

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

Prepared for the HB 4035 Task Force

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8:30 am – 12:00 pm PT

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- **Overview of Today's Presentation**
- **BHP Revenue and Cost Estimates**
- **Key Takeaways and Next Steps**

Overview of Today's Presentation

- **Goals for today:**

- Discuss 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.

- **Next steps:**

- **OHA** to continue analyzing OHP population when redetermination begins.
- **Manatt** to continue drafting written deliverable on microsimulation and cost/revenue analyses for inclusion in Task Force final report.

- **Analysis suggests BHP vision (CCO services, no enrollee costs, at least OHP rates) feasible.**
- **Projected revenues generated by the BHP are estimated to narrowly exceed program costs for each of the three BHP populations (Medicaid, ACA Individual market, and the Uninsured), under best estimate assumptions.**
 - **BHP revenue and cost estimates are assumption-driven due to limited understanding of the OHP population resulting from PHE continuous coverage requirements.**
 - **The Medicaid and ACA Individual market populations generate similar levels of revenues relative to cost, both narrowly netting positive for the program.**
 - **The uninsured population, which is the most challenging population to estimate, is projected to generate the largest per-member surplus funding.**
- **Due to uncertainty, it will be important to continue to monitor revenue/cost projections as the Medicaid population begins to transition during the PHE unwinding.**

Recap: Populations Enrolling into the BHP

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

People Moving From Uninsured

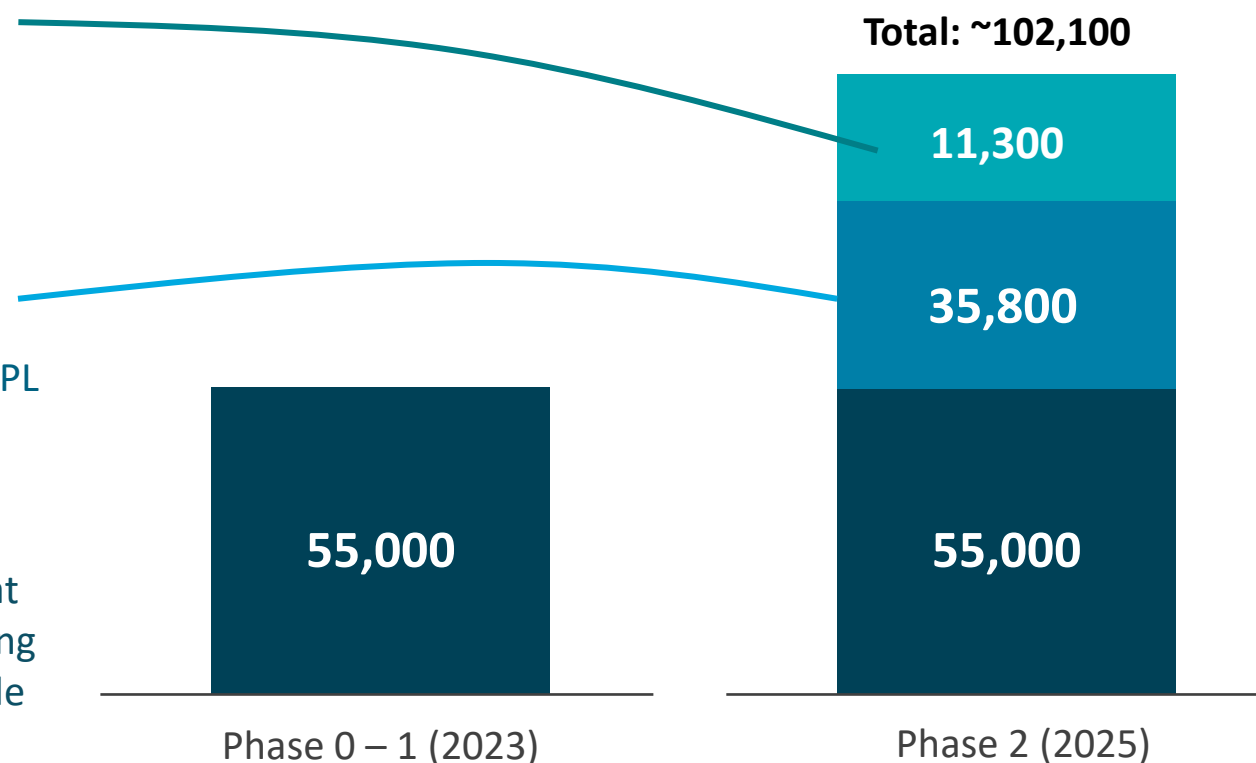
- Based on the uninsured population in 2021, OW estimated BHP enrollment among the uninsured using microsimulation modeling, projected for 2025.

