North Carolina Council on Health Care Coverage

Third Meeting

January 8, 2021

10:00 AM – 12:45 PM

Duke | MARGOLIS CENTER for Health Policy

AGENDA

- Welcome
- Financing Coverage Options
- Introduction to Guiding Principles
- Breakout Conversations of Council Members
- Discussion and Next Steps
- Adjourn

Financing Coverage Options

Julia Lerche, FSA, MAAA, MSPH
Chief Actuary & Chief Strategy Officer, NC Medicaid

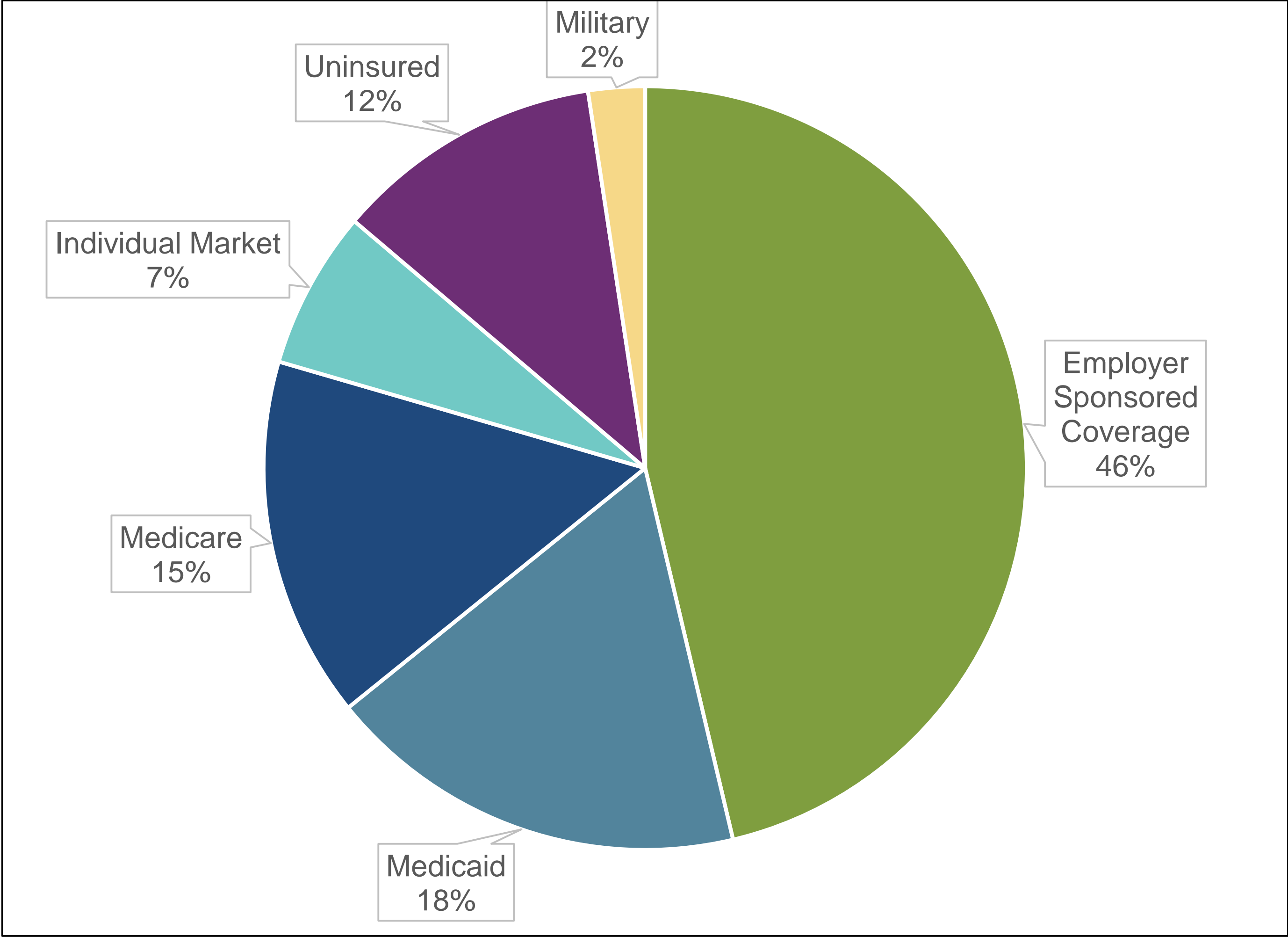
January 8, 2020

Options under Consideration

- Presentation provides analysis of target populations, costs and potential financing for the following policy options that have been raised by the Council
  - Individual Market Reinsurance Program
  - Association Health Plans
  - Small Business Tax Credit
  - Full Medicaid Expansion (<138% FPL)
  - Partial Medicaid Expansion (<100% FPL)
  - Medicaid coverage extension for pregnant women 12 months postpartum
  - Medicaid coverage extension for parents of children in foster care

