

Catastrophic Health Insurance



JOINT COMMISSION ON HEALTH CARE

OCTOBER 6, 2010

PRESENTER: STEPHEN W. BOWMAN

House Joint Resolution 99 (2010)

2

Catastrophic Health Insurance

- Determine the availability and usage
- Evaluate benefits and risks of further adoption
- Examine other states' efforts to increase the use of such policies

Overview: Catastrophic Health Insurance

3

- **HDHP benefit and value depend potential enrollee's situation**
 - Important option for individuals that can't afford more expensive type of insurance
- **Virginia has taken most available steps to encourage HDHPs**
 - Additional cost and quality transparency could assist consumers in making better health care choices for uninsured and enrollees of HDHPs and more traditional insurance plans
- **Option to improve cost and quality transparency:**
 - JCHC review of the viability and cost for VHI to provide expansive cost and quality information by specific facility and provider for selected medical procedures

Background: High Deductible Health Plan (HDHP)

4

- **HDHPs were created to address increasing health care costs**
 - Goal: Increase consumer involvement in health care decisions and payment for medical services
- **HDHP-insured are:**
 - Protected from catastrophic medical expenses
 - Fully responsible for routine medical claims
- **Have lower premiums and higher deductibles than traditional insurance plans**

Background: Health Savings Accounts Work in Conjunction with a Qualified HDHP

5

- **Health Savings Accounts (HSAs)**
 - Used for qualified medical expenses
 - May be funded with pretax dollars
 - Funds can roll over and accumulate from year to year
 - In order to fund HSA it must be paired with a qualified HDHP

2010 Qualified HDHP standards

Minimum deductible (single)	Minimum deductible (family)	Maximum out-of-pocket (single)	Maximum out-of-pocket (family)
\$1,200	\$2,400	\$5,950	\$11,900

Background: Federal Health Care Reform Implications

6

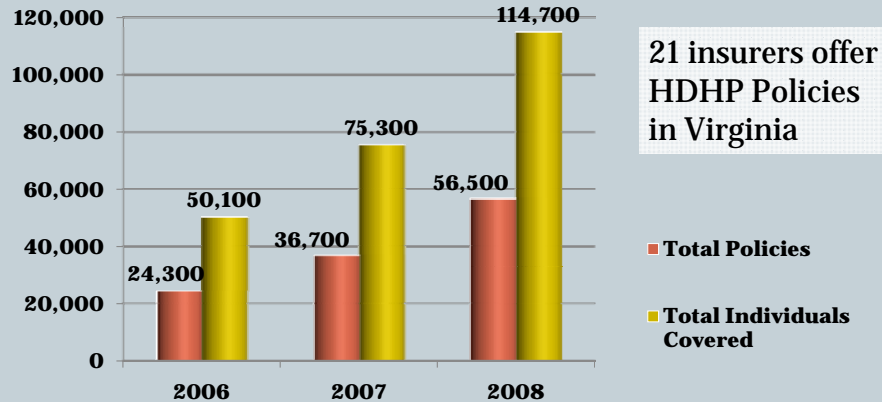
- Federal regulations will determine whether HDHPs that qualify for HSAs may be offered through exchanges
- Many individuals who currently have a *qualified HDHP* may change to a more traditional health insurance policy through the exchange
 - Premium subsidies will assist individuals under 400% FPL
- “Catastrophic plans” will be sold through an exchange to limited groups
 - Deductible set to HDHP out-of-pocket maximum

Sources: The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010.

