

**How will health insurance markets
change under the ACA? Learning from
two decades of reform in New Jersey**

RBHS Speaker Series

Future of the U.S. Health Delivery System

March 14, 2014

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Outline

- Emergence of health insurance in the US
- New Jersey's struggle for affordable, accessible coverage
- The Affordable Care Act (ACA) and health insurance
- Early impacts of ACA coverage provisions in New Jersey
- Issues to watch

Health Insurance in the US – Pre-ACA

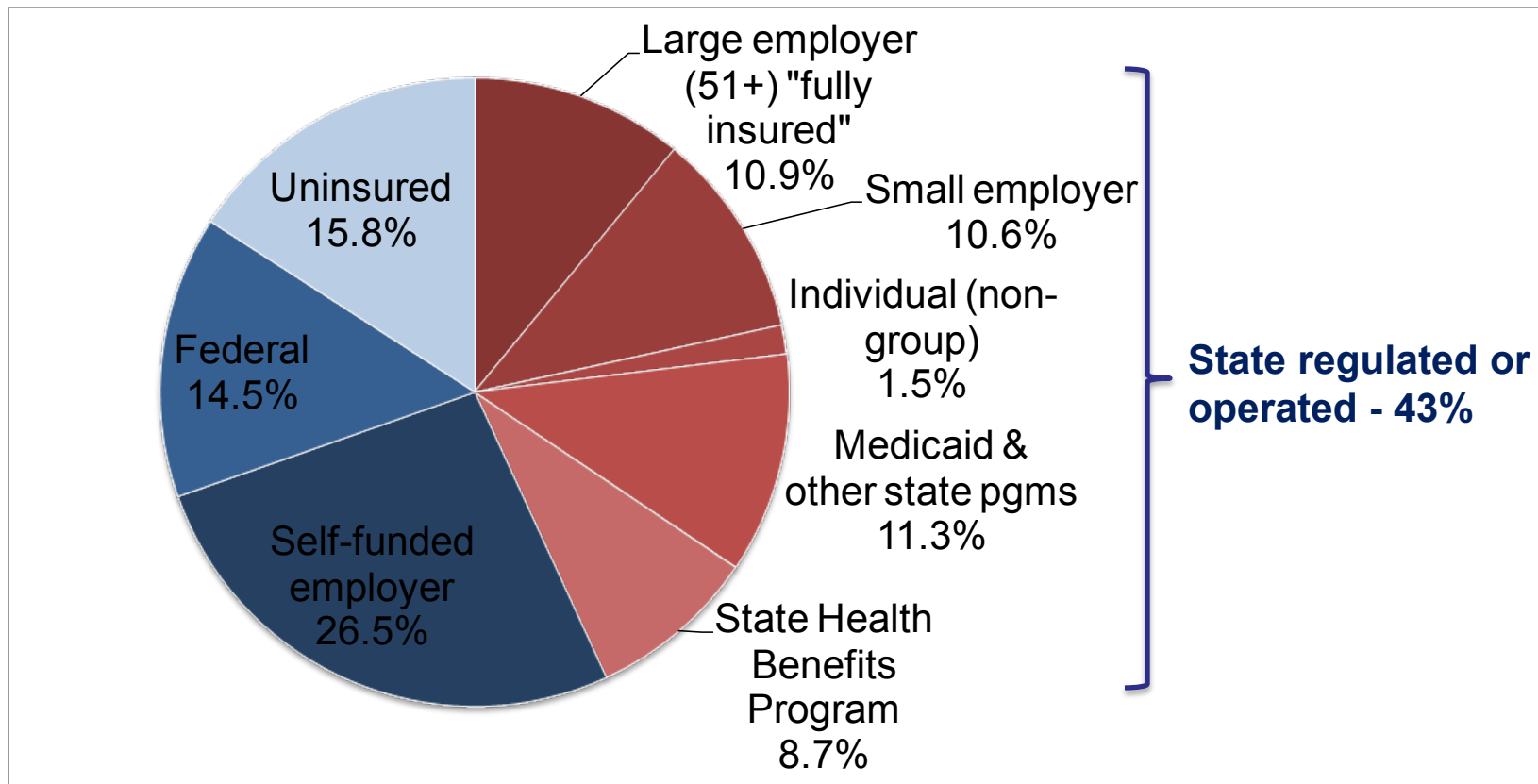
- Health care pre-payment emerges from the Great Depression
 - Community rated premiums and guaranteed issue
 - State chartered non-profit Blue Cross & Blue Shield Plans
- 1940s commercial insurers offer group health insurance
 - Risk-rated premiums
 - Health benefits grew rapidly, boosted by WWII wage freeze, collective bargaining, and IRS rules
- 1945 McCarran-Ferguson Act
 - Cedes authority to regulate “the business of insurance” to states
- 1974 Employee Retirement and Income Security Act (ERISA)
 - Limits state authority to regulate self-funded employee benefit plans
- A few other federal laws (e.g., COBRA, HIPAA) regulate specific aspects of health insurance.