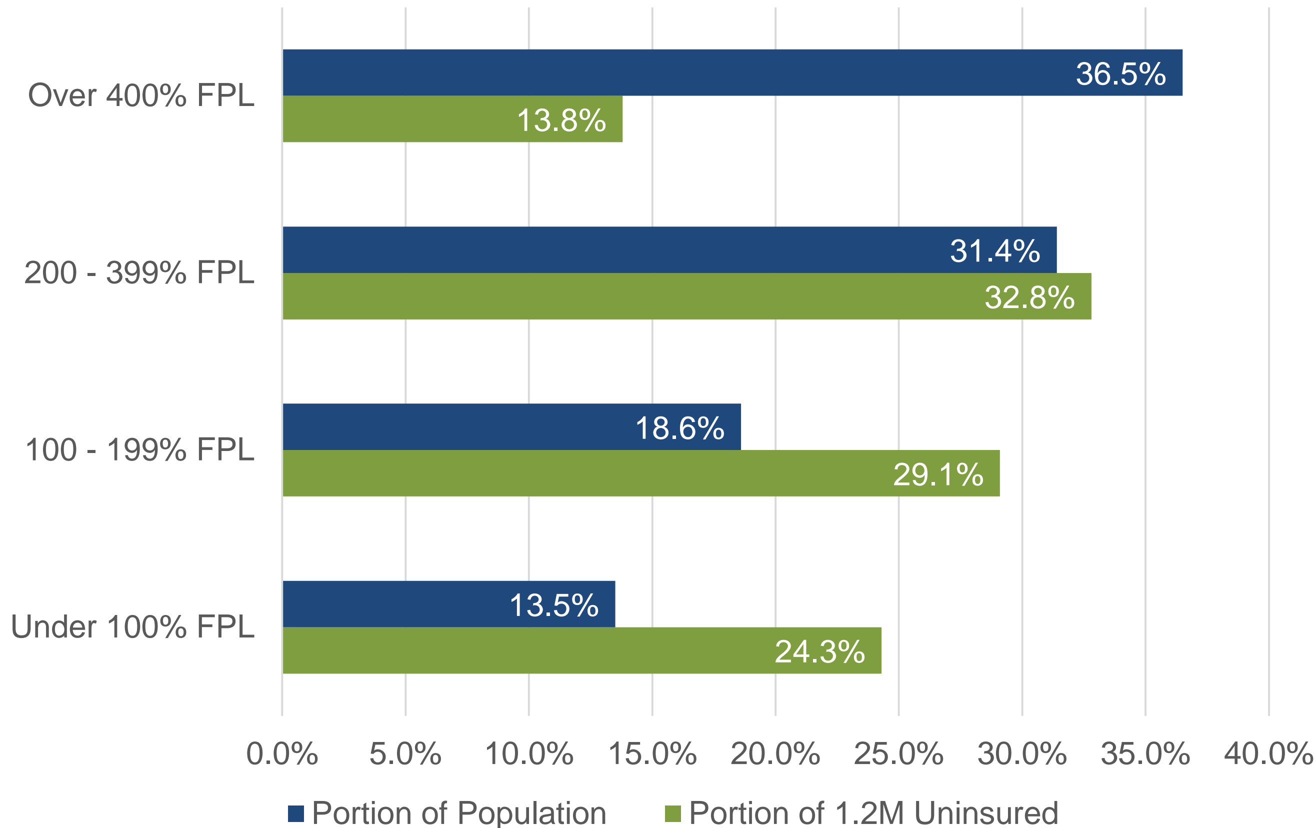
Review of Health Coverage Environment in North Carolina

North Carolina Health Coverage Profile, 2019



Sources: Census Bureau, American Community Survey data, 2019; MEPS

Review of North Carolina Uninsured by Income



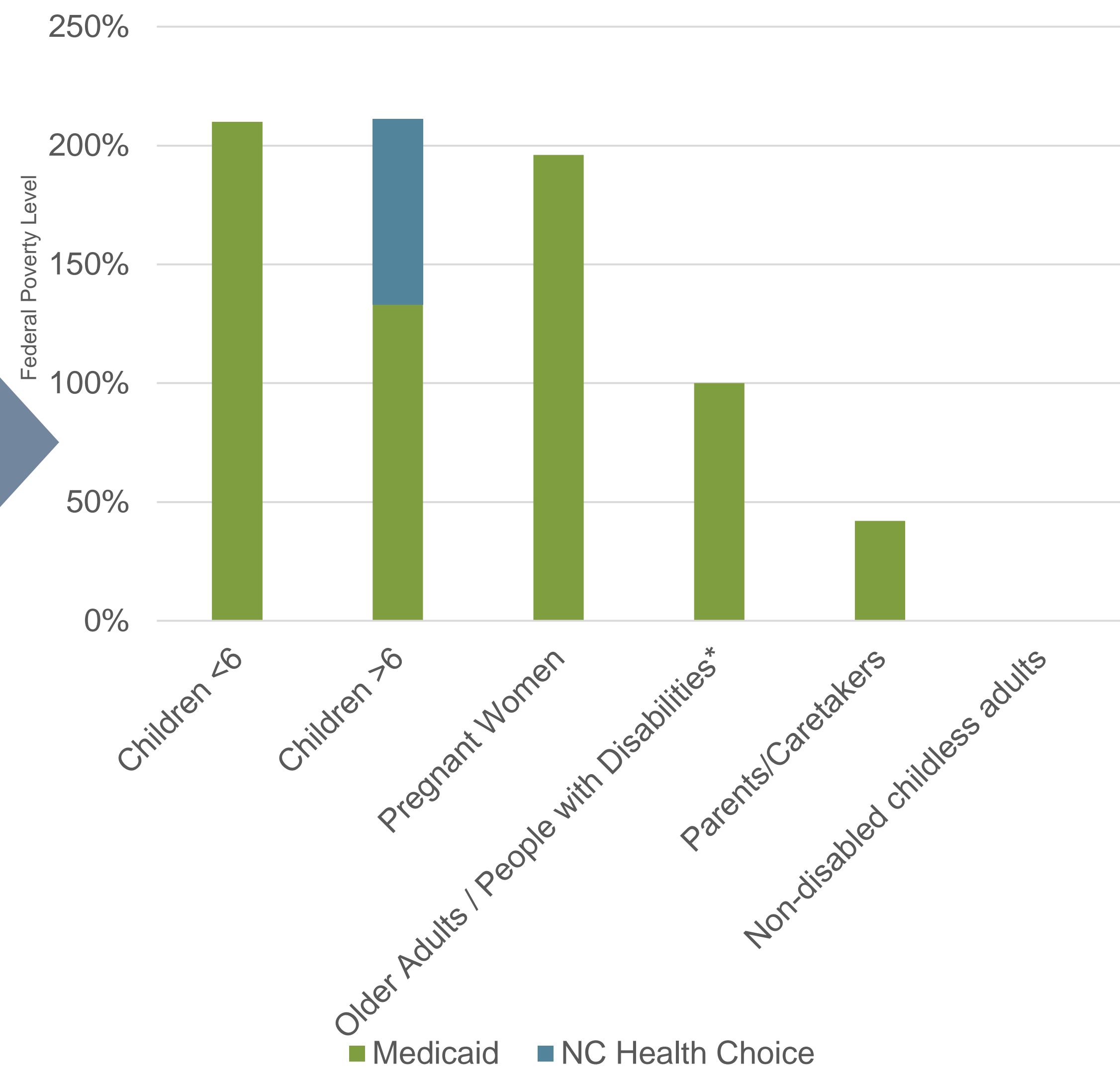
Over 400% Federal Poverty Level
- Not eligible for Marketplace subsidies or Medicaid