People Moving From ACA Individual Market

- Includes people currently covered in the Marketplace with income between 138-200% FPL in 2021, projected to 2025.

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.



Barriers to constructing population analysis

Significant uncertainty related to who will move from OHP to the Basic Health Program

- People may have had substantial income fluctuation during PHE
- No way to know who has access to affordable employer coverage (will make some ineligible for BHP)
- People with fewer perceived health needs may not (re)enroll
- Post-PHE redeterminations will identify folks in 138-200% FPL income range and enable additional analysis to confirm / modify assumptions



OHA cannot identify individual OHP enrollees who will move into BHP

Mercer built proxy-BHP population based on member enrollment characteristics. For example:

- Long term enrollees more likely to remain in OHP
- People who joined OHP post-COVID more likely to enroll in BHP

Overall: members moving to BHP expected to be younger, less expensive than expansion population as a whole

Churn: Cycling on/off Medicaid coverage, generally due to:

- Challenge of navigating state redetermination procedures
- Short-term income changes and changing family circumstances



BHP expected to reduce churn due to changes in **income**

People who churn due to **administrative** reasons and remain OHP-eligible would not move to BHP

Covered services based on current CCO responsibilities

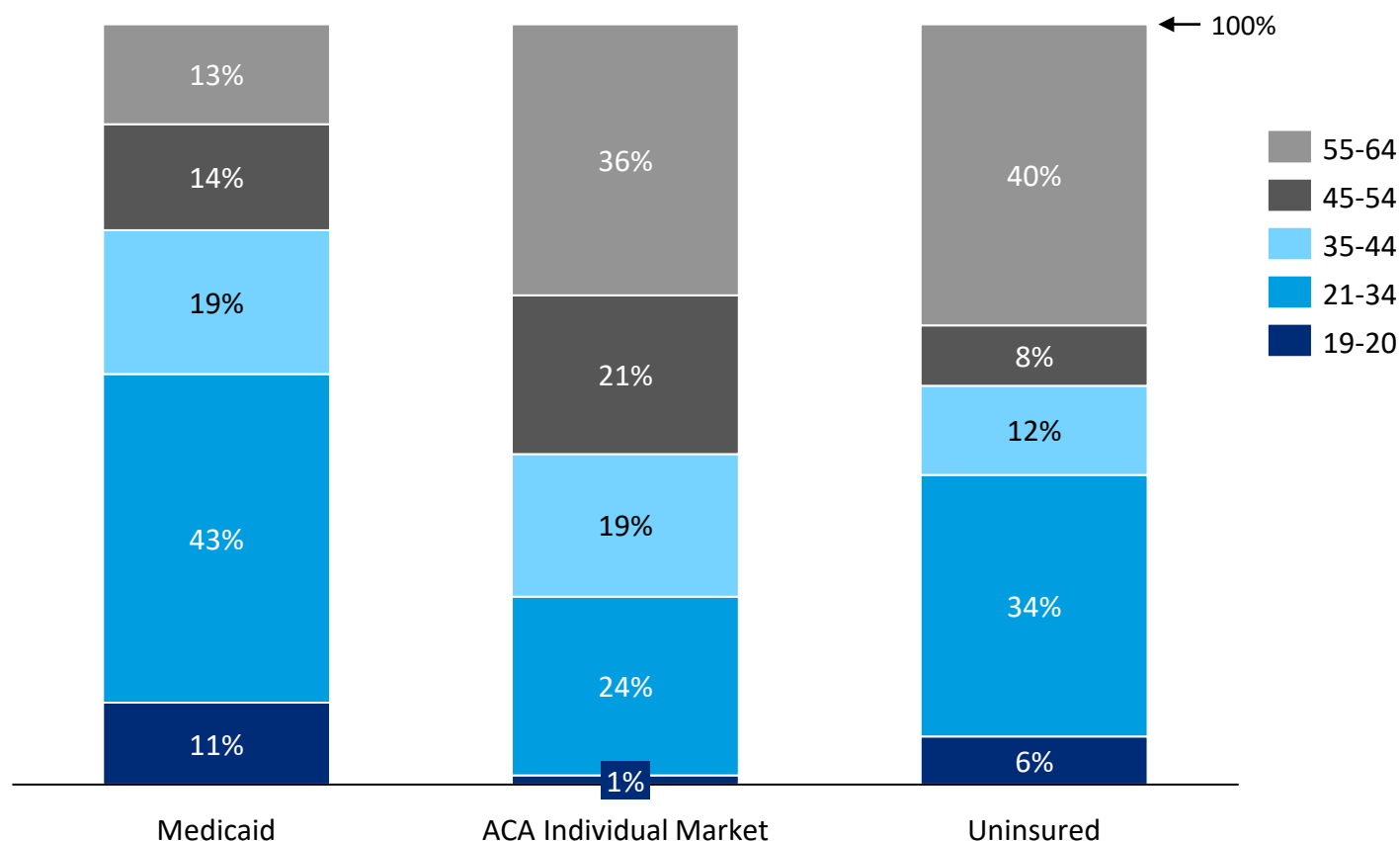
Baseline cost estimate relies on claims analysis from Mercer that:

- Reflects payment rates/practices and costs of services delivered by CCOs in 2021, trended to 2025
- Includes dental services
- Excludes LTSS and other services not part of the CCO service package



Age Distribution of Expected BHP Enrollees

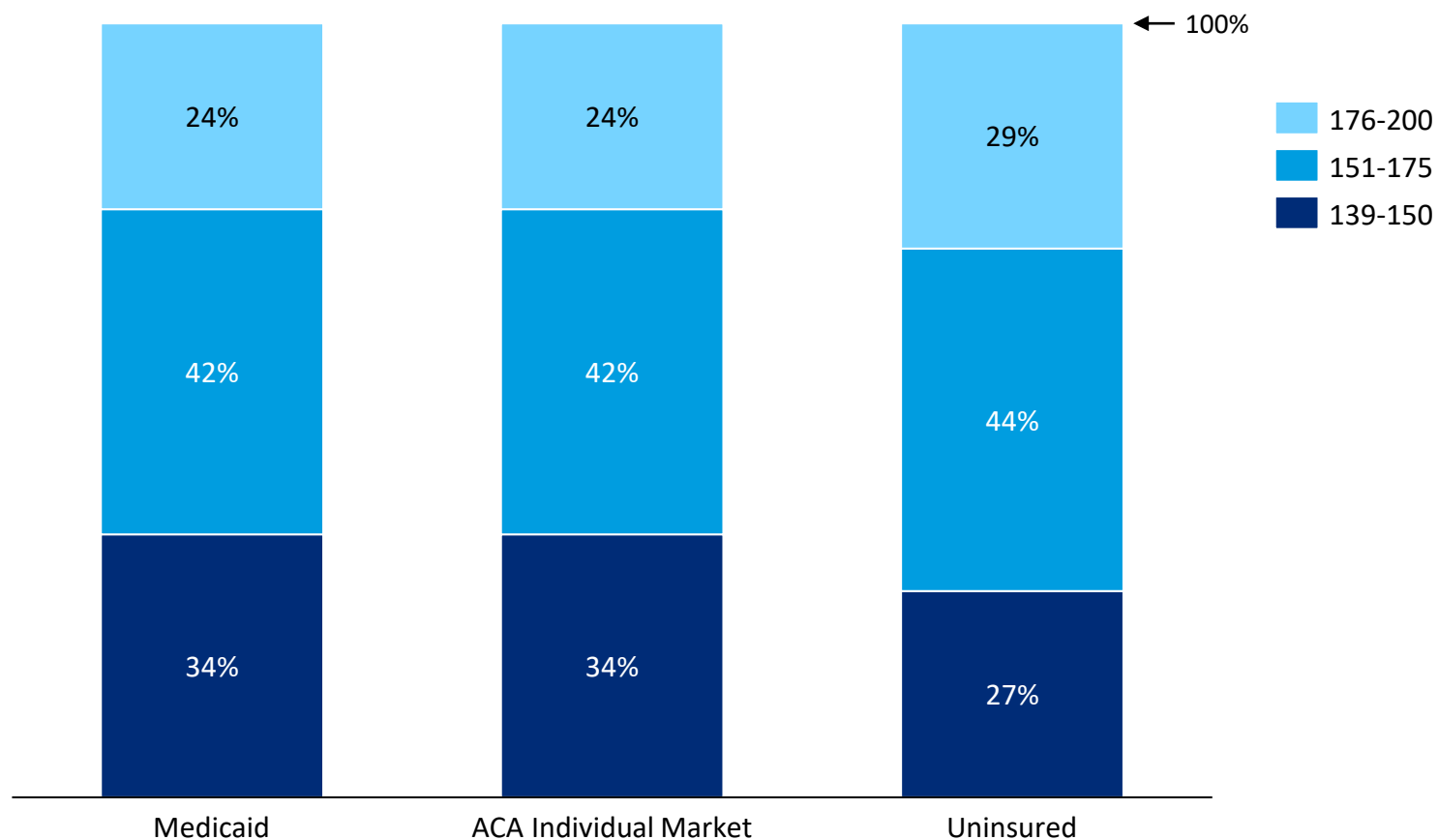
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- The average age of the ACA individual market population is expected to be much older than the Medicaid population.
- The ACA individual market population is also slightly more morbid than the Medicaid population.
- The average age of the uninsured population is expected to be slightly younger than the ACA individual market population, but still much older than the Medicaid population.