Health Insurance in the US – Pre-ACA

Typically States Regulate...

- To whom insurers must offer and renew coverage?
- How may premiums be established?
- How much financial reserves must be held?
- What benefits and which providers must be covered?
- What share of premium dollars must be paid in benefits?
- How must benefit disputes be resolved?

Reach of State Health Insurance Regulations in New Jersey

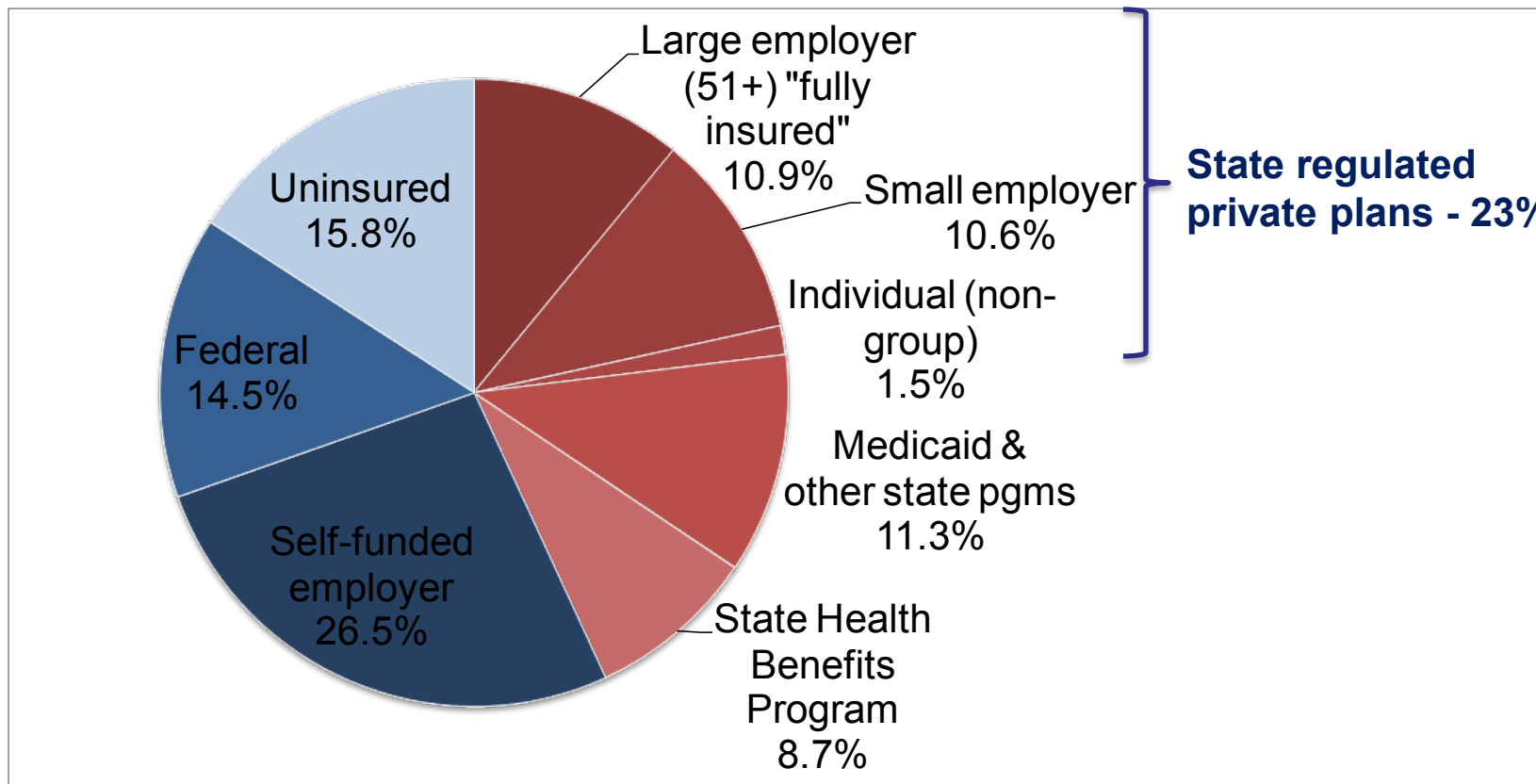


Source: Adapted from NJ Department of Banking and Insurance, 2010

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Reach of State Health Insurance Regulations in New Jersey