100 – 400% Federal Poverty Level
- Marketplace subsidies available if ineligible for other public programs and no available employer coverage with employee-only premium less than 9.83% of household income (not considering premium cost for other family members)
- Medicaid coverage limited to children <210% FPL and pregnant women <196% FPL

Under Federal Poverty Level
- Not generally eligible for Marketplace subsidies
- Medicaid limited to those meeting categorical and income eligibility criteria

Sources: https://www.kff.org/uninsured/state-indicator/distribution-uninsured-nonelderly-federal-poverty-level-fpl/?dataView=1¤tTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D

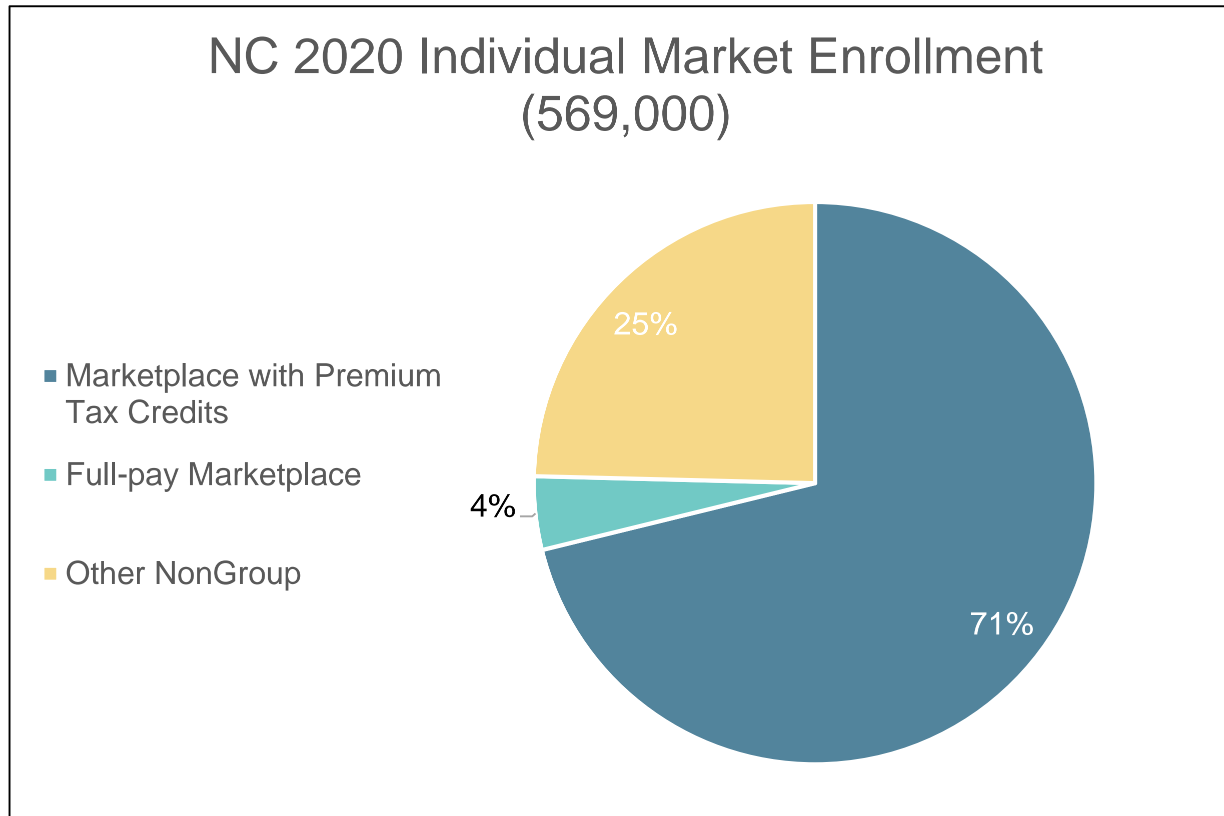
Who Receives Medicaid in North Carolina?



