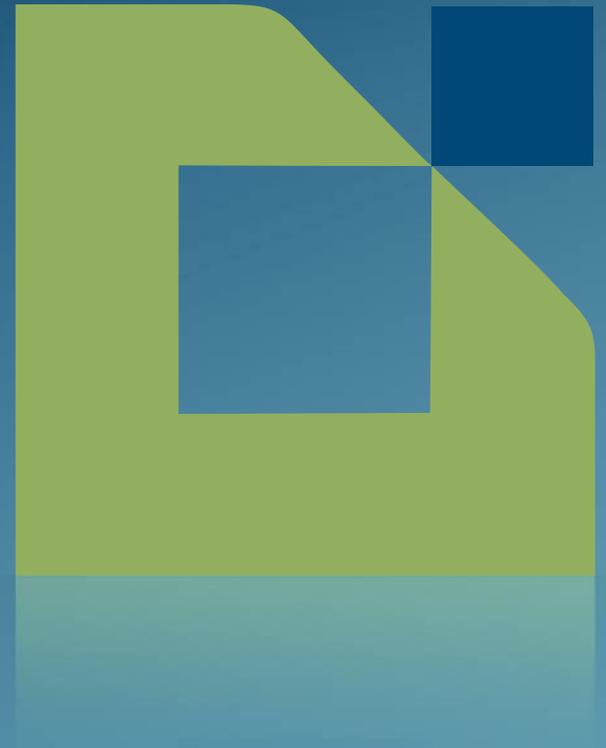


State of Connecticut Basic Health Program Work Group

Jeremy D. Palmer, FSA, MAAA
Milliman, Inc.