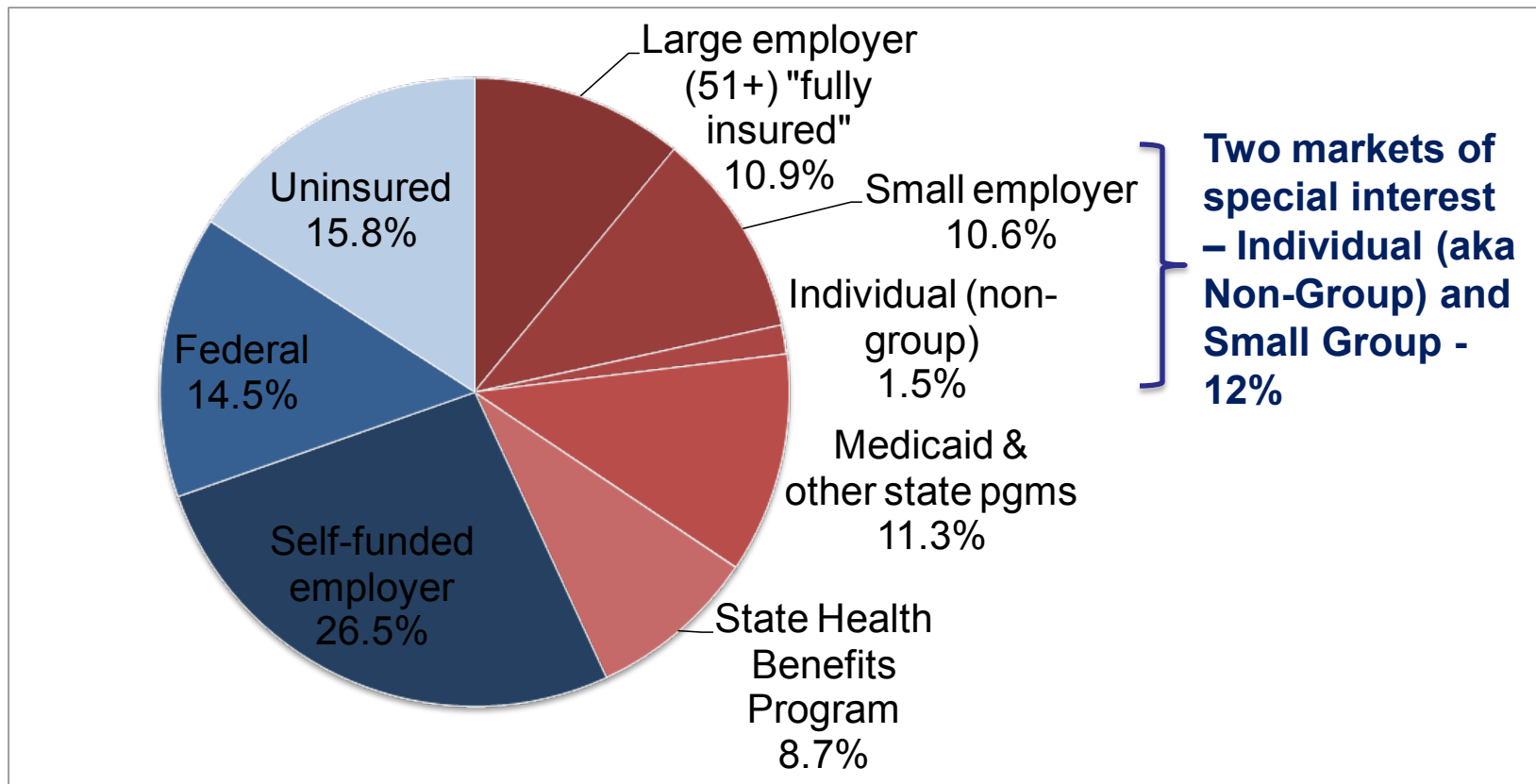


Source: Adapted from NJ Department of Banking and Insurance, 2010

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Reach of State Health Insurance Regulations in New Jersey



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New Jersey's Struggle for Affordable and Accessible Health Insurance

1980s-Early 1990s

- Blue Cross Blue Shield (BCBS) was “carrier of last resort”
 - Premiums rose rapidly, enrollment declined, financial distress
 - Limited consumer choice, some small employers had no options
 - Subsidized by all-payer hospital rate setting system
- Political support for rate setting declined as costs rose
- State court challenge (United Wire v. Morristown Memorial) ultimately undermined BCBS subsidy (among other things)
- Rate setting system repealed by the NJ legislature, and...

