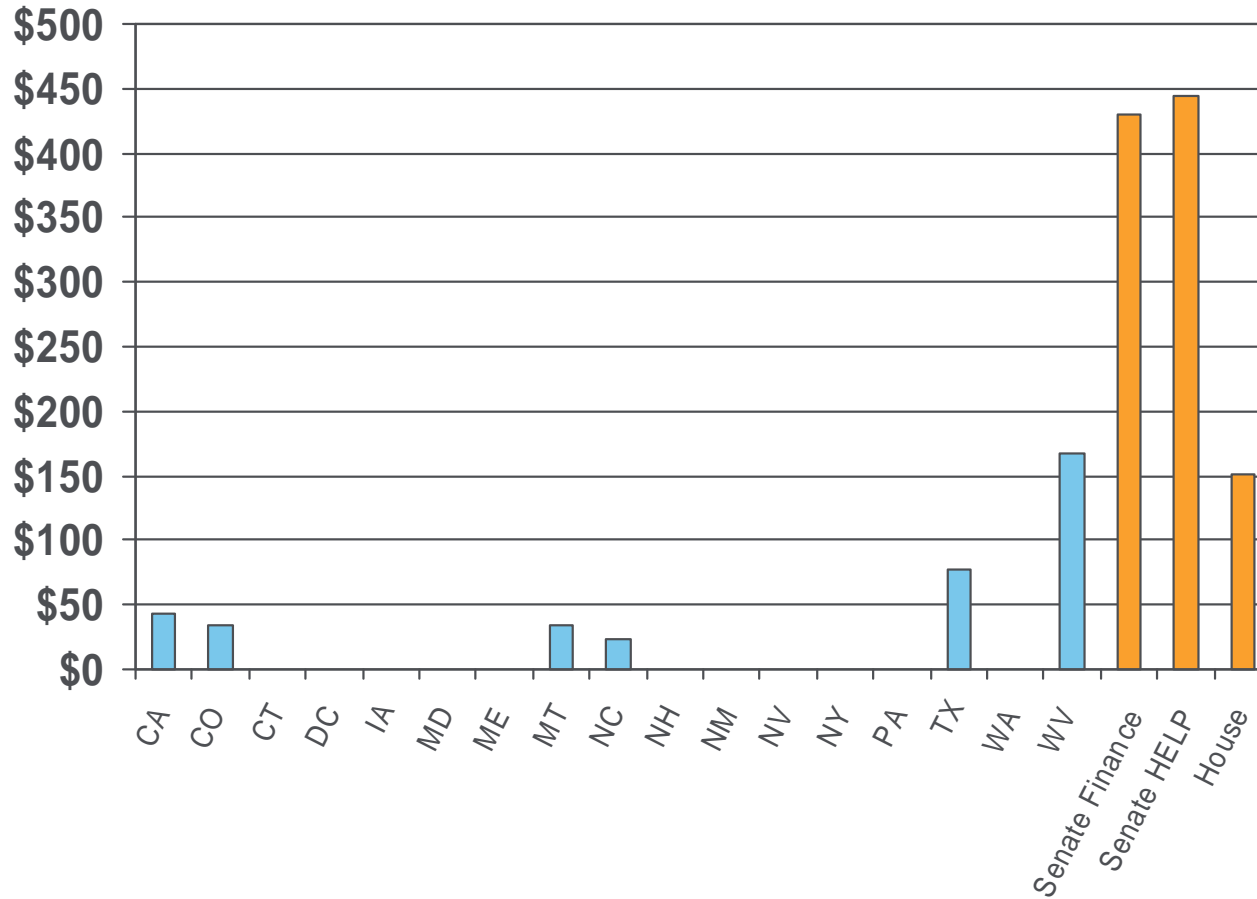


Senate HELP bill requires plan at least equivalent to typical employer-based plan.