Group	Annual Income	
Children <6	210% of Poverty Level 1 - $26,800 2 - $36,200 3 - $45,610	
Children >6	Medicaid 133% of Poverty Level 1 - $16,970 2 - $22,930 3 - $28,890	Health Choice 211% of Poverty 1 - $26,928 2 - $36,384 3 - $45,840
Pregnant Women	196% of Poverty Level 1 - $25,020 2 - $33,792 3 - $42,576	
Older Adults > 65 People with blindness People with disabilities *Asset limits also apply	100% of Poverty Level 1 - $12,760 2 - $17,240	
Parents/caretakers of children <18, individuals aged 19 and 20	~42% of Poverty Level 1 - $5,360 2 - $7,240 3 - $9,120	
Non-disabled childless adults aged 19-64	Not covered	

Overview of Options –
Individual Market Reinsurance Program

Individual Market Coverage in North Carolina in 2020



- Average Marketplace premium: **$675** per member per month
- Average federal tax credit: **$606** per member per month
  - Tax credits are higher for lower income groups
- Average monthly premium after tax credit: **$69**
- Total federal premium tax credits in NC: **$3.2B**

Sources: https://www.urban.org/research/publication/health-insurance-policy-simulation-model-2020
https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2020-Marketplace-Open-Enrollment-Period-Public-Use-Files

Marketplace Subsidy Examples – Single 45-Year-Old in Hyde County

Income Level	< 100% FPL (<$12,760)	130% FPL ($16,590)	250% FPL ($31,900)	>400% FPL (>$51,040)
Benchmark Silver Plan Total Monthly Premium	$767	$767	$767	$767
Consumer’s Monthly Premium	$767	$29 (2.07% of Income)	$221 (8.33% of Income)	$767
Federal Monthly Subsidy	$0	$738	$545	$0
Cost Share Reduction Eligibility	No 70% Plan	Yes 94% Plan	Yes 73% Plan	No 70% Plan
Average Annual Cost Share (as % of Income)	$2,210 (>17.7%)	$440 (2.7%)	$1,990 (6.4%)	$2,210 (<4.4%)
Out-of-Pocket Max	$8,550	$2,850	$6,800	$8,550

Source: https://www.kff.org/interactive/subsidy-calculator/

Reinsurance Program Impact on Examples

- The impact of a reinsurance program designed to reduce premiums by 20% are noted below in blue
  - Consumers eligible for tax credits would have no change in their monthly premium for benchmark silver plan, but would see reduction in subsidy applicable to other plans
  - A portion of federal tax credit savings would be passed through to support the reinsurance program
  - Consumers not eligible for tax credits would see reduction in premiums

Income Level	< 100% FPL (<$12,760)	130% FPL ($16,590)	250% FPL ($31,900)	>400% FPL (>$51,040)
Benchmark Silver Plan Total Monthly Premium	$614 (-$153)	$614 (-$153)	$614 (-$153)	$614 (-$153)
Consumer's Monthly Premium	$614 (-$153)	$29 (2.07% of Income)	$221 (8.33% of Income)	$614 (-$153)
Federal Monthly Subsidy	$0	$614 (-$153)	$392 (-$153)	$0
Average Annual Cost Share (as % of Income)	$2,210 (>17.7%)	$440 (2.7%)	$1,990 (6.4%)	$2,210 (<4.4%)

Reinsurance Program Costs

State (Date of Enactment)	Percent Change in Average Individual Market Premiums	Federal Pass-Through Funding (millions)	State Reinsurance Funding (millions)	Percent of Program Cost Born by State
AK (2017)	-34.7%	$58.5M	$1.5M	2.5%
CO (2020)	-16%	$162.8M	$87M	34.8%
DE (2020)	-13.7%	$20M	$6.9M	25.7%
MD (2019)	-43.4%	$373.4M	$88.6M	19.2%
ME (2019)	-9.4%	$65.3M	$27.7M	29.8%
MN (2018)*	-20%	$131M	$140M	51.7%
MT (2020)	-8%	$22.1M	$12.4M	35.9%
ND (2020)	-19.8%	$26.1M	$21.2M	44.8%
NJ (2019)	-15.1%	$180.2M	$143.5M	44.3%
OR (2018)	-6%	$54.5M	$35.5M	39.4%
RI (2020)	-5.9%	$6.4M	$8.3M	56.4%
WI (2019)	-10.6%	$127.7M	$72.3M	36.1%
State Average	**-16.9%**	**$102.3M**	**$53.7M**	**35.1%**

*In 2018, MN estimated to have spent less than $10M (down from the projected $140M) on state reinsurance after accounting for federal pass-through funding

- State costs vary based on the design of the program and market characteristics
  - Georgia's newly approved program includes $92M in state funding
- **$163M** estimated state cost for NC reinsurance program targeting 20% reduction in premiums based on publicly available 2019 reinsurance program calculator available from actuarial firm Oliver Wyman (actual cost may differ based on changes in market conditions / assumptions in model)

Sources: https://avalere.com/press-releases/state-run-reinsurance-programs-reduce-aca-premiums-by-16-9-on-average; https://www.oliverwyman.com/our-expertise/insights/2018/dec/1332-waiver-tool.html

Reinsurance Program Financing

- States have financed non-federal share of program using one or a mix of sources:

	AK	CO	DE	GA	ME	MD	MN	MT	NH	NJ	ND	OR	PA	RI	WI
General Fund	X	X		X			X			X					X
Fees on Marketplace Plans													X		
Assessment / Tax on All Health Insurers		X				X		X	X			X			
Assessment / Tax on Group Market Health Insurers Only											X				
Assessment / Tax on All Health Insurers and Third-Party Administrators					X										
Assessment / Tax on All Insurers	X	X	X												
Provider Fees / Assessments		X					X								
Penalties from State-Implemented Individual Mandate										X				X	

Source: https://www.shadac.org/publications/resource-state-based-reinsurance-programs-1332-state-innovation-waivers