New Jersey's Struggle for Affordable and Accessible Health Insurance

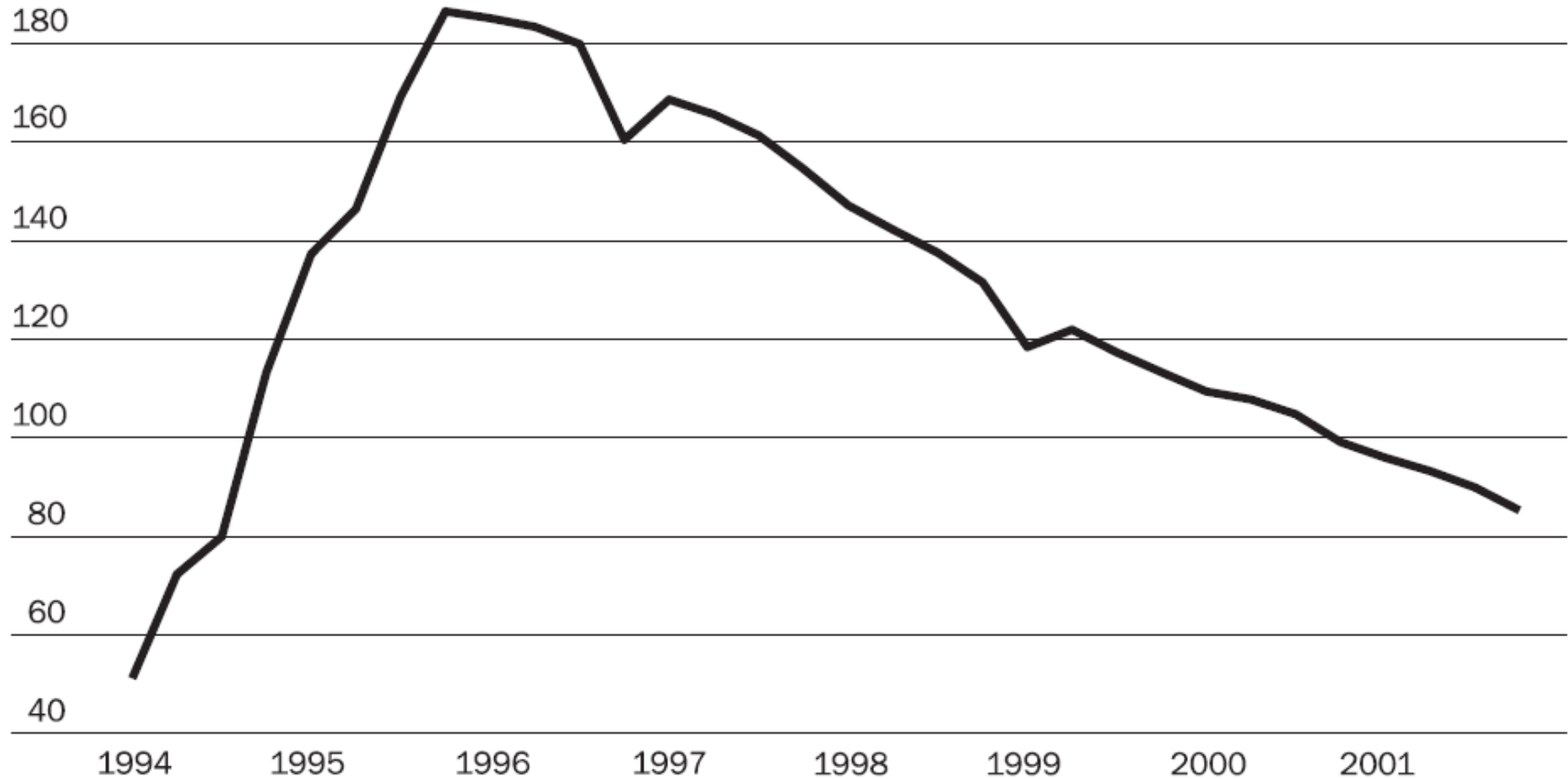
1993 Reforms

- Guaranteed issue, with pre-existing condition waiting periods
 - 12 mo. – individual market
 - 6 mo. – small group market
- Community rating
 - Pure community rating – individual market
 - 2:1 rate variation by age and sex – small group market
- Standardized benefits
 - More variability allowed in small group with “riders”
- Premium subsidies in individual market only
 - Up to 250% of poverty
- “Carrier loss assessment” mechanism.