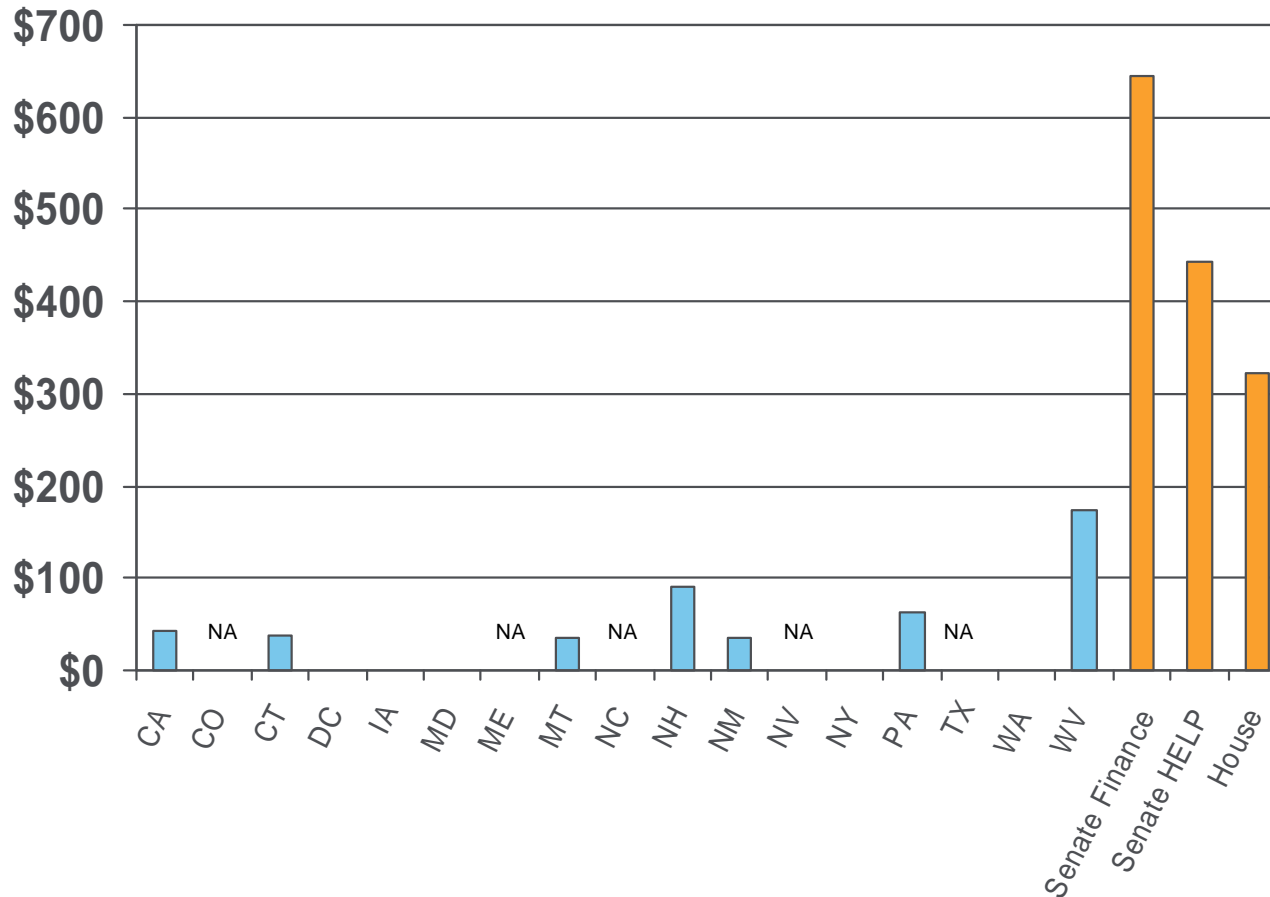
Senate Finance estimate based on Silver plan.

"NA" indicates states that do not offer CHIP coverage at 225% FPL.

Average OOP Expense per Child for 17 State CHIP Programs and 3 Benchmark Plans, 2010 (175% FPL)



Average OOP Expense per Child for 17 State CHIP Programs and 3 Benchmark Plans, 2010 (225% FPL)



Senate Finance estimate based on Silver plan.

"NA" indicates states that do not offer CHIP coverage at 225% FPL.

Annual Premium Contributions to Cover One Child Before and After Reform, 2010 (175% FPL)