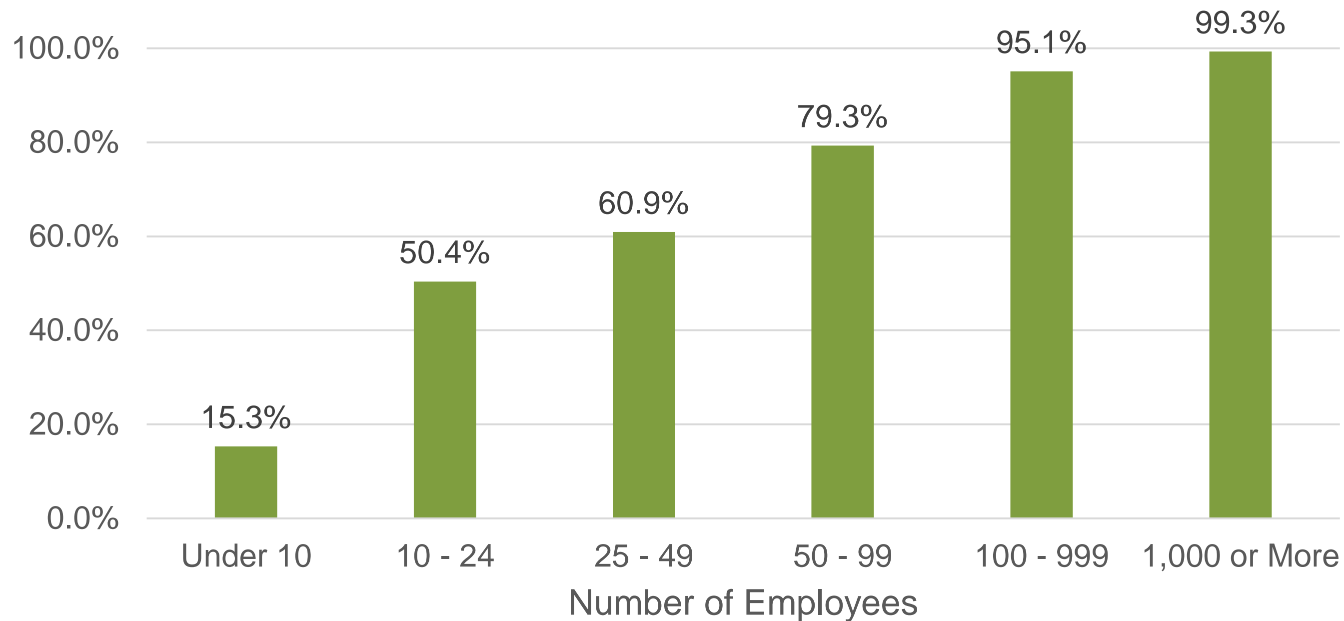
Overview of Options – Association Health Plans

Association Health Plans

- Targeted to small businesses and their employees
- No direct federal or state cost
- Limited evidence of impact in other states
  - Intends to create lower cost options for some small businesses, especially those with younger, healthier workforce
  - May lead to higher premiums for other small businesses, especially those with older, less healthy workforce
- Potential, but unknown impact to Medicaid and or federal Marketplace enrollment and costs
  - Lower state/federal costs if more employers offer coverage
  - Higher state/federal costs if employers drop coverage, especially if they have higher cost workforce

Overview of Options –
Small Business Tax Credits

Small Business Tax Credits



Cost and impact of a small business tax credit program depend on key design elements such as:

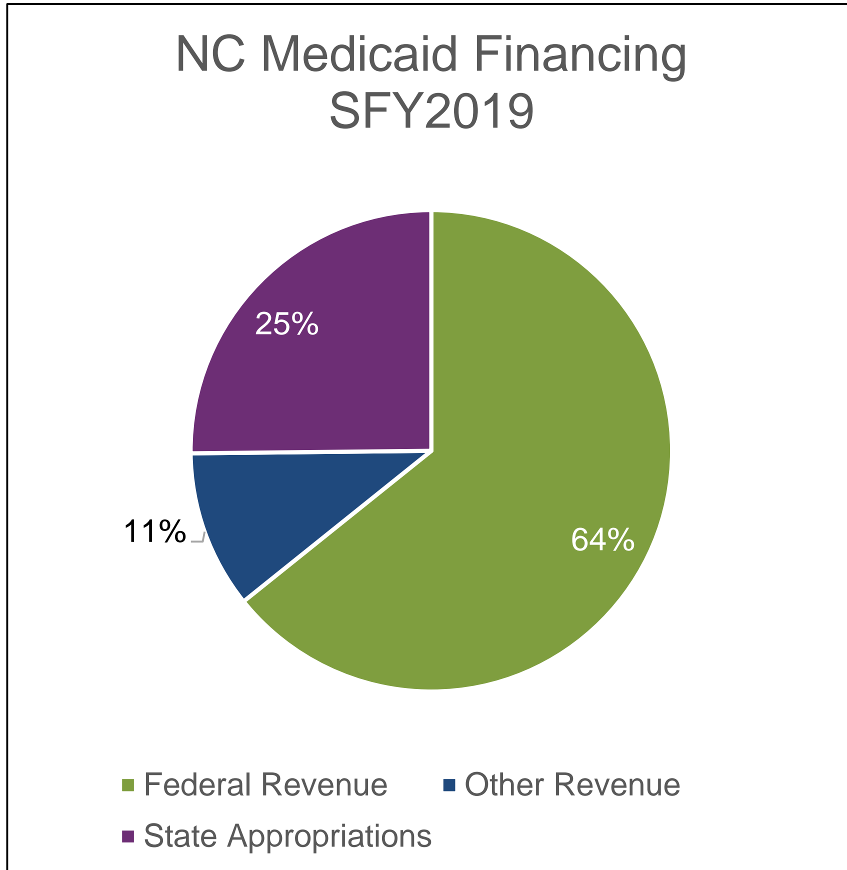
- Program eligibility: e.g., size of business, average wage of workers
- Application to all businesses (equitable approach), or only those newly offering insurance (targeted approach)
- Amount of tax credit

27% of NC workers are in small businesses with fewer than 50 employees
57% of those workers are in business that don’t offer health insurance

Source: https://meps.ahrq.gov/data_stats/summ_tables/insr/state/series_2/2019/ic19_iia_f.pdf

Overview of Options – Medicaid Expansion

How is NC Medicaid Financed?