November 19, 2012



Agenda

Meeting Purpose

Modeling Approach

Primary Assumptions

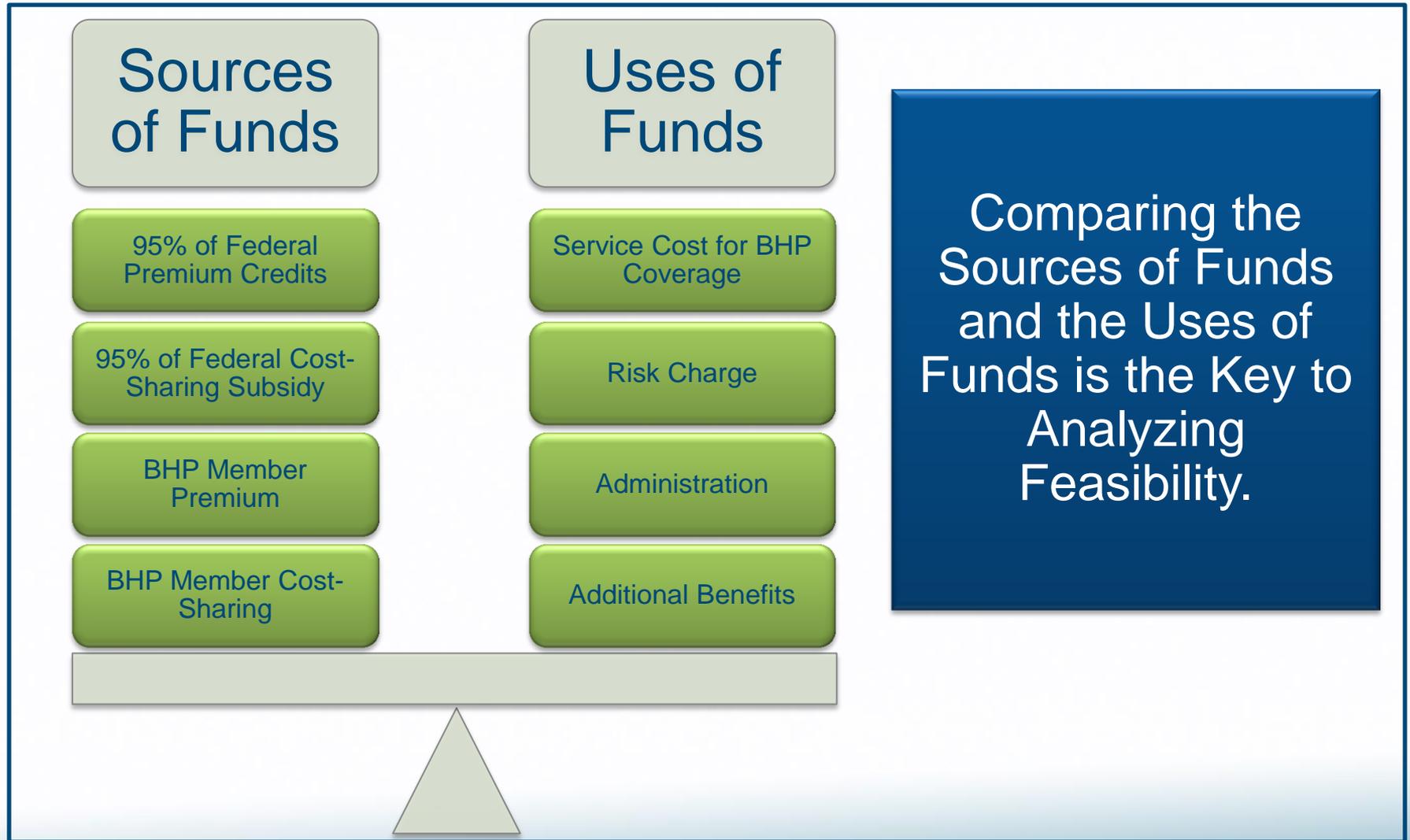
BHP Fiscal Estimates

Insights and Considerations

Meeting Purpose

- Analysis of Basic Health Program using Milliman pricing models for the purpose of assisting the Basic Health Program Work Group with making a recommendation as to whether the State of Connecticut should offer a Basic Health Program (BHP).
- Our work is focused on the financial implications of a BHP and we understand that policy decisions would need to be made following a review and understanding of this analysis. We do not recommend or promote any particular decision related to the BHP.

BHP Financial Modeling: The Approach



Primary Modeling Assumptions/Risks

2nd Lowest Cost Silver Premium in Exchange

- **It does not exist today – significant uncertainty**
- Entire federal subsidy is based on this value
- What happens if carriers are aggressive in pricing?
- Range of \$300-400 per member per month based on several sources

BHP Base Cost (Medicaid benefits and reimbursement)

- **How much will benefits cost the state to provide?**
- Recent Medicaid Husky A adult cost estimates using Medicaid reimbursement
- Medicaid state plan benefits plus essential health benefits – includes infertility
- Relative cost/morbidity adjustment - Medicaid to BHP
- Potential first year selection and pent-up demand uncertainty

Eligible Population and take-up rates

- **How many are eligible and how many will enroll?**
- Eligible population based on several survey sources and public information
- Take-up rate assumptions – varies by current insurance coverage type
- Take-up rates are assumed to be fixed for all scenarios

BHP Benefits

- **Options of EHB or full Medicaid**
- Medicaid includes non-ER transportation, adult dental and vision
- EHB and full Medicaid includes infertility treatment
- Net difference is EHB less than Medicaid by approximately 8%

Potential Variation of Exchange Premiums

Silver Low ?		Close Plans ▲	
6 plans			
<input type="checkbox"/>	 Neighborhood Health Plan	NHP Choice Extra 1000	\$328 ³⁷
<input type="checkbox"/>	 TUFTS Health Plan	Commonwealth Advantage HMO 1000	\$388 ⁶⁴
<input type="checkbox"/>	 fallon community health plan	Direct Care Premium Saver 1000 Plus SMALLER FALLON NETWORK	\$432 ⁰⁰
<input type="checkbox"/>	 Harvard Pilgrim HealthCare	Harvard Pilgrim Silver 1000	\$464 ⁶⁵
<input type="checkbox"/>	 MASSACHUSETTS	HMO Blue \$1000 Deductible	\$470 ⁹⁷
<input type="checkbox"/>	 fallon community health plan	Select Care Premium Saver 1000 Plus	\$490 ⁰⁰

Second lowest cost Silver plan may be significantly below the average or median

Commonwealth Choice

Median ~ \$450 PMPM

2nd Lowest ~ \$388 PMPM

Source:

www.mahealthconnector.org

Zip – 01602 / Age - 37 / Effective 12/01/2012

Retrieved 11/12/2012

Note: These Massachusetts exchange premiums are intended to illustrate the uncertainty of anticipated premiums for the exchange used to calculate the federal subsidies. This does not represent the premium the member will pay in a CT exchange or BHP.

Basic Health Program Fiscal Analysis – Primary Assumptions – 2014 Estimated Values

Parameter	Individual	Uninsured	Employer Sponsored	Total
ENROLLMENT				
BHP Eligibles	7,700	68,100	70,100	145,900
Estimated Take-up Rates	95%	50%	5%	31%
BHP Enrollment	7,300	34,200	3,600	45,100
EXCHANGE PREMIUM				
2nd Lowest Cost Silver (PMPM)	\$350 (Range of \$300-\$400)			
BHP Cost				
BHP Service Cost (PMPM)	\$374 (Range of \$338-\$410)			
BHP Admin Cost	3% of BHP Service Cost			
BHP Reimbursement Level	Medicaid - 78% of Medicare			
BHP Benefit Level	Medicaid benefits including addition of infertility treatment			

Values have been rounded.

Additional assumptions:

- Medicaid Parents remain in Husky A
- Reimbursement and benefits at Medicaid (Base Scenario)
- High risk pool folds into BHP/exchange

BHP Fiscal Estimates - Connecticut

Fiscal Estimates – Key Definitions

- Assumption Scenarios
 - Best Estimate – assumes best estimate of silver premium and BHP cost.
 - Optimistic – assumes higher silver premium and lower BHP cost.
 - Pessimistic – assumes lower silver premium and higher BHP cost.
- Member Out-of-Pocket Scenarios
 - Percentage of Maximum (0%, 25%, 50%, 75%, and 100%)
 - Maximum means the limitations contained in Section 1331 of the ACA.
- Levers – program design choices to impact the net financial impact of the BHP
 - Benefit level – benefit level offered to the member
 - Reimbursement level – amount paid for services to providers
 - Member out-of-pocket – premium and cost-sharing amount member pays in BHP