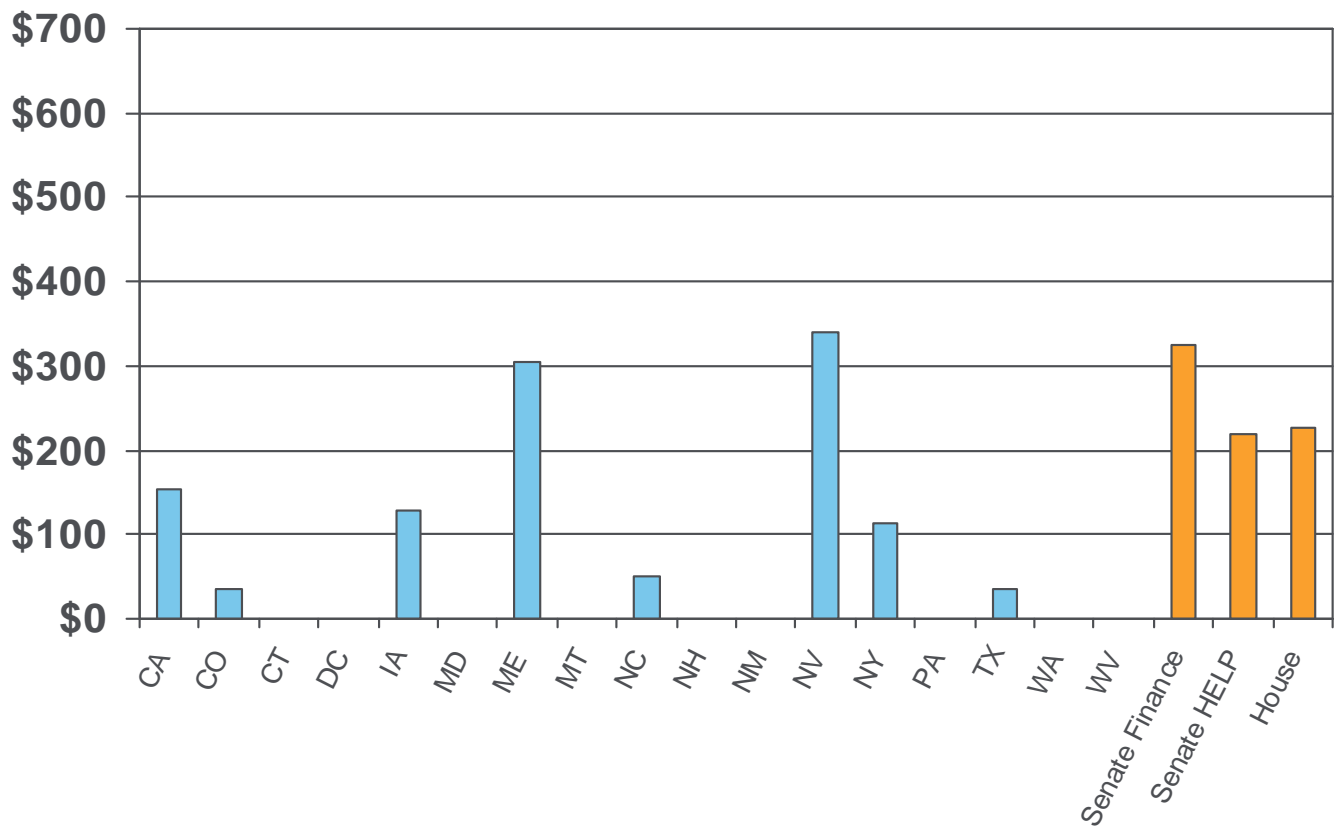


Chart shows actual 2009 CHIP premiums trended forward by 6%.

Annual Premium Contributions to Cover One Child Before and After Reform, 2010 (225% FPL)