Income Distribution of Expected BHP Enrollees

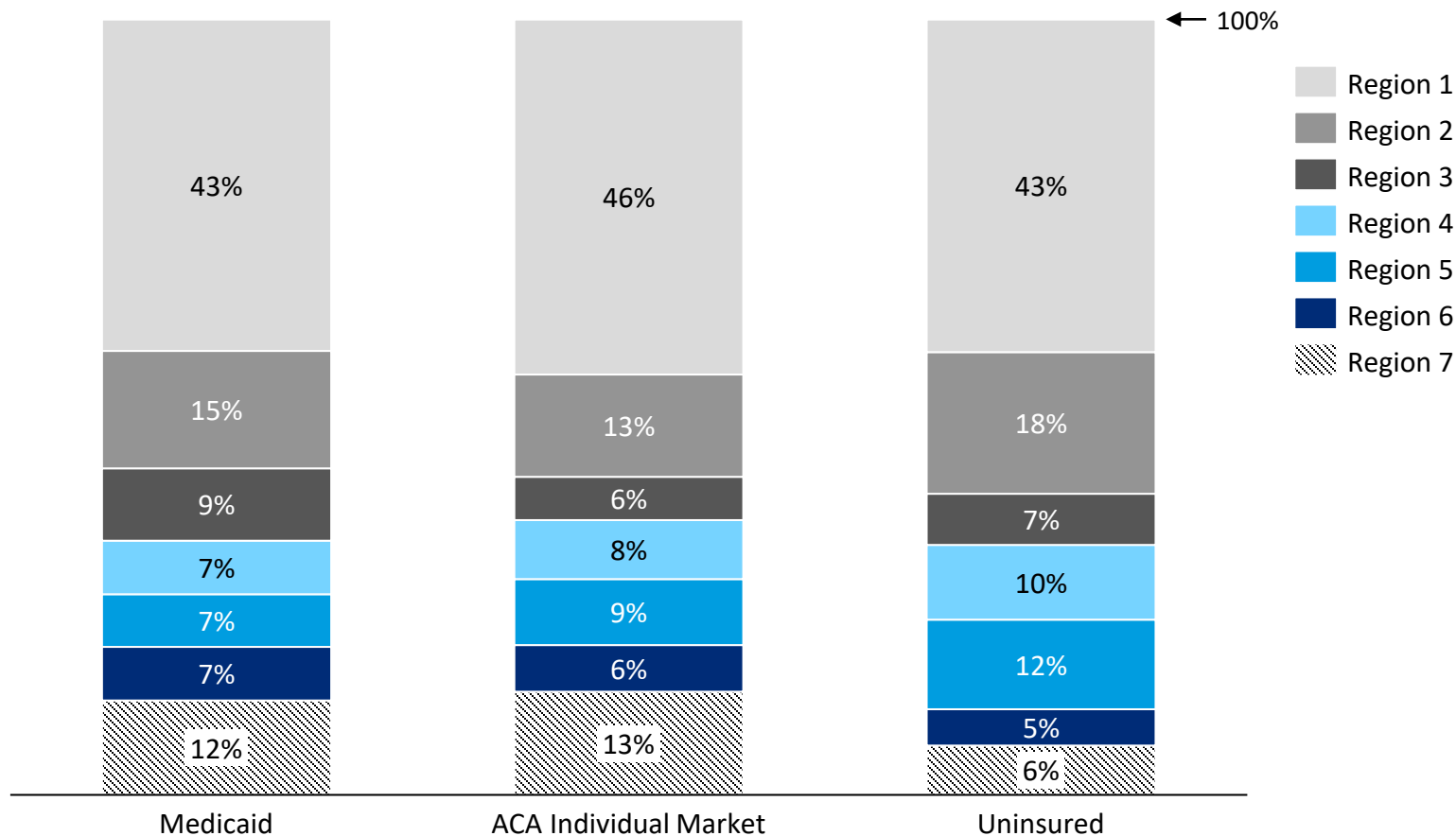
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- The BHP population coming from OHP is assumed to have an income distribution consistent with that of the population coming from the ACA individual market.
- People previously uninsured are expected to have incomes skewed slightly more toward 200% FPL than the Medicaid or the ACA individual market populations.

