Examining Cost and Revenue Estimates for a Basic Health Program (BHP) in Oregon

Prepared for the HB 4035 Task Force

Tuesday, November 1, 2022

8:30 am – 12:00 pm PT

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Agenda

- Overview of Today's Presentation
- The BHP Funding Formula: BHP Revenues
- Estimating BHP Costs
- Key Takeaways and Next Steps

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Overview of Today's Presentation

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Estimating Costs and Revenues of Implementing a BHP in Oregon

- **Goals for today:**
  - Understand the BHP funding formula.
  - Describe the data sources, populations, and analysis used to estimate revenues and costs of implementing a BHP in Oregon based on the BHP funding formula.
- **Next steps for November 15**:
  - Present detailed findings of the BHP cost/revenue analysis (estimated federal 1331 revenue and cost of TF BHP proposal) and potential implications for BHP plan design.

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Key Takeaways

- **BHP Funding Formula.** BHP federal funding formula provides the state with 95% of the premium tax credits enrollees would have received had they enrolled in the Marketplace.
- **Limited Enrollment Risk for Revenues.** BHP federal funding formula is calculated on a PMPM basis.
  - This means more enrollment generates more revenue for the program, and less enrollment generates less revenue for the program. In either case, the state is not held accountable for actual program enrollment differing from any projected "baseline" enrollment.
- **Potential Morbidity Risk for Costs.** Depending on the claims associated with the risk profiles of the individuals enrolling into the BHP, the state will be at risk for claims costs that exceed BHP revenues.

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Populations Enrolling into the BHP

BHP enrollees will be a combination of people previously uninsured, coming from the Marketplace, or coming from Medicaid following the end of the PHE.

People Moving From Uninsured

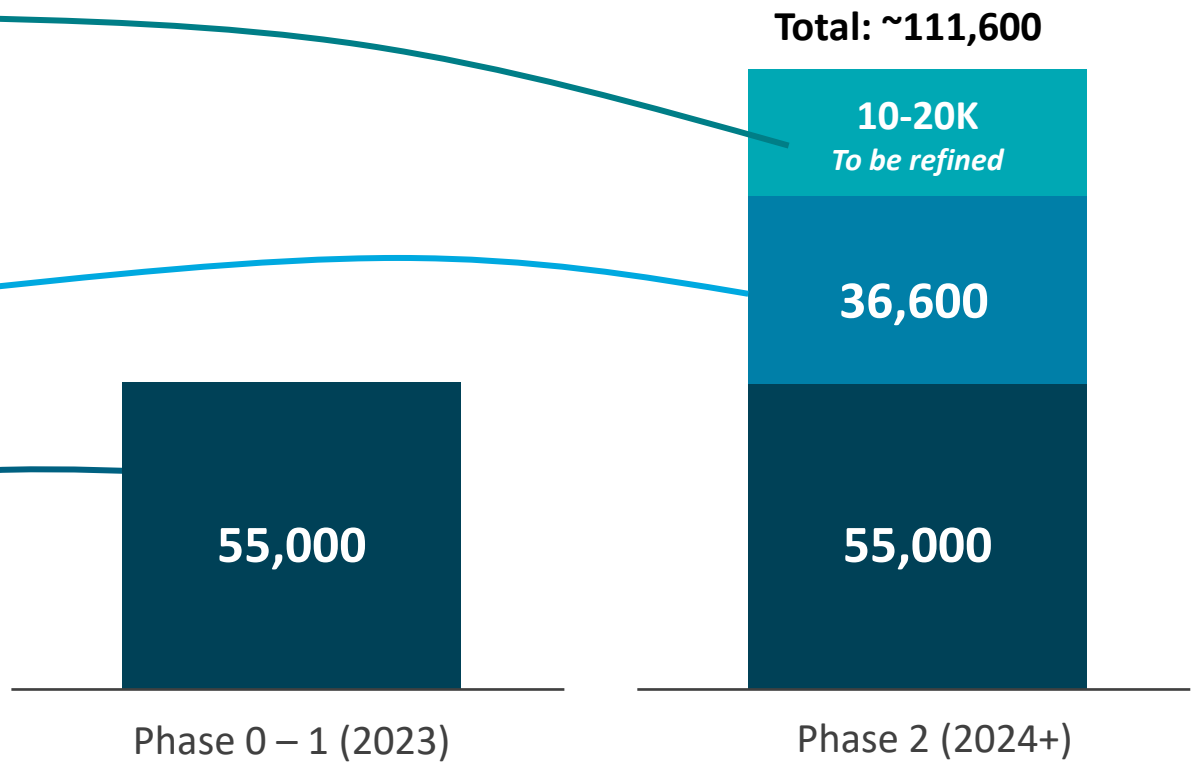
- Based on the uninsured population in 2021, OW estimated BHP enrollment among the uninsured using microsimulation modeling, projected for 2024.