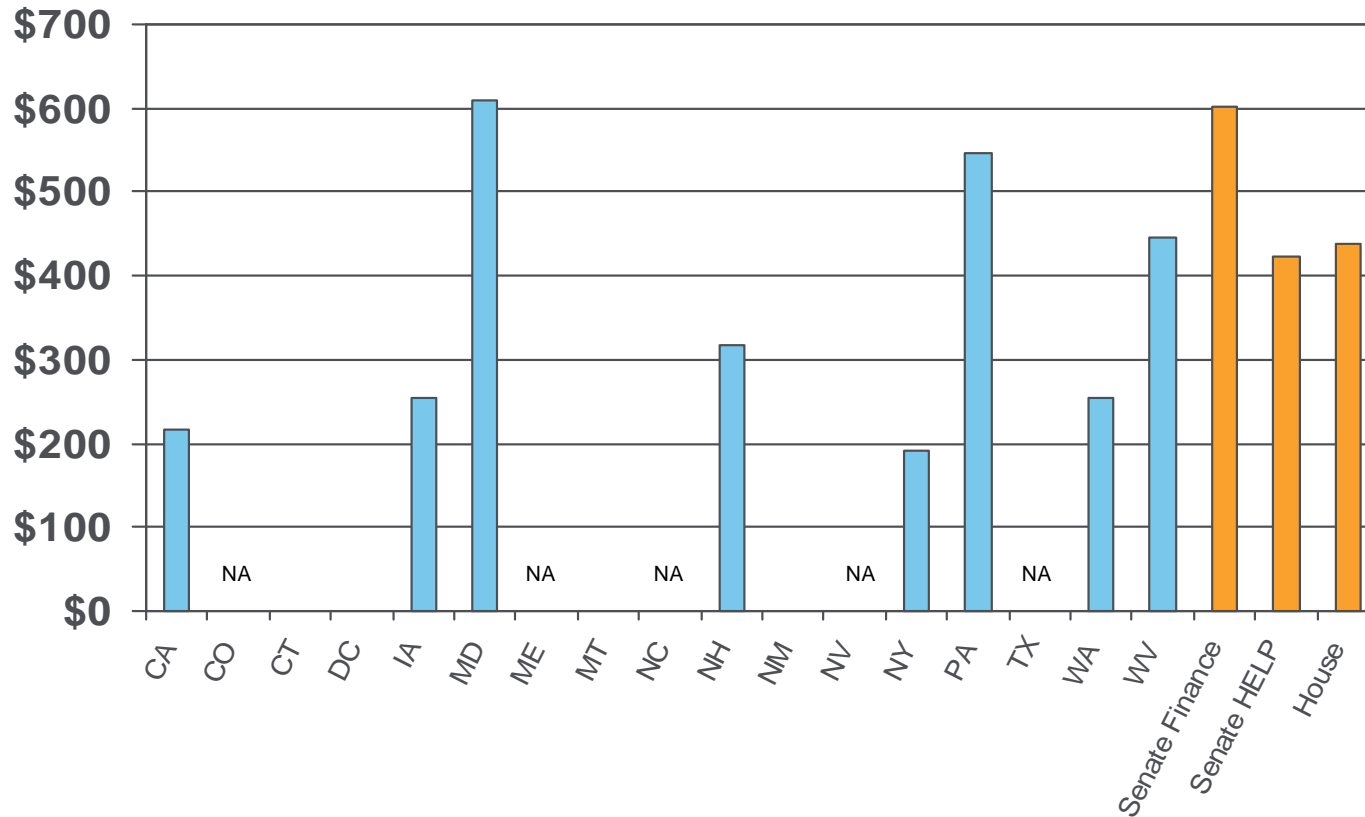
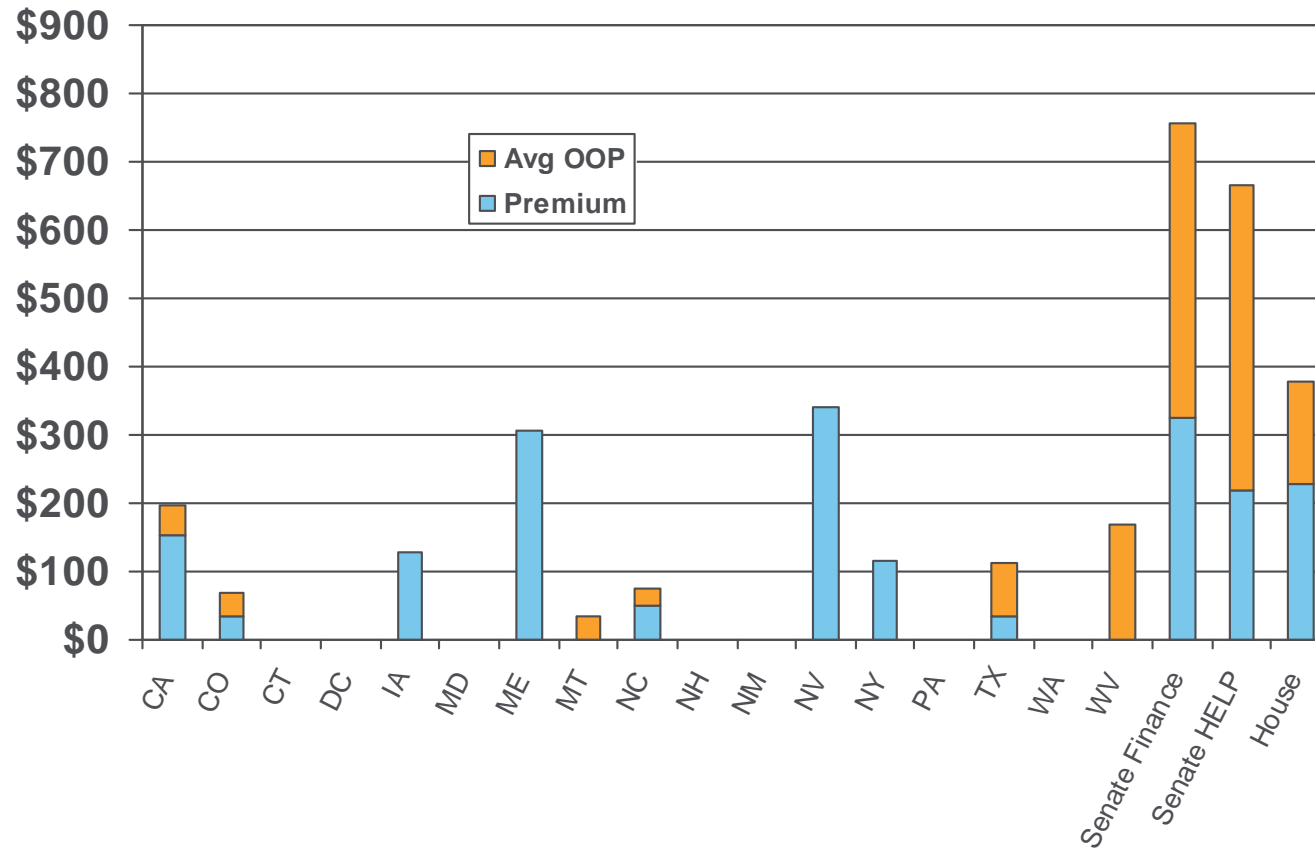