Geographic Distribution of Expected BHP Enrollees by ACA Rating Region

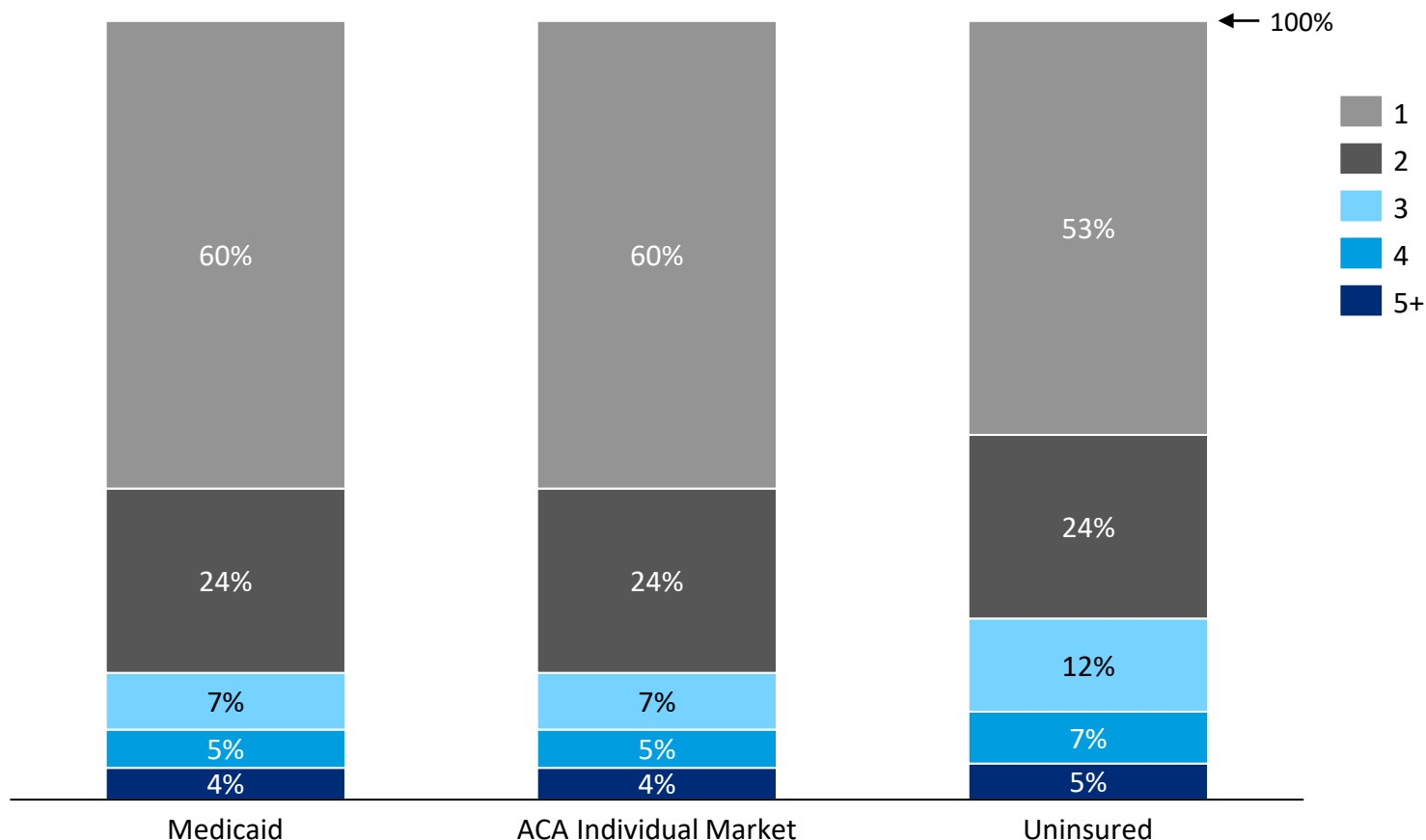
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- There are slight differences in the geographic distribution by ACA rating area.
- The most notable difference is that the uninsured are concentrated slightly more in Regions 2, 4 and 5, and slightly less in Region 7, compared to the Medicaid and ACA individual market populations.