Fiscal Estimates - CY 2014 (\$ Millions)

Medicaid Benefit/Medicaid Reimbursement – Zero Member Out-of-Pocket

SOURCES AND USES OF FUNDS	BEST ESTIMATE ASSUMPTION	OPTIMISTIC ASSUMPTION	PESSIMISTIC ASSUMPTION
	Best Estimate Silver Premium Best Estimate BHP Cost	Higher Silver Premium Lower BHP Cost	Lower Silver Premium Higher BHP Cost
Federal Premium Subsidies (at 95%)	\$ 152.1	\$ 178.1	\$ 126.6
Federal Cost-Sharing Subsidies (at 95%)	\$ 42.8	\$ 48.7	\$ 36.8
Total Non-Member Available Funds	\$ 194.8	\$ 226.8	\$ 163.4
Member Cost-Sharing (0% of Maximum)	\$ 0.0	\$ 0.0	\$ 0.0
Member Premium (0% of Maximum)	\$ 0.0	\$ 0.0	\$ 0.0
Member Available Funds (0% of Maximum)	\$ 0.0	\$ 0.0	\$ 0.0
Total Available Funds	\$ 194.8	\$ 226.8	\$ 163.4
BHP Service Costs	\$ 202.4	\$ 182.9	\$ 221.9
BHP State Administrative Costs	\$ 6.0	\$ 5.4	\$ 6.5
Total BHP Program Costs	\$ 208.4	\$ 188.3	\$ 228.4
Net State Gain/(Loss) with Member Funds	(\$ 13.5)	\$ 38.4	(\$ 64.9)

Values have been rounded.

Note: While the pessimistic scenario represents an unfavorable outcome to the state, it may not be the worst case outcome because there are potential outlier scenarios not included in this presentation.

Fiscal Estimates - CY 2014

Margin – Aggregate Annual Expenditures (\$ Millions)

		Medicaid Benefits					Essential Health Benefits				
CY 2014 - Best Estimate Assumptions											
Member Premium / Cost Sharing - % of Maximum Allowed by ACA											
Reimbursement	%	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
MEDICAID	78%	(\$ 13.5)	(\$ 1.1)	\$ 11.9	\$ 24.4	\$ 36.8	\$ 1.6	\$ 13.5	\$ 26.0	\$ 37.9	\$ 50.7
MEDICARE	100%	(\$ 73.1)	(\$ 59.0)	(\$ 44.9)	(\$ 30.8)	(\$ 16.5)	(\$ 49.8)	(\$ 36.3)	(\$ 22.7)	(\$ 9.2)	\$ 4.6
COMMERCIAL	129%	(\$ 148.8)	(\$ 133.1)	(\$ 116.4)	(\$ 100.7)	(\$ 84.2)	(\$ 121.8)	(\$ 106.6)	(\$ 90.9)	(\$ 75.8)	(\$ 60.2)

CY 2014 - Optimistic Assumptions											
Member Premium / Cost Sharing - % of Maximum Allowed by ACA											
Reimbursement	%	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
MEDICAID	78%	\$ 38.4	\$ 50.3	\$ 62.8	\$ 74.7	\$ 86.6	\$ 52.5	\$ 63.9	\$ 76.3	\$ 87.7	\$ 99.4
MEDICARE	100%	(\$ 14.6)	(\$ 1.6)	\$ 12.4	\$ 25.4	\$ 39.4	\$ 6.0	\$ 18.4	\$ 31.9	\$ 44.4	\$ 57.4
COMMERCIAL	129%	(\$ 83.3)	(\$ 68.2)	(\$ 53.0)	(\$ 37.9)	(\$ 22.1)	(\$ 57.9)	(\$ 43.8)	(\$ 28.7)	(\$ 14.6)	\$ 0.0

CY 2014 - Pessimistic Assumptions											
Member Premium / Cost Sharing - % of Maximum Allowed by ACA											
Reimbursement	%	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
MEDICAID	78%	(\$ 64.9)	(\$ 52.0)	(\$ 38.4)	(\$ 26.0)	(\$ 12.7)	(\$ 48.7)	(\$ 36.3)	(\$ 23.3)	(\$ 10.8)	\$ 1.9
MEDICARE	100%	(\$ 131.5)	(\$ 116.9)	(\$ 101.7)	(\$ 87.1)	(\$ 72.5)	(\$ 106.1)	(\$ 92.0)	(\$ 77.9)	(\$ 63.9)	(\$ 49.4)
COMMERCIAL	129%	(\$ 214.3)	(\$ 197.5)	(\$ 180.2)	(\$ 163.4)	(\$ 146.5)	(\$ 185.1)	(\$ 169.4)	(\$ 152.6)	(\$ 136.9)	(\$ 120.4)

Values have been rounded.

Note: While most pessimistic scenarios represent unfavorable outcomes to the state, they may not be the worst case outcomes because there are potential outlier scenarios not included in this presentation.