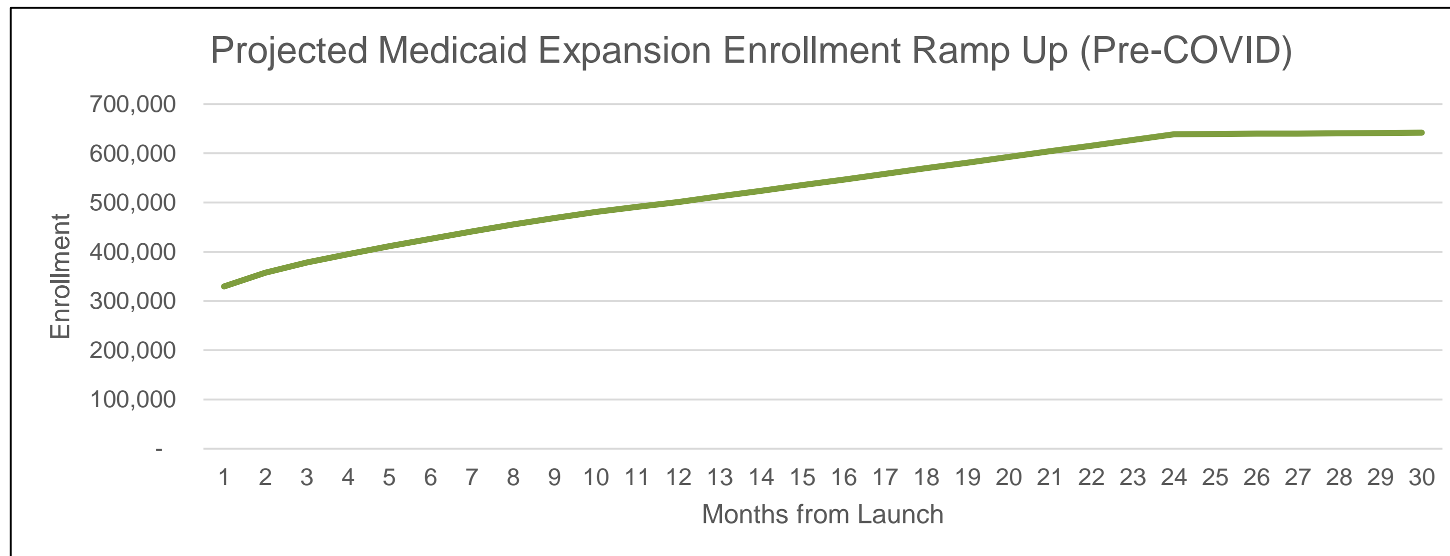
- Medicaid is jointly funded by states and federal government
- Regular federal match rates vary by state based on per capita income and other factors
  - NC's regular match rate is ~67%
- There are different match rates for certain populations such as the Children's Health Insurance Program (CHIP), and administrative and technology expenditures
- Overall, the federal government funds about 64% of NC Medicaid's program expenditures
- State appropriations cover about 25%
- The remaining 11% is financed primarily by hospital assessments, intergovernmental transfers and certified public expenditures

Medicaid Expansion Financial Projections

Estimates are subject to further refinement

Enrollment Assumptions

- More than 600,000 North Carolina adults expected to enroll based on estimates from the Urban Institute
- Enrollment assumed to ramp up over two years
- Ramp up will depend on timing of launch, public awareness, and economic / other factors



Source: https://www.urban.org/sites/default/files/publication/98467/the_implications_of_medicaid_expansion_2001838_2.pdf

Medicaid Expansion Financial Projections

Estimates are subject to further refinement

Per Capita Cost Assumptions

- Driven primarily by health status of population, covered benefits and provider reimbursement levels
- DHHS projects per member per month cost of roughly **$620** (2022 basis) assuming
  - Same benefits, cost sharing and provider reimbursement levels as current Medicaid for adults
  - Leverages managed care infrastructure
- Federal share (90%): **$558** per member per month
- Non-federal share (10%): **$62** per member per month