Household Size Distribution of Expected BHP Enrollees

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- The BHP population coming from OHP is assumed to have a distribution by household size consistent with that for the population coming from the ACA individual market.
- The uninsured population is skewed slightly more toward larger household size than the Medicaid/ACA individual populations.

BHP Revenue and Cost Estimates

Recap: The BHP Funding Formula

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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.

$$\begin{array}{l} \textbf{BHP} \\ \textbf{Federal} \\ \textbf{Funding} \\ \textbf{Amount} \end{array} = \left(\begin{array}{l} \textbf{PTC} \\ \textit{Estimated PTC that would have been} \\ \textit{paid if BHP enrollee enrolled in a QHP,} \\ \textit{accounting for age, geography, coverage} \\ \textit{status, household size and income.} \end{array} \times \begin{array}{l} \textbf{Adjustment Factors} \\ \textit{To account for other variables,} \\ \textit{including silver-loading due to CSR} \\ \textit{removal, reinsurance, and population} \\ \textit{health.} \end{array} \right) \textbf{IRF} \times \textbf{95\%}$$

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.

Recap: Calculating PMPM Costs for the BHP Population

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Medicaid Population

- Estimated BHP Membership from Medicaid
 - Demographics
 - Geography
 - Morbidity
- Adjusted claims costs for that estimated population
- $\text{Claims} / \text{membership} = \text{PMPM cost for Medicaid enrollee}$



ACA Individual Population

- Using **Medicaid PMPM cost**, OW developed **ACA individual costs** by adjusting for differences in:
 - Demographics
 - Geography
 - Morbidity
- $\text{ACA individual market claims} / \text{ACA individual market membership} = \text{PMPM cost for ACA individual enrollee}$



Uninsured Population

- Using **ACA individual PMPM cost**, OW developed uninsured costs by adjusting for differences in:
 - Demographics
 - Geography
 - Morbidity
- $\text{Uninsured claims} / \text{Uninsured membership} = \text{PMPM cost for Uninsured enrollee}$

■ Revenue Calculation

- The revenue calculation includes a silver load factor of 1.188, reinsurance factors that vary by geography but average roughly 1.09, and a population health factor 1.000. These factors may change in future regulation.

■ Cost Calculation

- The CCO benefit expenses include the cost for the OHP dental benefit.
- The claims cost reflect an assumption of no cost sharing.
- There is currently no member premium assumed.
- The pro forma includes the CCO administrative expenses, which were provided by Mercer and are roughly 12.5% of premium, or 14.3% of claims.
- The pro forma currently does not include any costs that the State may incur to administer the BHP.

Net Revenues for a Baseline BHP Implementation Scenario

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Projected revenues generated by the BHP are estimated to narrowly exceed program costs for each of the three BHP populations under best estimate assumptions.

- The Medicaid and ACA Individual market populations generate similar levels of revenues relative to cost, both narrowly netting positive for the program.
- The uninsured population, which is the most challenging population to estimate, is projected to generate the largest per-member surplus funding.

	From Medicaid	From Individual ACA	From Uninsured	Total
Revenue (\$ Millions)				
BHP Federal Funding	\$406.76	\$352.49	\$106.62	\$865.87
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$406.76	\$352.49	\$106.62	\$865.87
Program Cost (\$ Millions)				
CCO Expenses	\$347.10	\$309.23	\$67.01	\$723.35
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$347.10	\$309.23	\$67.01	\$723.35
Net Saving/(Cost) (\$ Millions)	\$59.66	\$43.26	\$39.61	\$142.52
Revenue (PMPM)				
BHP Federal Funding	\$616.31	\$820.14	\$787.80	\$706.76
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$616.31	\$820.14	\$787.80	\$706.76
Program Cost (PMPM)				
CCO Expenses	\$525.91	\$719.49	\$495.16	\$590.43
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$525.91	\$719.49	\$495.16	\$590.43
Net Saving/(Cost) (PMPM)	\$90.40	\$100.65	\$292.65	\$116.33

- **Reserve funds protect state and enrollees amid uncertainty**

- Enhanced federal funding from ARPA/IRA goes only thru 2025.
- Uncertainty surrounding membership and health needs of members.
- Federal funding responds to membership changes. Reserve funds would reduce likelihood of needing General Fund and/or member contributions to supplement federal funds.

- **Building Trust Fund reserves will enable future program enhancements**

- Future efforts to fully align with OHP, including new authorities in recently approved waiver, will increase program costs.
- Increasing provider reimbursement rates will increase program costs.



