

Healthy Families Benefit Review: Preliminary report

Managed Risk Medical Insurance Board
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Healthy Families Benefit Review

- ▶ Scope of the project:
 - Develop a framework for review of benefit options
 - Identify options for cost-savings consistent with federal CHIP law
 - Look at other state benefits, including “Secretary-approved” plans
 - Work with Mercer to complete an actuarial analysis of selected benefit designs

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▶ Activities to date:

- ▶ Development of decision framework
- ▶ Review of federal CHIP requirements and other state programs
- ▶ Identification of areas for further review
- ▶ Seeking further guidance from the Board

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- ▶ No recommendations today
- ▶ Further analyses are needed
- ▶ Final report for April 21 meeting will present findings and options for Board consideration, and ultimately consideration by the Legislature and the Governor

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- ▶ Framework for reviewing the options:
 - Subscriber impacts
 - Feasibility
 - Federal authority
 - Implementation costs
 - Implementation timeline
 - Unintended costs or consequences
 - Network and provider impacts
 - History

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- ▶ Three project areas for further study:
 - Benefit design choices
 - What savings might be achieved from changing or reducing benefits?
 - Pharmacy savings options
 - What are health plans doing now? What else can be done to reduce pharmacy costs?
 - Family cost sharing limits
 - What is the maximum cost sharing possible under federal law?

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- ▶ In CHIP, states can choose to do a Medicaid expansion or a separate CHIP program
- ▶ Separate CHIP programs are not entitlement programs
- ▶ California (by statute) chose a separate CHIP program

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Federal CHIP Benefit Requirements

- ▶ **Minimum benefits** in all CHIP plans:
 - **Well-baby** and well-child care services as defined by the State;
 - Age-appropriate **immunizations** in accordance with the recommendations of the Advisory Committee on Immunization Practices (ACIP); and
 - **Emergency services** needed to evaluate, treat, or stabilize an emergency medical condition.

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▶ Federal CHIP Benefit Design Options

- ▶ Benchmark plan

- ▶ Benchmark equivalent

- ▶ Existing comprehensive state plan

(grandfathered children's coverage for Florida, New York and Pennsylvania)

- ▶ Secretary-approved

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- Benchmark plan options

- State employee coverage

- [California has a separate CHIP program modeled on CalPERS](#)

- Federal employee coverage

- Largest (non-Medicaid) commercial HMO benefit plan

- Kaiser Permanente HMO plan for small employers

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- ▶ Benchmark equivalent
 - Meets the federal test for actuarial equivalence to one of the three benchmark plans
 - Must cover minimum CHIP benefits **plus**:
 - ✓ Inpatient and outpatient hospital services;
 - ✓ Physicians' surgical and medical services; and
 - ✓ Laboratory and x-ray services.
 - If prescription drugs, mental health or vision, then must be 75% of the actuarial value for those benefits

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- ▶ Secretary–approved options:
 - State’s Medicaid benefits
 - Benefits for children in a Medicaid 1115 waiver
 - Coverage with EPSDT extended to entire Medicaid population
 - Benchmark plus additional coverage
 - Coverage the same as a grandfathered state
 - Group coverage actuarially equivalent to or greater than benchmark, benefit to benefit
 - Other

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- ▶ Other States

When other states (and California to date) cut CHIP programs, the cuts have generally been in eligibility and increased subscriber cost sharing

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- ▶ Other states

Most state CHIP program benefits are based on Medicaid or on the state employee plan

- Medicaid expansion

- Benchmark plan using state employees

- Secretary–approved with Medicaid benefits

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▶ Other States

➤ Benchmark

- (1 federal employee plan, 18 state employee plans and 4 commercial HMO)

➤ Benchmark–equivalent states (5)

➤ Secretary–approved

- Medicaid (17)
- Section 1115 (1)
- Benchmark plus (1) (Some states may just add benefits)
- Florida, New York and Pennsylvania only offer grandfathered
- Other (4)

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- ▶ Benchmark–Equivalent analysis by Mercer
- ▶ Actuarial comparison of HFP benefits (and cost sharing) with the three benchmarks
 - State employee
 - Federal employee
 - Commercial HMO
- ▶ Based on federal regulatory requirements, estimated utilization, cost sharing, prices and benefits

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▶ Results:

Actuarial Equivalence Ratio of HFP to Benchmark Plans			
	CALPERS	FEHBP	Kaiser
Category A	1.10	1,33	1.46
Category B & C	1.06	1.28	1.40

In other words HFP is:

- 11% richer than CalPERS
- 33% richer than FEHBP
- 45% richer than Kaiser small employer HMO

Note: HFP model includes dental and vision while the benchmarks modeled do not, but that alone does not explain the differences

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- ▶ The differences are almost entirely attributable to the differences in subscriber cost sharing
- ▶ HFP could not mirror the cost sharing in the benchmark plans because of federal limits on family cost sharing

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- ▶ Example -- Kaiser HMO and Category B
 - Office visit--\$30 copay for Kaiser and \$10 for HFP
 - Pharmacy--\$10 generic copay/\$35 brand copay for Kaiser (once the \$250 brand deductible is met) compared to \$10 generic and \$15 in HFP
 - Outpatient services--Kaiser has a \$100 ER copay and a \$200 surgery copay; HFP has a \$15 ER copay and no surgery copay
 - Inpatient services--\$400 per day copay for Kaiser and no copay for HFP

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- ▶ Conclusion:
 - California could meet the actuarial equivalence test for any one of the three benchmark plans
 - Savings could be achieved by changing benefits and still meet the federal rules for a benchmark-equivalent
 - California has multiple options under federal law to change or reduce benefits

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- ▶ What benefit changes might save real costs?
 - Benefit changes in HFP will likely not be a matter of cutting entire benefit classes
 - Instead, program savings will likely come from imposing limitations and exclusions that might trim costs, along with targeted cost-sharing.

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▶ Preliminary HFP Cost structure*

▶ Inpatient	21.6%
▶ Outpatient /ER	20.5%
▶ Physician services	40.4%
▶ Rx	11.3%
▶ Lab/Radiology	1.0%
▶ Other	5.3%

*Data reported by six largest HFP plans (80% of HFP members) and analyzed by Mercer

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- ▶ What benefit changes might save real costs?

Examples:

- ▶ Limits on hospital services (number of days per year)
- ▶ Limits on professional services (number of office visits per year)
- ▶ Pharmacy limits – dollars per year
- ▶ Annual or lifetime benefit limits

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- ▶ Guidance on Benefit Options
 - Are there some benefit changes or reductions that are “off the table?”
 - Are Knox–Keene basic benefits a floor for HFP? Additional statutory changes would be required.
 - What types of benefit design changes should be modeled as realistic or possible? It is not possible to model an unlimited number of benefit designs.

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- ▶ Guidance on Other Options
 - Setting rates HFP health plans may pay for out-of-network emergency services
 - ???

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▶ Next Steps

- ▶ Mercer will model a limited number of benefit changes and options
- ▶ Evaluate pharmacy cost savings potential
- ▶ Review maximum family cost sharing under federal law
- ▶ Report to the Board April 21 with the results