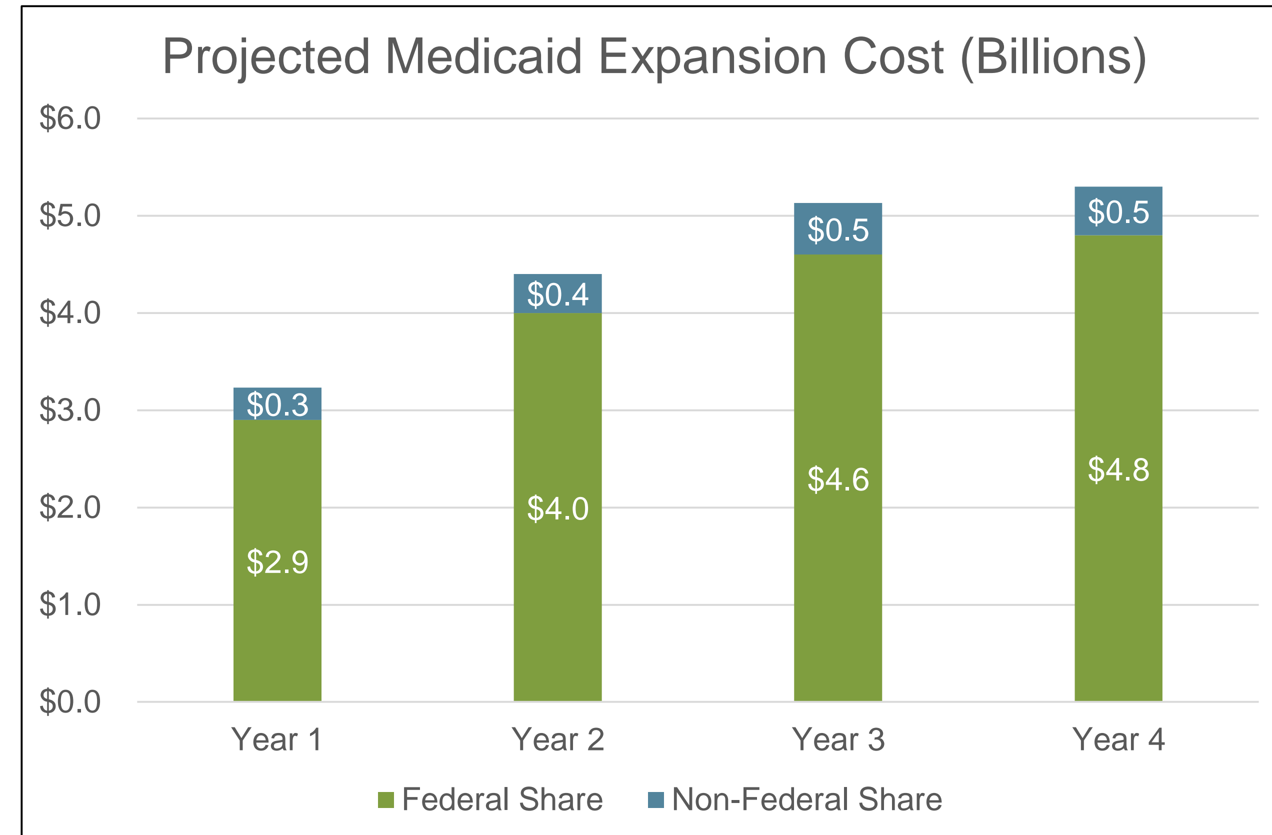
Comparison of Medicaid and Individual Market Per Capita Costs

	Marketplace Coverage for Individuals with Incomes Between 100 – 138% FPL	Medicaid Expansion (As Assumed in Cost Estimates)
Per Capita Cost	**$675** monthly average premium per person in 2020 (includes mix of adults and children) + member cost sharing of up to $2,850 per year	**$620** per member per month (adults only, 2021 basis) + nominal member cost sharing
Federal Share of Per Capita Cost	**Over $606** monthly average tax credit per person per month (lower income tiers have higher than average tax credit)	**$558** per member per month
Member Premiums	2.0% and 3.4% of income for benchmark plan ($264 - $600 / year for a single adult)	None assumed consistent with current Medicaid program; would require 1115 waiver
Member Cost Share	6% of health care service costs on average (estimated to be $440 / year); capped at $2,850	Adults pay nominal copayments for certain services; capped at 5% of household income
Provider Reimbursement	Similar to other private plans	Generally less than private plans
Plan Admin Costs	Up to 20% of total premium per federal statute	Up to 12% of total PHP premium per state statute

Medicaid Expansion Financial Projections (Gross)

Estimates are subject to further refinement

- Total projected costs ramp up with enrollment over initial three years
- Ongoing costs track with medical trends and population changes
- Total projected cost of **$5.1B** in year 3
  - **$4.6B** federal share
  - **$500M** non-federal share
- Net increase in federal expenditures will be less than $4.6B due to elimination of Marketplace subsidies for individuals with incomes between 100 – 138% FPL who to Medicaid
- Potential welcome mat effect not included



*Estimates above are on an incurred basis; estimates on a cash basis will differ due to lag in rebates and other factors

Medicaid Expansion – Options for Financing 10% Non-Federal Share

Option	Details
Premium Tax Collections	• Current 1.9% premium tax on commercial insurance will apply to Medicaid PHPs
Hospital Assessments	• Used in current NC Medicaid where hospitals contribute ~8% of program costs
Assessments on Other Provider Classes	• Not used today (except for nursing homes) • May be complex to implement
State Offsets	• Expansion generates savings and offsets in current programs

Other State Medicaid Expansion Financing – Assessments and Fees

State	Type of Assessment	Projected Annual Revenues ($ millions)	Projected revenue as a % of expected expansion costs
Arkansas	Premium tax	$27	13%
Arizona	Hospital fee	$37	88%
Colorado	Hospital fee	$168	100%
Indiana	Hospital fee, cigarette tax		100%
Louisiana	HMO assessment		100%
Michigan	Insurance provider assessment	$171	38%
Montana	Hospital assessment	$15	22%
New Hampshire	Insurance premium tax, liquor profits		100%
Ohio	MCO assessment	$248	46%
Virginia	Provider assessment	$406	100%

Source: https://www.commonwealthfund.org/publications/issue-briefs/2020/may/impact-medicaid-expansion-states-budgets

Medicaid Expansion State Offsets

Estimates are subject to further refinement

State-Funded Mental Health

$56M

Up to $56M per year in state-funded mental health and substance use services, including those at state facilities, could be covered under Medicaid expansion (with full take-up); some mental health investments would be retained in order to draw down federal mental health block grant funds

Premium Tax Revenue

$70M

~$70M net increase after accounting for shift of some individuals from Marketplace coverage to Medicaid (14 – 19% of non-federal share)

Current Medicaid Program

$20M

$20M per year for populations whose eligibility may change from current limited-benefit category at 67% match rate to expansion adult group (pregnant women, breast & cervical cancer, medically needy)

Department of Public Safety

$10M

$10M per year for state-paid inmate inpatient care would be covered by federal Medicaid funds

Note: Offsets above represent ultimate impact estimates and ramp up with expansion enrollment

Overview of Options –
Targeted Medicaid Initiatives / Partial Expansion

Projected Costs for Targeted Medicaid Coverage Initiatives

Partial Medicaid Expansion (Up to 100% FPL)