Changes in the Population Income Distribution Impacts Revenues

Income impacts the corresponding PTCs provided to BHP enrollees had they enrolled in the Marketplace's SLCP, and therefore, the amount of BHP revenues provided PMPM.

For Example: If the income distributions are higher than anticipated, generated PMPM BHP revenues will decrease.



Changes in the Population's Age Distribution Impacts Both Revenues and Costs

QHP premiums (and therefore, corresponding PTCs) have a 3:1 age rating.

For Example: Younger enrollees would generate fewer PTCs, but also are likely to have lower cost.

If the BHP populations are older than expected, both revenues and costs will be impacted.



Changes in the Population's Morbidity Impacts Costs

Morbidity of BHP populations will impact program costs.

For Example: If the estimated morbidity of the BHP populations are higher than expected, program costs will increase, however the State will not receive correspondingly higher BHP revenue.

Scenario 1: The Federal Silver-Loading Factor of 1.188 is Reduced to 1.14

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In a scenario where the federal silver-loading factor of 1.188 is reduced to 1.14, net revenues are reduced from \$116.33 PMPM to \$87.32 PMPM (a 24.9% decrease).

- The premium adjustment for silver-loading is not a state specific factor, and is established by CMS each year.
- The adjustment is based on CSR loads reported by QHPs.
- There is risk to the State if carrier strategies and approaches to silver-loading change, and as a result CMS lowers this factor.

	From Medicaid	From Individual ACA	From Uninsured	Total
Revenue (\$ Millions)				
BHP Federal Funding	\$390.03	\$338.06	\$102.23	\$830.32
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$390.03	\$338.06	\$102.23	\$830.32
Program Cost (\$ Millions)				
CCO Expenses	\$347.10	\$309.23	\$67.01	\$723.35
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$347.10	\$309.23	\$67.01	\$723.35
Net Saving/(Cost) (\$ Millions)	\$42.93	\$28.82	\$35.22	\$106.97
Revenue (PMPM)				
BHP Federal Funding	\$590.95	\$786.56	\$755.40	\$677.74
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$590.95	\$786.56	\$755.40	\$677.74
Program Cost (PMPM)				
CCO Expenses	\$525.91	\$719.49	\$495.16	\$590.43
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$525.91	\$719.49	\$495.16	\$590.43
Net Saving/(Cost) (PMPM)	\$65.04	\$67.07	\$260.24	\$87.32

Scenario 2: The 2025 Claims Cost Estimate for the BHP Population is 3% Too Low

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In a scenario where the 2025 claims costs for the BHP population are 3% higher than expected, total net revenues are reduced from \$116.33 PMPM to \$98.62 PMPM (an 15.2% decrease).

- Projected claim costs for the Medicaid BHP population, as developed by Mercer, were used as the basis for developing claims costs for the Individual ACA and uninsured populations as well.
- Given the uncertainty around who will move from OHP to the BHP, there is risk in underestimating these costs, leading to actual claims being higher than expected.

	From Medicaid	From Individual ACA	From Uninsured	Total
Revenue (\$ Millions)				
BHP Federal Funding	\$406.76	\$352.49	\$106.62	\$865.87
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$406.76	\$352.49	\$106.62	\$865.87
Program Cost (\$ Millions)				
CCO Expenses	\$357.52	\$318.51	\$69.02	\$745.05
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$357.52	\$318.51	\$69.02	\$745.05
Net Saving/(Cost) (\$ Millions)	\$49.25	\$33.98	\$37.60	\$120.82
Revenue (PMPM)				
BHP Federal Funding	\$616.31	\$820.14	\$787.80	\$706.76
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$616.31	\$820.14	\$787.80	\$706.76
Program Cost (PMPM)				
CCO Expenses	\$541.69	\$741.08	\$510.01	\$608.14
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$541.69	\$741.08	\$510.01	\$608.14
Net Saving/(Cost) (PMPM)	\$74.62	\$79.06	\$277.79	\$98.62

Scenario 3: BHP Enrollment Coming From Medicaid is Smaller Than Anticipated (Same Distribution), Claims 3% Higher

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Should Medicaid BHP enrollment be only 30,000 instead of the expected 55,000, and claims for the Medicaid population are 3% higher, net revenues remain approximately the same \$118.61 vs \$116.33 PMPM).

- Lower enrollment from Medicaid would reasonably be expected to lead to some level of adverse selection.
- The same demographic, geographic and income mix was assumed as in the baseline.