Fiscal Estimates - CY 2014

Margin – Percent (%) of BHP Cost

Medicaid Benefits							Essential Health Benefits				
CY 2014 - Best Estimate Assumptions											
Member Premium / Cost Sharing - % of Maximum Allowed by ACA											
Reimbursement	%	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
MEDICAID	78%	(6.5%)	(0.5%)	5.7%	11.7%	17.6%	0.8%	7.0%	13.4%	19.6%	26.3%
MEDICARE	100%	(27.3%)	(22.0%)	(16.8%)	(11.5%)	(6.2%)	(20.4%)	(14.8%)	(9.3%)	(3.8%)	1.9%
COMMERCIAL	129%	(43.3%)	(38.7%)	(33.9%)	(29.3%)	(24.5%)	(38.5%)	(33.7%)	(28.7%)	(23.9%)	(19.0%)

CY 2014 - Optimistic Assumptions											
Member Premium / Cost Sharing - % of Maximum Allowed by ACA											
Reimbursement	%	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
MEDICAID	78%	20.4%	26.7%	33.3%	39.7%	45.9%	30.1%	36.6%	43.8%	50.3%	56.9%
MEDICARE	100%	(6.1%)	(0.7%)	5.2%	10.5%	16.3%	2.7%	8.3%	14.5%	20.1%	26.0%
COMMERCIAL	129%	(26.9%)	(22.0%)	(17.1%)	(12.2%)	(7.1%)	(20.3%)	(15.4%)	(10.1%)	(5.1%)	0.0%

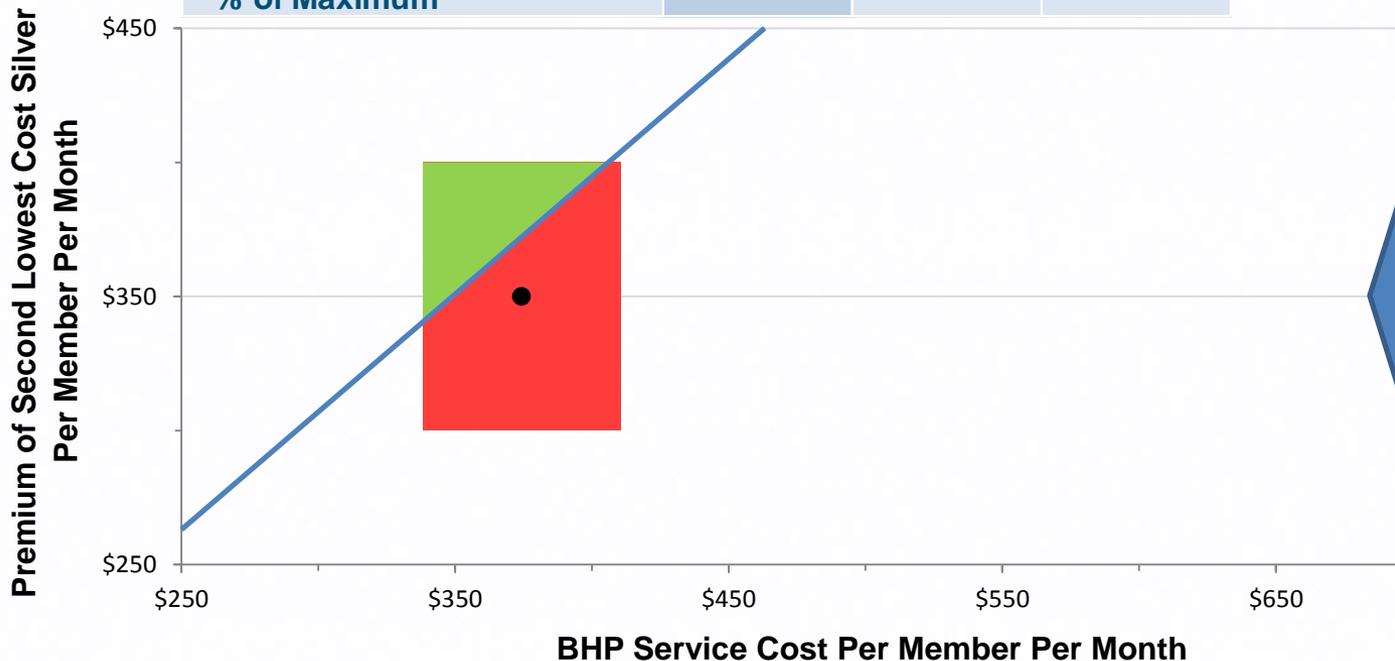
CY 2014 - Pessimistic Assumptions											
Member Premium / Cost Sharing - % of Maximum Allowed by ACA											
Reimbursement	%	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
MEDICAID	78%	(28.4%)	(22.7%)	(16.8%)	(11.4%)	(5.6%)	(23.0%)	(17.1%)	(11.0%)	(5.1%)	0.9%
MEDICARE	100%	(44.6%)	(39.6%)	(34.5%)	(29.5%)	(24.6%)	(39.4%)	(34.1%)	(28.9%)	(23.7%)	(18.3%)
COMMERCIAL	129%	(56.7%)	(52.3%)	(47.7%)	(43.3%)	(38.8%)	(53.1%)	(48.6%)	(43.8%)	(39.3%)	(34.6%)

Values have been rounded.