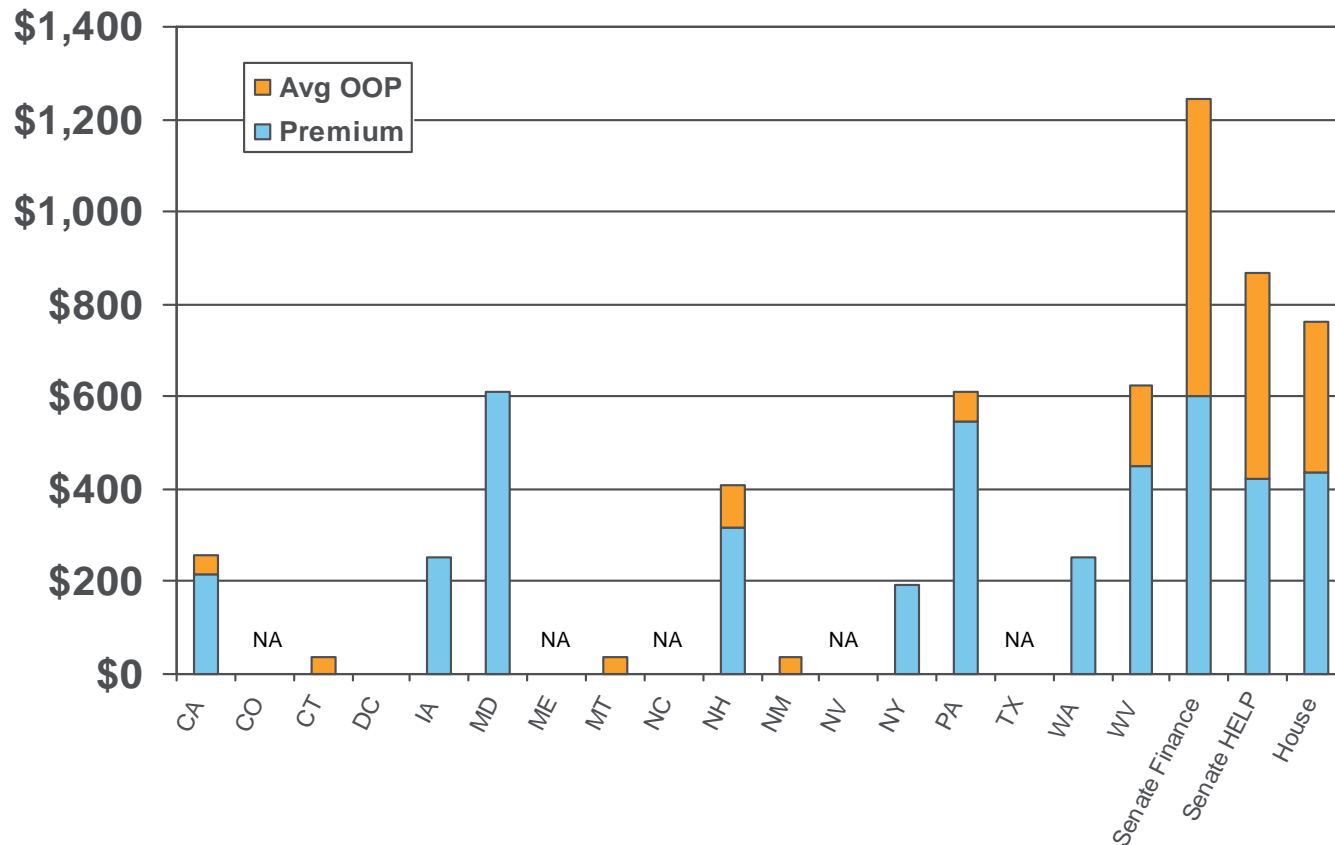
Chart shows actual 2009 CHIP and employer premiums trended forward by 6%.

"NA" indicates states that do not offer CHIP coverage at 225% FPL.

Family's Total Expense to Cover One Child Before and After Reform, 2010 (175% FPL)