People Moving From Marketplace

- Includes people currently covered in the Marketplace with income between 138-200% FPL in 2021, projected to 2024.

People Moving From Medicaid

- Includes the population from 138-200% FPL that are expected to lose Medicaid eligibility following end of the PHE, who would otherwise be eligible for the Marketplace.



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BHP Revenues

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The BHP Funding Formula

Federal funding for a BHP is based on the amount of premium tax credit (PTC) that would have been provided each fiscal year to eligible individuals enrolled in BHP if the individuals had enrolled in the second lowest cost silver plan on the Marketplace, adjusted for the impacts of silver-loading and other factors.

BHP Federal Funding Amount = (***PTC*** *Estimated PTC that would have been paid if BHP enrollee enrolled in a QHP, accounting for age, geography, coverage status, household size and income.* x ***Adjustment Factors*** *To account for other variables, including silver-loading due to CSR removal, reinsurance, and population health.*) ***IRF x 95%***

Use of the BHP federal funds will be limited to State provision of BHP covered plan benefits to BHP enrollees. For example, state costs to administer the BHP are not eligible for use of BHP federal funds.

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Estimating Applicable Premium Tax Credits

Premium tax credits are based on Oregon reference premiums, which account for a variety of factors.

BHP Federal Funding Amount = (***PTC*** *Estimated PTC that would have been paid if BHP enrollee enrolled in a QHP, accounting for age, geography, coverage status, household size and income.* x ***Adjustment Factors*** *To account for other variables, including silver-loading due to CSR removal, reinsurance, and population health.*) *IRF x 95%*

Based on a **reference premium** of the second lowest silver plan by age range, income, geographic region and coverage status (self-only or applicable family coverage); non-tobacco rate.

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Additional Adjustments

Additional adjustments are then applied to account for varying factors that are not already accounted for within the reference premium calculations.

$$\text{BHP Federal Funding Amount} = (\text{PTC} \times \text{Adjustment Factors}) \times \text{IRF} \times 95\%$$

PTC

Estimated PTC that would have been paid if BHP enrollee enrolled in a QHP, accounting for age, geography, coverage status, household size and income.

Adjustment Factors

To account for other variables, including silver-loading due to CSR removal, reinsurance, and population health.

Reference premiums (and resulting PTCs) are further adjusted by a:

- **Population Health Factor**: accounts for the impact of the BHP population on QHP premiums (retrospective, default 1.00); can be adjusted through a request with CMS.
- **Premium Adjustment Factor:** accounts for the reduction in silver-level premiums due to the discontinuance of CSR payments (set at 1.188 in 2022).
- ***Reinsurance Adjustment:** accounts for the reduction in silver-level premiums due to the presence of a state reinsurance program (would be based on premium impacts of Oregon's reinsurance program for that program year).

**Note this factor is still a proposed rule as of October 2022*

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Income Recon Factor

The adjusted PTC amounts are further adjusted to reconcile for differences between APTCs and PTCs.

$$\textit{BHP Federal Funding Amount} = \left(\textit{PTC} \times \textit{Adjustment Factors} \right) \textit{IRF} \times 95\%$$

PTC: *Estimated PTC that would have been paid if BHP enrollee enrolled in a QHP, accounting for age, geography, coverage status, household size and income.*

Adjustment Factors: *To account for other variables, including silver-loading due to CSR removal, reinsurance, and population health.*

The **Income Recon Factor** accounts for expected PTC to APTC ratio (1.0063 in 2022).