Note: While most pessimistic scenarios represent unfavorable outcomes to the state, they may not be the worst case outcomes because there are potential outlier scenarios not included in this presentation.

Illustration of 2014 Breakeven Assumptions

LEVERS			
Benefit Level	Medicaid		EHB
Reimbursement	Medicaid	Medicare	Commercial
Member Out-of-Pocket % of Maximum	0%	50%	100%



Box represents range of assumptions.

Center dot represents best estimate.

Line represents breakeven at specified member cost sharing level

**Outcomes Above the Breakeven Lines Result in a Surplus for the State.
Outcomes Below the Breakeven Lines Result in a Deficit for the State.**

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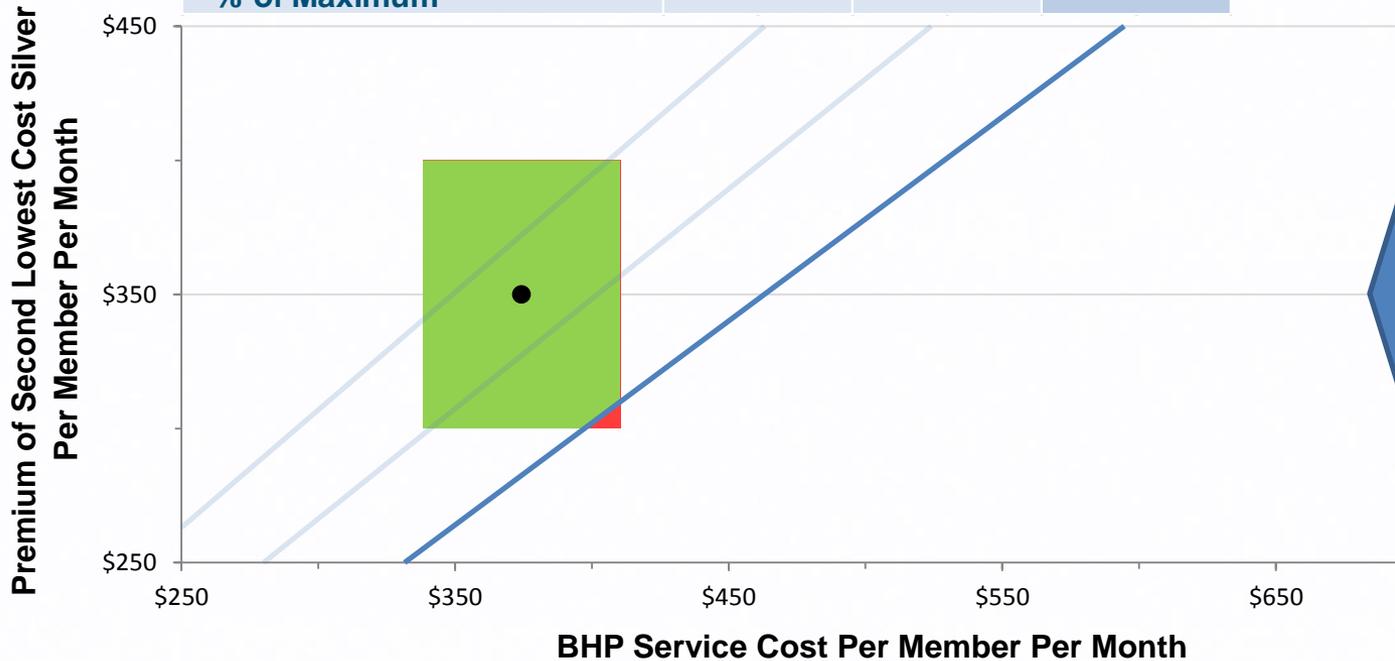
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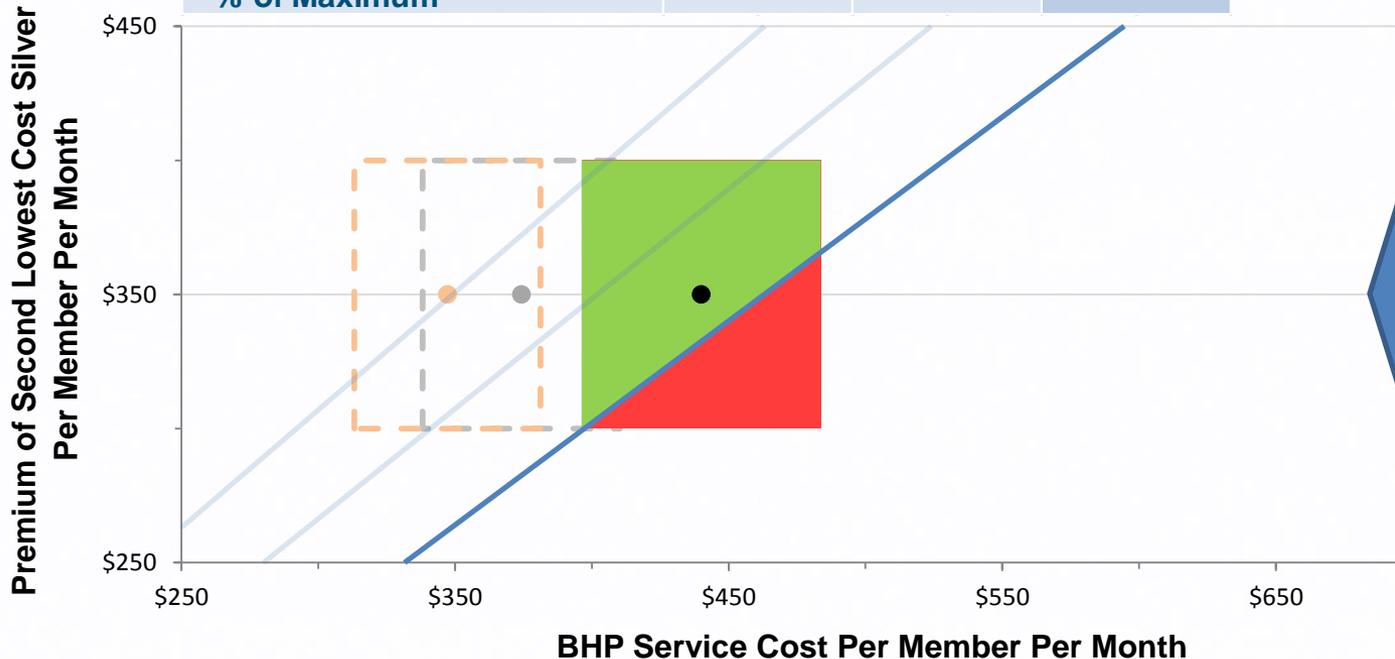