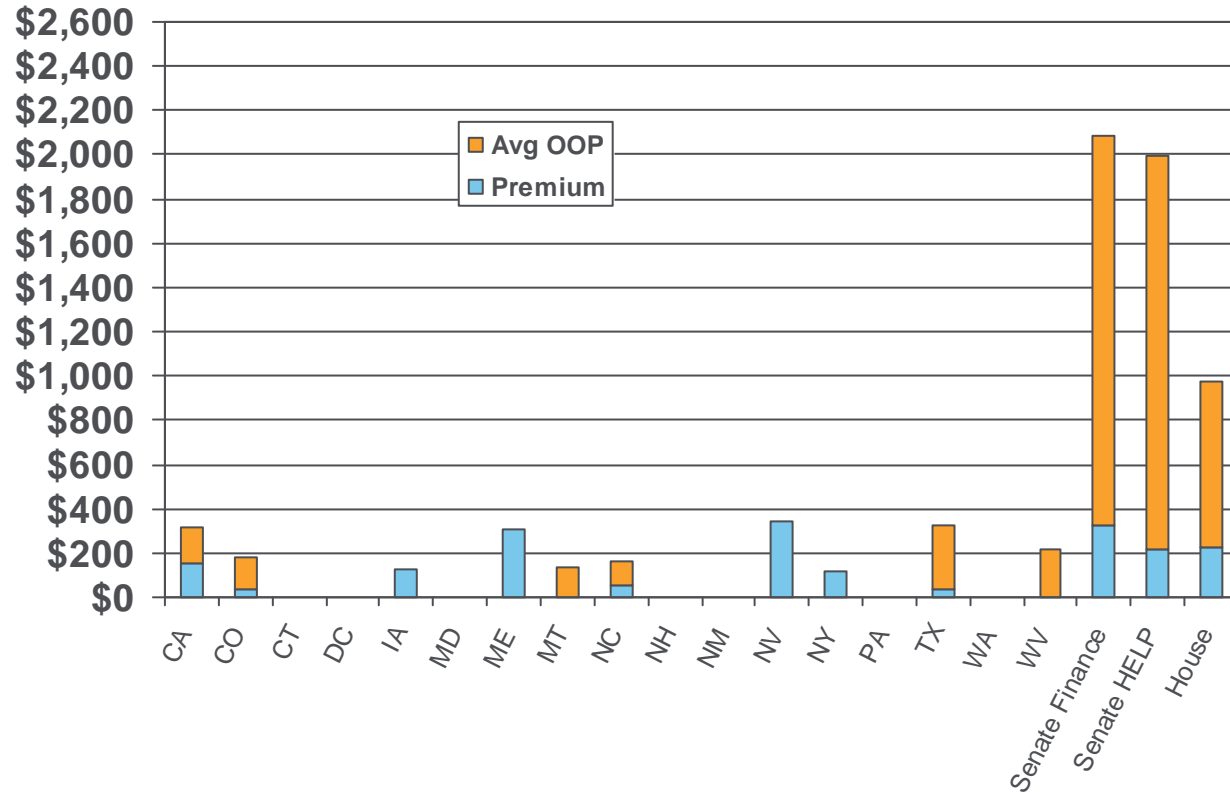
Family's Total Expense to Cover One Child Before and After Reform, 2010 (225% FPL)



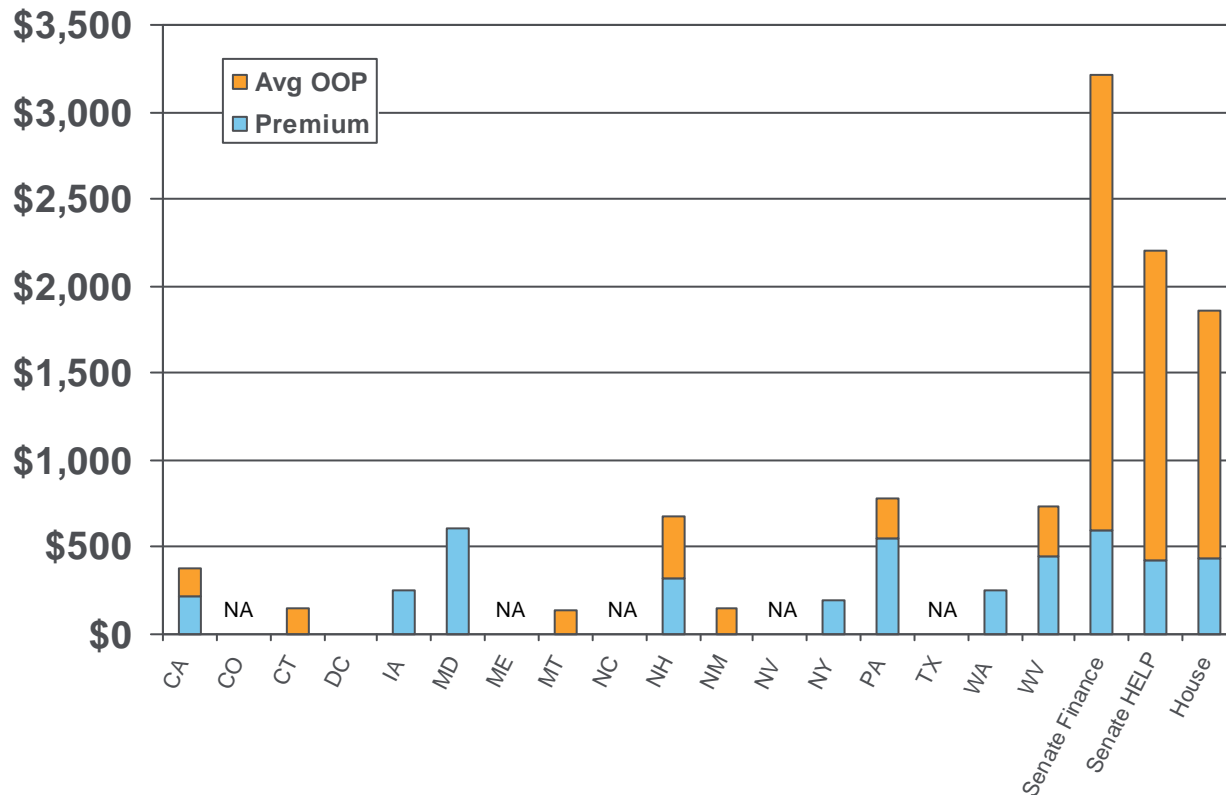
Senate Finance estimate based on Silver plan.