	From Medicaid	From Individual ACA	From Uninsured	Total
Revenue (\$ Millions)				
BHP Federal Funding	\$221.88	\$352.49	\$106.62	\$680.99
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$221.88	\$352.49	\$106.62	\$680.99
Program Cost (\$ Millions)				
CCO Expenses	\$195.01	\$309.23	\$67.01	\$571.26
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$195.01	\$309.23	\$67.01	\$571.26
Net Saving/(Cost) (\$ Millions)	\$26.86	\$43.26	\$39.61	\$109.73
Revenue (PMPM)				
BHP Federal Funding	\$616.33	\$820.14	\$787.80	\$736.10
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$616.33	\$820.14	\$787.80	\$736.10
Program Cost (PMPM)				
CCO Expenses	\$541.71	\$719.49	\$495.16	\$617.49
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$541.71	\$719.49	\$495.16	\$617.49
Net Saving/(Cost) (PMPM)	\$74.62	\$100.65	\$292.65	\$118.61

Scenario 4: BHP Take Up Among the Uninsured is 20% Lower Than Expected, and Morbidity of the Uninsured is 5% Higher Than Baseline

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Should BHP enrollment among the uninsured be 20% lower than expected, and morbidity is slightly higher than expected, net revenues are slightly reduced, but remain relatively the same (\$110.11 vs \$116.33 PMPM).

- Take up of coverage in the BHP is tied to awareness of the program, and those currently uninsured are the hardest to engage with of the three populations.
- If enrollment in the BHP among this population is lower than projected, it is reasonable that some adverse selection could occur.

	From Medicaid	From Individual ACA	From Uninsured	Total
Revenue (\$ Millions)				
BHP Federal Funding	\$406.76	\$352.49	\$85.29	\$844.55
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$406.76	\$352.49	\$85.29	\$844.55
Program Cost (\$ Millions)				
CCO Expenses	\$347.10	\$309.23	\$56.29	\$712.63
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$347.10	\$309.23	\$56.29	\$712.63
Net Saving/(Cost) (\$ Millions)	\$59.66	\$43.26	\$29.00	\$131.92
Revenue (PMPM)				
BHP Federal Funding	\$616.31	\$820.14	\$787.80	\$704.93
Enrollee Premiums	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue	\$616.31	\$820.14	\$787.80	\$704.93
Program Cost (PMPM)				
CCO Expenses	\$525.91	\$719.49	\$519.91	\$594.82
Program Administrative Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenses	\$525.91	\$719.49	\$519.91	\$594.82
Net Saving/(Cost) (PMPM)	\$90.40	\$100.65	\$267.89	\$110.11

Various Scenarios Illustrate a Range of Potential Net Revenues for Implementation of a BHP in Oregon

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Baseline

\$116.33

PMPM

Scenario 1:

Federal Silver-Loading Factor of 1.188 is Reduced to 1.14

\$87.32

PMPM

Scenario 2:

2025 Claims Cost Estimate for the BHP Population is 3% Too Low

\$98.62

PMPM

Scenario 3:

BHP Enrollment Coming From Medicaid is Smaller Than Anticipated (Same Distribution), Claims 3% Higher

\$118.61

PMPM

Scenario 4:

BHP Take Up Among the Uninsured is 20% Lower Than Expected, and Morbidity of the Uninsured is 5% Higher Than Baseline

\$110.11

PMPM

Key Takeaways and Next Steps

- **Analysis suggests BHP vision (CCO services, no enrollee costs, at least OHP rates) feasible.**
- **Projected revenues generated by the BHP are estimated to narrowly exceed program costs for each of the three BHP populations (Medicaid, ACA Individual market, and the Uninsured), under best estimate assumptions.**
 - **BHP revenue and cost estimates are assumption-driven due to limited understanding of the OHP population resulting from PHE continuous coverage requirements.**
 - **The Medicaid and ACA Individual market populations generate similar levels of revenues relative to cost, both narrowly netting positive for the program.**
 - **The uninsured population, which is the most challenging population to estimate, is projected to generate the largest per-member surplus funding.**
- **Due to uncertainty, it will be important to continue to monitor revenue/cost projections as the Medicaid population begins to transition during the PHE unwinding.**

- ***Task Force*** to finalize plan design recommendations for final report.
- ***OHA*** to continue analyzing OHP population when redetermination begins.
- ***Manatt*** to continue drafting written deliverable on microsimulation and cost/revenue analyses for inclusion in Task Force final report.

Thank You