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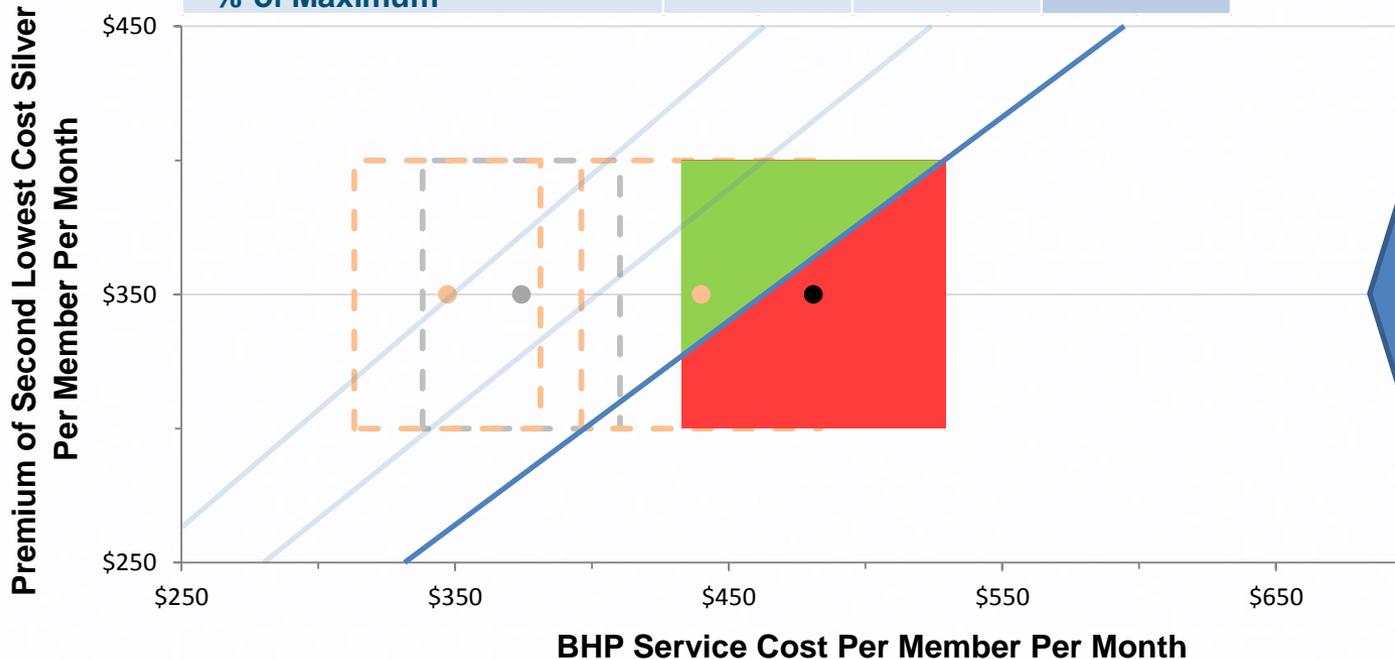
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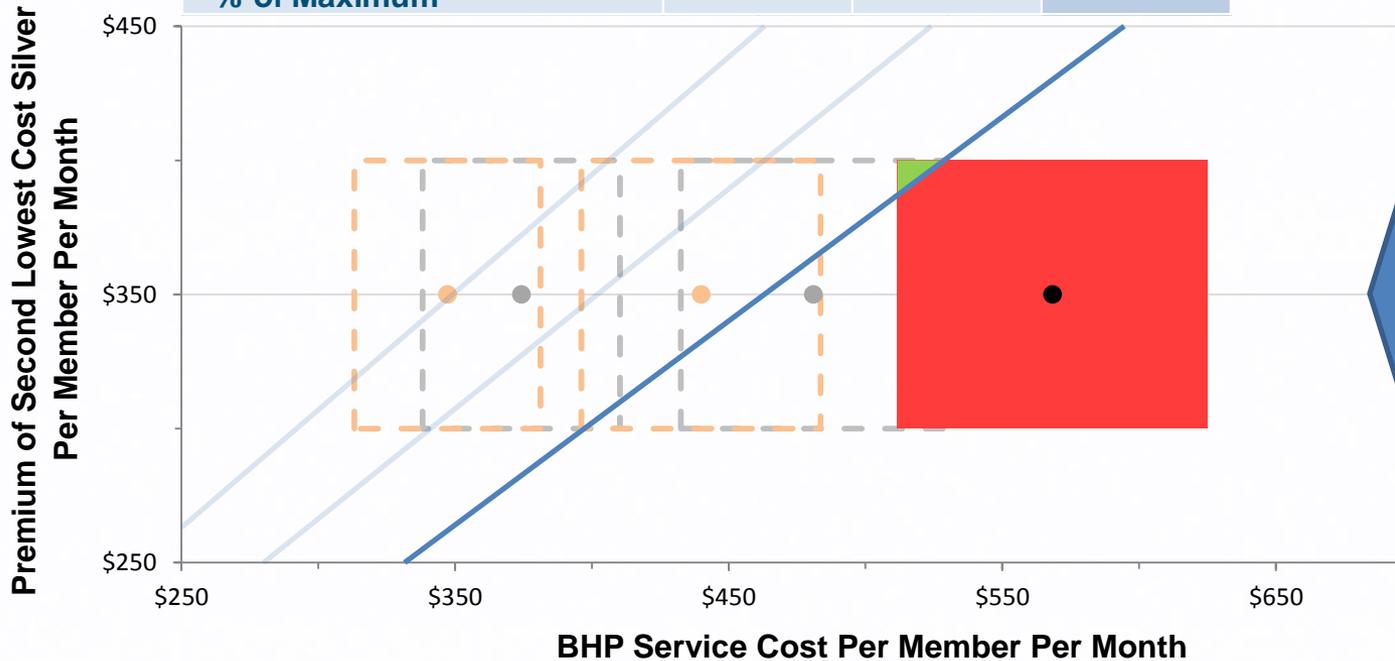
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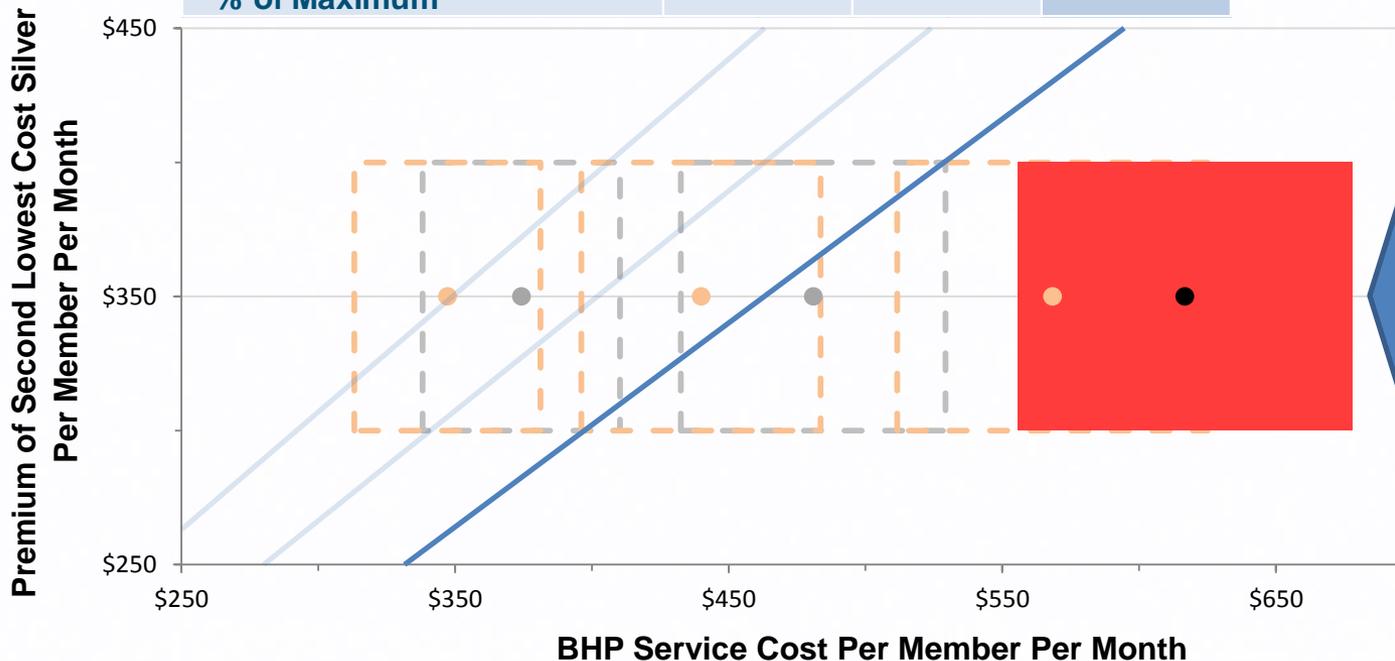
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Benefit Level	Medicaid		EHB
Reimbursement	Medicaid	Medicare	Commercial
Member Out-of-Pocket % of Maximum	0%	50%	100%