"NA" indicates states that do not offer CHIP coverage at 225% FPL.

Family's Total Expense to Cover One Child in Top 10% of Users, 2010 (175% FPL)



Family's Total Expense to Cover One Child in Top 10% of Users, 2010 (225% FPL)



Senate Finance estimate based on Silver plan.

"NA" indicates states that do not offer CHIP coverage at 225% FPL.

Affordability of health care for CHIP population

- CHIP currently offers good protection against OOP expense
 - Most CHIP plans pay 100% of charges for hospital, surgical, and diagnostic services
 - Office visits and prescriptions have low fixed copays or no cost-sharing
- Premiums vary widely by state but still lower than under reform proposals
- Premiums and OOP expense will increase under reform proposals
- High users' costs rise even more

Mandated coverage will affect coverage decisions for entire families

- Would families be able to get child-only coverage from Exchange/Gateway?
- Employers will not offer child-only coverage
- Under mandated coverage, other family members must also purchase coverage

Appendix: Actuarial Value

Appendix: Actuarial value defined

- Actuarial value (AV) is a summary measure of the financial protection provided by health insurance
- AV is defined as the percent of total allowed medical charges paid by a health plan
- AV only considers allowed medical charges, not premiums
- AV is described in more detail in the following paper:
<http://www.chcf.org/documents/insurance/HealthPlanActuarialValue.pdf>
McDevitt, Roland. "Actuarial Value: A Method for Comparing Health Plan Benefits." California HealthCare Foundation, October 2008.

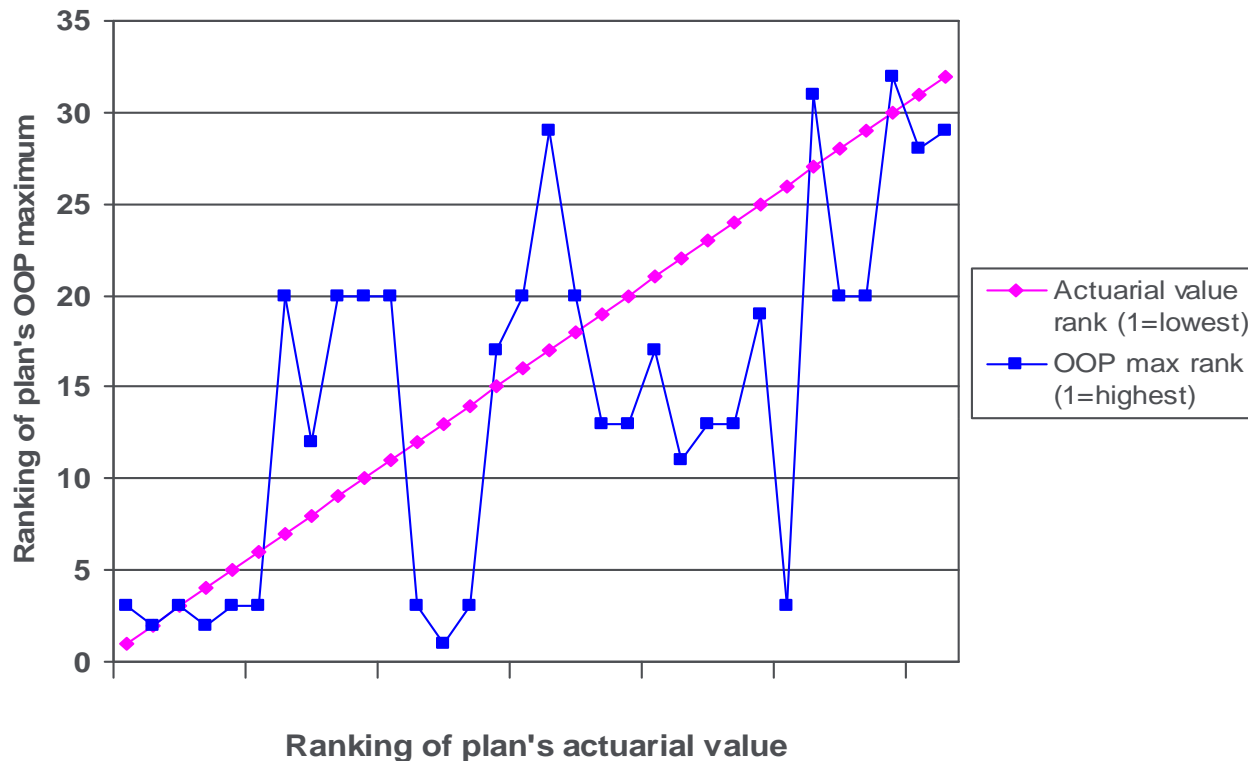
Source: McDevitt, Roland. "Actuarial Value: A Method for Comparing Health Plan Benefits." California HealthCare Foundation, 2008.