Finding 1: 114,700 Individuals Covered by Qualified HDHP Policies in 2008

7

2006-08 Virginia HDHP Policies



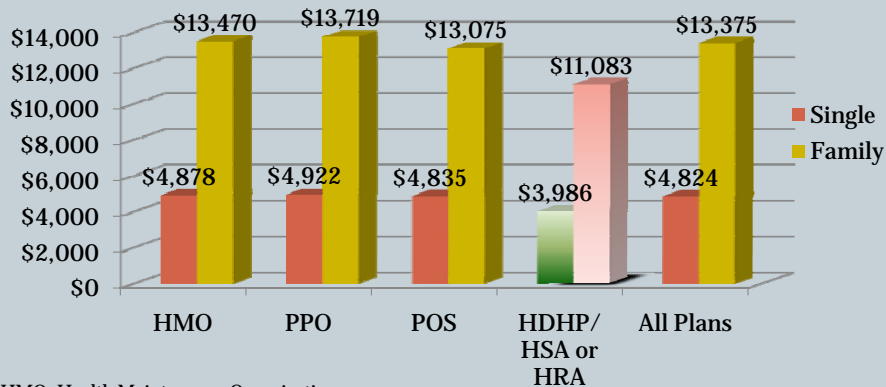
Virginia's HDHP market activity is consistent with national experience.

Sources: Virginia Department of Tax: Report on Health Savings Accounts in Virginia, RD446 (2009) and Bureau of Insurance: Report on High Deductible Health Plans (2009).

Finding 2: HDHPs Offer Lower Premiums

8

2009 Health Insurance Annual Premium Costs



HMO: Health Maintenance Organization
 PPO: Preferred Provider Organization
 POS: Point of Service

Sources: Kaiser/HRET Survey of Employer-Sponsored Health Benefits (2009).

Finding 3: Most HDHP Policies Cover Preventive Benefits

9

- **First-dollar coverage for preventive care (2007):**
 - 99% for large group
 - 96% for small group
 - 59% for individual market

- **Examples of common preventive benefits:**
 - Infant and child well care
 - Pap smears
 - Colonoscopies
 - Physical/annual checkups
 - Immunizations
 - Smoking cessation
 - Mammograms

National Studies

Source: AHIP Center for Policy and Research: A Survey of Preventive Benefits in Health Savings Account Plans, July 2007.

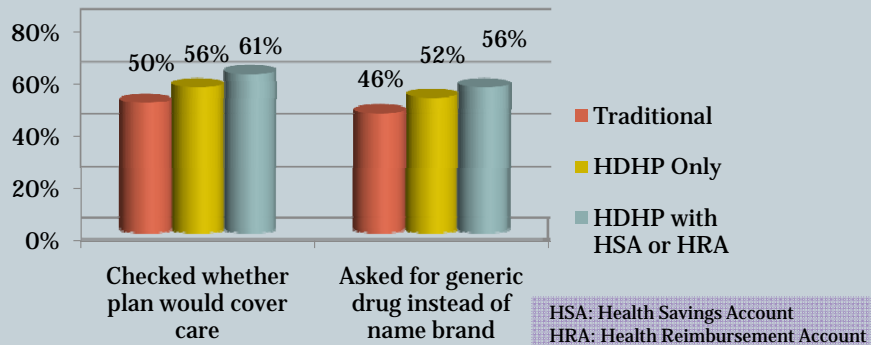
Finding 4: HDHPs Encourage Cost-Conscious Behavior

10

Most studies show decreased health care use when insurance plans have higher cost sharing

-Appropriate and inappropriate care

National Study



Source: Rand: Analysis of High Deductible Health Plans, <http://www.randcompare.org/analysis-of-options/analysis-of-high-deductible-health-plans>.

Why Purchase a High Deductible Health Plan?