Box represents range of assumptions.

Center dot represents best estimate.

Line represents breakeven at specified member cost sharing level

**Outcomes Above the Breakeven Lines Result in a Surplus for the State.
Outcomes Below the Breakeven Lines Result in a Deficit for the State.**

Insights and Considerations

- Establish the risk tolerance of the decision makers
 - Plan for **Best Estimate**, **Optimistic**, or **Pessimistic** assumptions?
 - Risk may change over time – especially after first 1-2 years as issues resolve (Silver premiums, HHS rules, BHP actual experience)

- Available levers for decision makers
 - Member Out-of-Pocket Costs (\$0 to maximum allowed by ACA)
 - Provider Reimbursement (Medicaid, Medicare, Commercial)
 - Benefit Level (Medicaid or EHB)

- Identify scenarios that align Connecticut's policies with risk tolerance

Insights and Considerations

Member Out-of-Pocket		Provider Reimbursement	BHP Benefit Level	BHP Best Estimate - Margin		Margin Range \$ Millions	
% of Max	Avg PMPM			%	\$ Millions	Optimistic	Pessimistic
0%	\$ 0	Medicaid	Medicaid	(6.5%)	(\$ 13.5)	\$ 38.4	(\$ 64.9)
0%	\$ 0	Medicaid	EHB	0.8%	\$ 1.6	\$ 52.5	(\$ 48.7)
25%	\$ 23	Medicaid	Medicaid	(0.5%)	(\$ 1.1)	\$ 50.3	(\$ 52.0)
25%	\$ 22	Medicaid	EHB	7.0%	\$ 13.5	\$ 63.9	(\$ 36.3)
50%	\$ 47	Medicaid	Medicaid	5.7%	\$ 11.9	\$ 62.8	(\$ 38.4)
50%	\$ 45	Medicaid	EHB	13.4%	\$ 26.0	\$ 76.3	(\$ 23.3)
75%	\$ 70	Medicaid	Medicaid	11.7%	\$ 24.4	\$ 74.7	(\$ 26.0)
75%	\$ 67	Medicaid	EHB	19.6%	\$ 37.9	\$ 87.7	(\$ 10.8)
100%	\$ 94	Medicaid	Medicaid	17.6%	\$ 36.8	\$ 86.6	(\$ 12.7)
100%	\$ 90	Medicaid	EHB	26.3%	\$ 50.7	\$ 99.4	\$ 1.9
100%	\$ 100	Medicare	EHB	1.9%	\$ 4.6	\$ 57.4	(\$ 49.4)

Exhibits represent a subset of potential scenarios.

Values have been rounded.

1. While most pessimistic scenarios represent unfavorable outcomes to the state, they may not be the worst case outcomes because there are potential outlier scenarios not included in this presentation.
2. Member out of pocket PMPM represents the average cost for monthly premium and cost sharing. PMPMs are based on the best estimate scenario and change under optimistic/pessimistic scenarios.

LIMITATIONS

- This presentation was prepared for the internal use of the Basic Health Program work group and the Connecticut Office of Policy and Management. No portion of the file may be provided to any other party without Milliman's prior written permission. Such permission will not be unreasonably withheld. This report must be distributed in its entirety, both internally or externally.
- Any reader of this report must possess a certain level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions and their impact on the illustrated results. The reader should be advised by professionals competent in these areas so as to properly interpret the results.
- This analysis relies on data available from publically available sources and various Connecticut State agencies participating on the work group. While we have reviewed these inputs for reasonableness, we have not audited them for accuracy or completeness. If these data sources are inaccurate or incomplete, the analysis will likewise be inaccurate or incomplete.
- Differences between our estimates and actual results depend on the extent to which future experience conforms to the assumptions. It is certain that actual experience will not conform exactly to the assumptions and the actual amounts will differ from the analysis to the extent that actual experience deviates from expected experience.
- Milliman does not intend to benefit any third party recipient of the work product, even if we consent to the release of the work product to such third party.
- Milliman does not provide legal advice, and recommends that the Basic Health Program work group consult with its legal advisors regarding legal matters.
- The terms of Milliman's Consulting Services Agreement with the Office of the Connecticut State Comptroller signed on October 1st, 2010 apply to this report and its use.

QUALIFICATIONS

This document was created by Jeremy D. Palmer, FSA. Mr. Palmer is a Principal and Consulting Actuary in the Indianapolis office of Milliman and a Fellow of the Society of Actuaries and Member of the American Academy of Actuaries. Jeremy meets the qualification standards for performing the analyses contained in this document.