Federal match rate **67%**

Targeted to adults with incomes under the poverty level; estimated to cover over 300,000 adults by Year 3

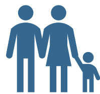
Estimated cost for partial expansion in Year 3 after enrollment ramp up:

$2.7B estimated total cost;

$900M non-federal share

Parents of Children in Foster Care

Federal match rate **67%**



Medicaid coverage is terminated for an estimated 3,000 – 5,000 parents each year when their children enter foster care

Estimated cost for continuing coverage for parents when their children are in foster care (assuming 4,000 parents):

~$50M /year total;

$16M non-federal share

Coverage 12 Months Postpartum

Federal match rate **67%**

Annually, Medicaid coverage is terminated 60 days after birth for 27,000 women and an additional ~8,500 lose coverage less than a year after birth due to income increases over limit of 42% FPL

Estimated cost for extending coverage 12 months after birth:

~$206M / year total;

$67M non-federal share

Estimates are subject to further refinement

Summary of Options

Summary of Options under Consideration

Estimates are subject to further refinement

Policy Options (not mutually exclusive)	Target Population	Impact on Affordability of Private Coverage	Federal Share of Costs	Non-Federal Share of Costs	Option to Finance without State Funds
Individual Market Reinsurance Program	Higher income purchasing individual coverage **(above 400% FPL)**	Reduced premiums for higher income populations	Savings from reduced premium tax credits	$163M for 20% premium reduction	Possibly
Association Health Plans	Small businesses and their employees	Likely mixed	N/A	N/A	N/A
Small Business Tax Credit	Small businesses and their employees	Businesses/employees eligible for subsidy would have reduced premiums	N/A	Amount would depend on program design	Unlikely
Full Medicaid Expansion	Over 600,000 low-income adults **(under 138% FPL)**	Other states have seen private premium reductions after Medicaid expansion	$4.8B (90% of total); partly offset by reduction in Marketplace tax credits	$500M (10% of total)	Yes
Partial Medicaid Expansion	Over 300,000 low-income adults **(under 100% FPL)**	Unknown	$1.8B (67% of total)	$900M (33% of total)	Unlikely
Medicaid Extension for Pregnant Women 12 Months Post-Partum	35,000 women losing coverage within 12 months after birth **(under 196% FPL)**	N/A	$149M (67% of total)	$67M (33% of total)	Unlikely
Medicaid Coverage for Parents of Children in Foster Care	3,000–5,000 parents losing coverage while children are in foster care **(under 42% FPL)**	N/A	$34M (67% of total)	$16M (33% of total)	Unlikely

Questions?

Contact:
Julia.Lerche@dhhs.nc.gov

Survey Results

Increased coverage and access for:

- Children, mothers, and pregnant women
- Parents of foster children
- Rural areas
- Substance use disorder and mental health services
- The uninsured and underinsured
- Veterans ineligible for VA benefits
- Essential workers

Reducing disparities in coverage

Closing the coverage gap

Medicaid expansion

State Innovation Waivers

Association Health Plans

Provider solvency/ stability (hospitals, primary care, behavioral health)

Support for safety net providers

Access to quality care

Telehealth access and coverage

Assistance/ tax credits for small businesses to provide coverage

State subsidies for purchasing exchange plan coverage

Draft Guiding Principles for Consideration and Discussion

Access to coverage

- Increase health care coverage for North Carolinians without access to affordable comprehensive health insurance.
- A solution for North Carolina may include a combination of multiple coverage options. Approaches considered by the Council include: Medicaid expansion, reinsurance, association health plans, extending coverage for pregnant women, promoting enrollment in bronze plans, and tax credits for employers.

Affordability of coverage

- To ensure access to coverage, newly available health coverage must be affordable for all eligible individuals.

Health system sustainability

- The health care system should be fiscally sustainable for consumers, providers, hospitals, safety net organizations, and the state.

Draft Guiding Principles for Consideration and Discussion

Efficient use of tax payer dollars

- Any solution implemented should prioritize the efficient use of payer funds.

Supporting the business community

- Health care coverage options should support small businesses who struggle to provide affordable health insurance to their employees and have been negatively impacted by COVID-19.

Expanding access to and coverage of behavioral health services

- North Carolina residents need improved access to mental health and substance use disorder treatment. Such access requires insurance parity for and increased coverage of certain behavioral health services.

Draft Guiding Principles for Consideration and Discussion, Contd.

Strengthening our rural communities

- In considering how to improve coverage and the health care system in North Carolina, specific considerations must be provided to rural areas of the state to ensure any reforms considered would help to improve coverage of residents and sustainability of providers in those areas.

Reducing disparities

- Solutions to increase health care coverage should prioritize reducing disparities in by geography and by race and ethnicity.

Additional considerations for access

- In addition to health care coverage, the Council identified the following additional areas of the health care system that may be prioritized for reform. Increasing access to quality health care services:
  - Telehealth
  - Network adequacy
  - Provider incentive programs/ loan repayment programs
  - Preventive services (including vision and dental)

Small Group Breakout Conversations

30 minutes

Please chat Luke Durocher in zoom or send an email to luke.durocher@duke.edu with any technical issues

- Council members will automatically be entered into break out rooms for small group discussion
- Duke-Margolis staff will be present to facilitate the conversation, take notes, and keep time
- One member of each group will be asked to report out on the conversation to the group when we return

Small Group Discussion Questions

- What were your first reactions to the draft principles?
- Are there important items that we have discussed during the council that are missing?
- Are there principles listed here that should be prioritized?
- Are there items listed that should be removed/ you do not think represent the conversations we've had?

Small Group Breakout Conversations

Please be aware that the council is in small group breakouts. They will return to the main room at **12:10 PM** and the live stream will resume at that time.

Recordings of the breakout conversations will be posted after the meeting for the public.