Appendix: The limitations of actuarial value

- Actuarial value is a useful overall measure of plan benefits
- AV does not tell consumers everything they need to know to select a plan
 - AV and premium not perfectly correlated
 - AV cannot be predicted by looking at a single cost-sharing provision in isolation
- The AV for a given consumer may be different from the average AV for a plan
 - High users of care
 - Individuals with chronic conditions

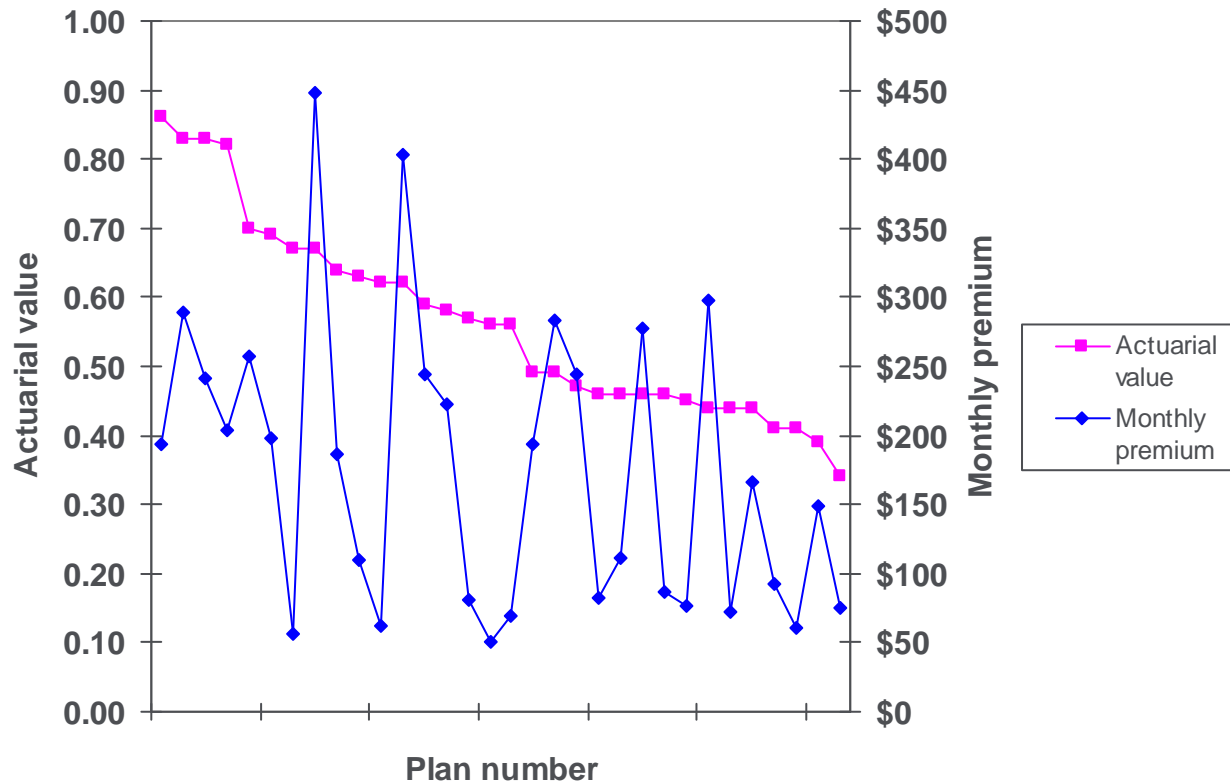
Source: McDevitt, Roland. "Actuarial Value: A Method for Comparing Health Plan Benefits." California HealthCare Foundation, 2008.

Appendix: Ranking of 32 health plans by actuarial value vs. out-of-pocket maximum



Source: McDevitt, Roland. "Actuarial Value: A Method for Comparing Health Plan Benefits." California HealthCare Foundation, 2008.

Appendix: Ranking of 32 health plans by actuarial value vs. premium



Source: McDevitt, Roland. "Actuarial Value: A Method for Comparing Health Plan Benefits." California HealthCare Foundation, 2008.