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Applying 95% Funding Amount

States are then provided 95% of the total PTCs that would have been provided each year to eligible individuals enrolled in BHP if the individuals had enrolled in the second lowest cost silver plan on the Marketplace, inclusive of all adjustment factors.

BHP Federal Funding Amount = (***PTC*** *Estimated PTC that would have been paid if BHP enrollee enrolled in a QHP, accounting for age, geography, coverage status, household size and income.* x ***Adjustment Factors*** *To account for other variables, including silver-loading due to CSR removal, reinsurance, and population health.*) ***IRF x 95%***

Total PTCs for qualifying BHP enrollees based on the prior reference premiums and adjustment factors are then multiplied by 95%.

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BHP Costs

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BHP Costs Are More Challenging to Calculate Than BHP Revenues

BHP costs include more variables with the benefit package and demographic differences across three distinct populations.

- **CCO Benefits.** For this BHP cost/revenue analysis, estimates will be based on the CCO benefit package, which is similar to (but not the same as) the Medicaid benefit package (e.g., LTSS benefits are not included).
  - Note that earlier, preliminary cost projections from the feasibility study were based on EHBs.
- **CCO Payment Methodologies.** Payments to CCOs and other providers (e.g., Federally-Qualified Health Centers) to deliver Medicaid-like benefits are more complex than carrier rates for delivering the EHB package.
  - For the Marketplace, carriers set their own rates, subject to state review.
  - For CCOs, the state sets a capitated rate, subject to many additional adjustments and other directed payments.
- **Multiple Enrolling Populations.** BHP costs must be calculated for three distinct populations: Marketplace, Medicaid, and Uninsured.
  - There are significant demographic and morbidity differences across these three populations.

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Calculating PMPM Costs for the BHP Population

Medicaid Population

- Estimated BHP Membership from Medicaid
  - Demographics
  - Geography
  - Morbidity
- Adjusted claims costs for that estimated population
- Claims / membership = **PMPM cost for Medicaid enrollee**

Marketplace Population

- Using **Medicaid PMPM cost**, OW will develop Marketplace costs by adjusting for differences in:
  - Demographics
  - Geography
  - Morbidity
- Marketplace claims / Marketplace membership = **PMPM cost for Marketplace enrollee**

Uninsured Population

- Using **Marketplace PMPM cost**, OW will develop Uninsured costs by adjusting for differences in:
  - Demographics
  - Geography
  - Morbidity
- Uninsured claims / Uninsured membership = **PMPM cost for Uninsured enrollee**

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Key Takeaways and Next Steps

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- **BHP Funding Formula.** BHP federal funding formula provides the state with 95% of the premium tax credits enrollees would have received had they enrolled in the Marketplace.
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Next Steps

- At the November 15 Task Force Meeting, Manatt and Oliver Wyman plan to present **detailed estimates of costs and revenues for a BHP in Oregon**, based on the Task Force's BHP recommendations.
- Findings will include **any funding surplus or shortfall**.
- Depending on the findings**, the Task Force may have certain plan design decisions to make for the BHP.**

Interim Task Force report recommendations*

1. Establish Bridge Program through a Section 1331 BHP
2. Phase implementation (phases 1-3)
3. Continue to explore “optionality” (phase 4)
4. Administered by CCOs
5. Eventual enrollment through exchange
6. Align contracting and implementation processes with OHP
7. Capitation rates that enable higher-than OHP provider payment
8. Adequately reimburse safety net providers
9. CCO service package
10. No enrollee costs
11. Waive 1331 requirement for plan choice

*Pending further actuarial analysis and federal approvals.

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Depending on estimated BHP surplus or shortfall, Oregon may need to consider adjusting the underlying costs of the Bridge Program by:

- Adjusting reimbursement rates
- Adjusting OHP services
- Introducing premiums
- Introducing co-pays

Thank You

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