11

Lower Premiums

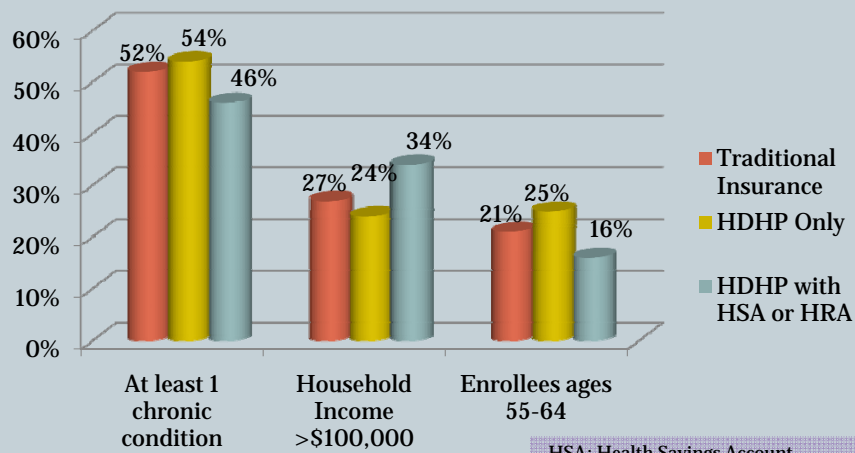
HSAs or HRAs



Source: Employee Benefit Research Institute: Findings from the 2009 EBRI/MGA Consumer Engagement in Health Care Survey, (December 2009).

Finding 5: HDHP Enrollees with an HSA or HRA Tend to Be Healthier, Wealthier, and Younger

12



National Studies

HSA: Health Savings Account
HRA: Health Reimbursement Account

Source: Employee Benefit Research Institute, Findings from the 2009 EBRI/MGA Consumer Engagement Health Care Survey, Report No. 337 (December 2009).

Finding 6: Low-income and Moderately Sick May Not Be Best Served by HDHPs

13

- **Financial:** Higher risk of financial burden from high upfront out-of-pocket payments than for enrollees in traditional insurance plans
 - Moderately sick and low-income individuals are most likely to experience significant financial burden
- **Health:** General population overall health outcomes are not affected*
 - Lower income and less healthy tend to experience poorer health outcomes than those with low- or no-cost sharing plans*

* Current studies have not measured health outcomes for current HDHP products and findings are extrapolation from other studies

National Studies

Source: Rand: Analysis of High Deductible Health Plans. <http://www.randcompare.org/analysis-of-options/analysis-of-high-deductible-health-plans>

Finding 7: Virginia Has Taken Most Steps to Encourage HDHPs But Greater Movement towards Transparency is Possible

14

Virginia Effort	Other States' Efforts Promoting HDHPs
✓ 2004	<i>Financial:</i> No state tax on HSA contributions
✓ 2005	<i>Insurance Market:</i> Allow HDHPs to be used in conjunction with a HSA and Medical Savings Accounts to convert to a HSA
✓ 2005	<i>Availability:</i> Mandate state employee health plan offer HDHP
✓ 2008	<i>Transparency:</i> Publicly available <u>aggregate</u> cost information for at least 25 common procedures
	<i>Transparency:</i> Publicly available <u>specific</u> cost and quality information by provider and facility for selected procedures

Sources: National Conference of State Legislatures websites, www.ncsl.org/Default.aspx?Tabid=14312 and www.ncsl.org/default.aspx?tabid=14462.

Transparency Background: VHI Publishes Statewide Average Costs for Selected Procedures

15

Example: MRI- Knee

Average Allowed Amount:

Payer	Ambulatory Surgical Center	Physician Office	Hospital Outpatient Department	Hospital Inpatient
Commercial	N/A	\$479	\$922	N/A
Medicare	N/A	N/A	N/A	N/A



Source: VHI website accessed July 15, 2010

Transparency Background: VHHA Offers *Hospital Charges* for Procedures by Specific Hospital

16

- Compares procedure statistics to other hospitals:
 - In region
 - With similar patient volumes
 - State average
- Lists hospital charges
 - Physician charges not included
- *Consumer cost estimates not included*

www.vapricepoint.org

Inova Loudoun Hospital

MSDRG 468

Revision of Hip or Knee Replacement wo CC/MCC

January 2009 - December 2009

View Medicare's "Hospital Compare" Quality Report for this Hospital	Selected Hospital
Number of Discharges	6
Average Length of Stay	3.2 Day(s)
Average Charge	\$48,876
Median Charge	\$52,695
Median Age	61
Percentage Male	50%
Percentage Female	50%

Note: Pricepoint links to all hospital's financial assistance policies

Transparency Finding 1: Other States Provide Specific Health Care Cost Information

17

- Selected procedures by specific provider and hospital
- Estimates include all health care procedure costs even when separate payments are made to a physician and a hospital
- Consumers can refine estimates by:
 - Insured and uninsured status
 - Specific insurer
 - Type of insurance product (e.g. HMO, PPO, and POS)
 - Plan deductible
 - Level of coinsurance

Transparency Internet Demonstration

18



- New Hampshire's website: www.nhhealthcost.org
- Consumer example inputs:
 - *Procedure:* MRI – Knee (Outpatient)
 - *Location:* Concord, NH (zip: 03301)
 - *Distance willing to travel:* 50 miles
 - *Specific insurer:* Anthem
 - *Type of insurance product:* PPO
 - *Plan deductible:* \$1,000
 - *Level of coinsurance:* 20%

Source: www.nhhealthcost.org

Transparency Example: New Hampshire Offers Specific Health Care Cost Information By Procedure and Provider

19

Detailed estimates for MRI - Knee (outpatient)

Procedure: [MRI - Knee \(outpatient\)](#)

Insurance Plan: Anthem - NH, Preferred Provider Organization (PPO)

Within: 50 miles of 23218

Deductible and Coinsurance Amount: \$1,000.00 / 20%

Consumer Cost Estimate

Precision Cost Estimate

Lead Provider Name	Estimate of What you Will Pay	Estimate of What Insurance Will Pay	Estimate of Combined Payments	Precision of the Cost Estimate	Typical Patient Complexity	Contact Info
ACCESS SPORTS MEDICINE & ORTHOPAEDICS	\$688	\$0	\$688	High	MEDIUM	ACCESS SPORTS MEDICINE & ORTHOPAEDICS 603.775.7575
BEDFORD AMBULATORY SURGICAL C	\$748	\$0	\$748	MEDIUM	LOW	BEDFORD AMBULATORY SURGICAL C 603.622.3670
DERRY IMAGING CENTER	\$930	\$0	\$930	MEDIUM	LOW	DERRY IMAGING CENTER 603.537.1363
CONCORD HOSPITAL	\$937	\$0	\$937	LOW	MEDIUM	CONCORD HOSPITAL 603.228.7145

Source: www.nhhealthcost.org

Note: All-Payer Claims Database can collect claims from insurers to provide consumer friendly cost estimates for specific procedures

Catastrophic Health Insurance Conclusions

20

- HDHP benefit and value depend on potential enrollee's situation
 - Important option for individuals that can't afford more expensive type of insurance

Improved cost and quality transparency could assist consumers in making more informed health care choices *(See Option 2)*

- Assists uninsured, HDHP enrollees and traditional insurance enrollees in choosing medical procedures and providers

Options

21

Option 1: Take no action

Option 2:

- In the 2011 JCHC Workplan, staff review :
 - Other states' efforts to publicly disseminate expansive cost and quality information by specific facility and provider for selected medical procedures.
 - Legal, financial, data and other requirements for VHI to provide similar specific cost and quality information through an All-Payer Claims Database.
- Request by letter of the JCHC Chairman that VHI, VAHP, MSV, and VHHA provide assistance.
- JCHC report due by November 2011.

Public Comment

22

- Written public comments may be submitted to JCHC by close of business on October 22, 2010.
- Comments may be submitted via:
 - E-mail: sreid@jhc.virginia.gov
 - Fax: 804-786-5538
 - Mail: Joint Commission on Health Care
P.O. Box 1322
Richmond, Virginia 23218
- Comments will be summarized and presented to JCHC during its November 3rd meeting.