EXHIBIT 1

Enrollment In The New Jersey Individual Health Coverage Program (IHCP), First Quarter 1994 Through Fourth Quarter 2001

Thousands of enrollees

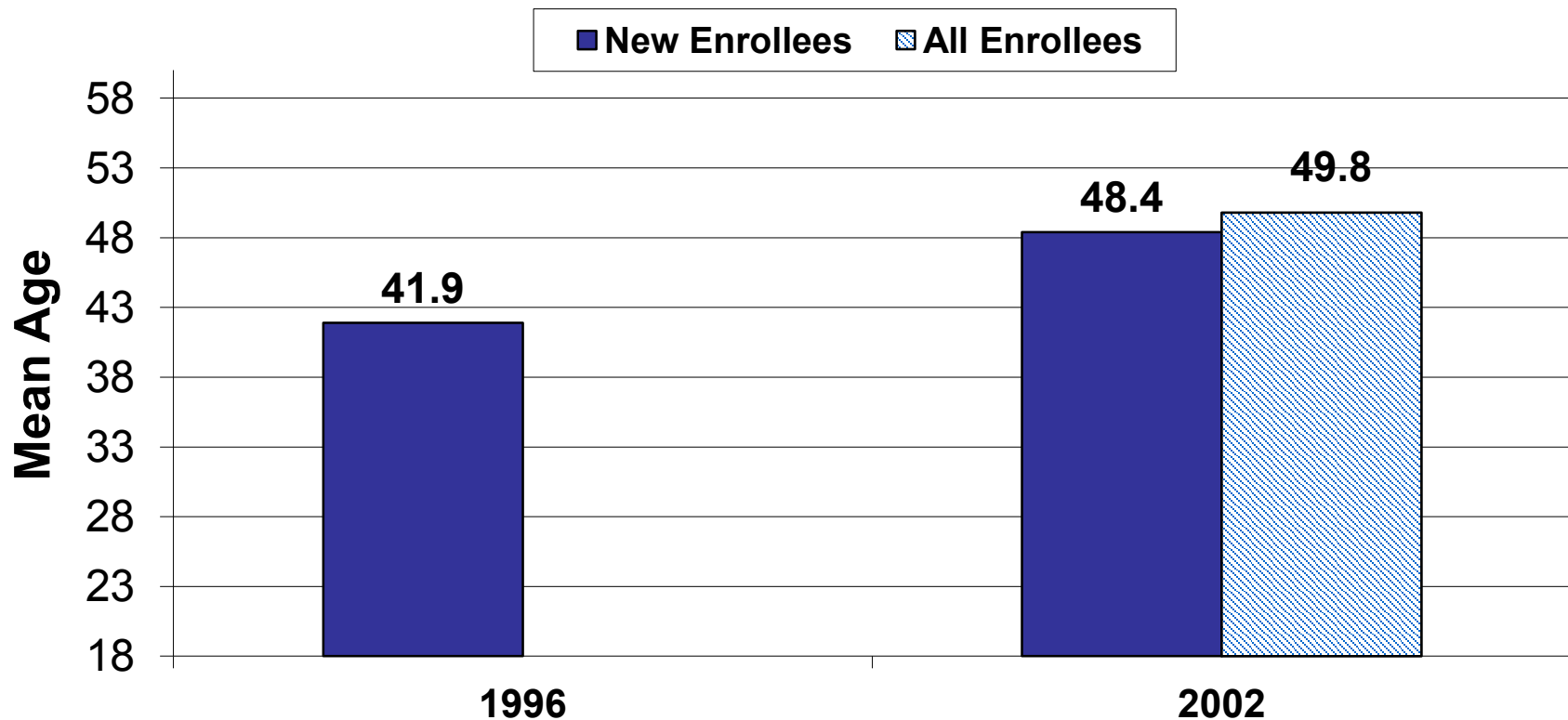


SOURCE: Individual Health Coverage Program (IHCP) Board, New Jersey Department of Banking and Insurance.

NOTE: Data are plotted by quarter, but labels show years only (year label corresponds with first quarter of that year).

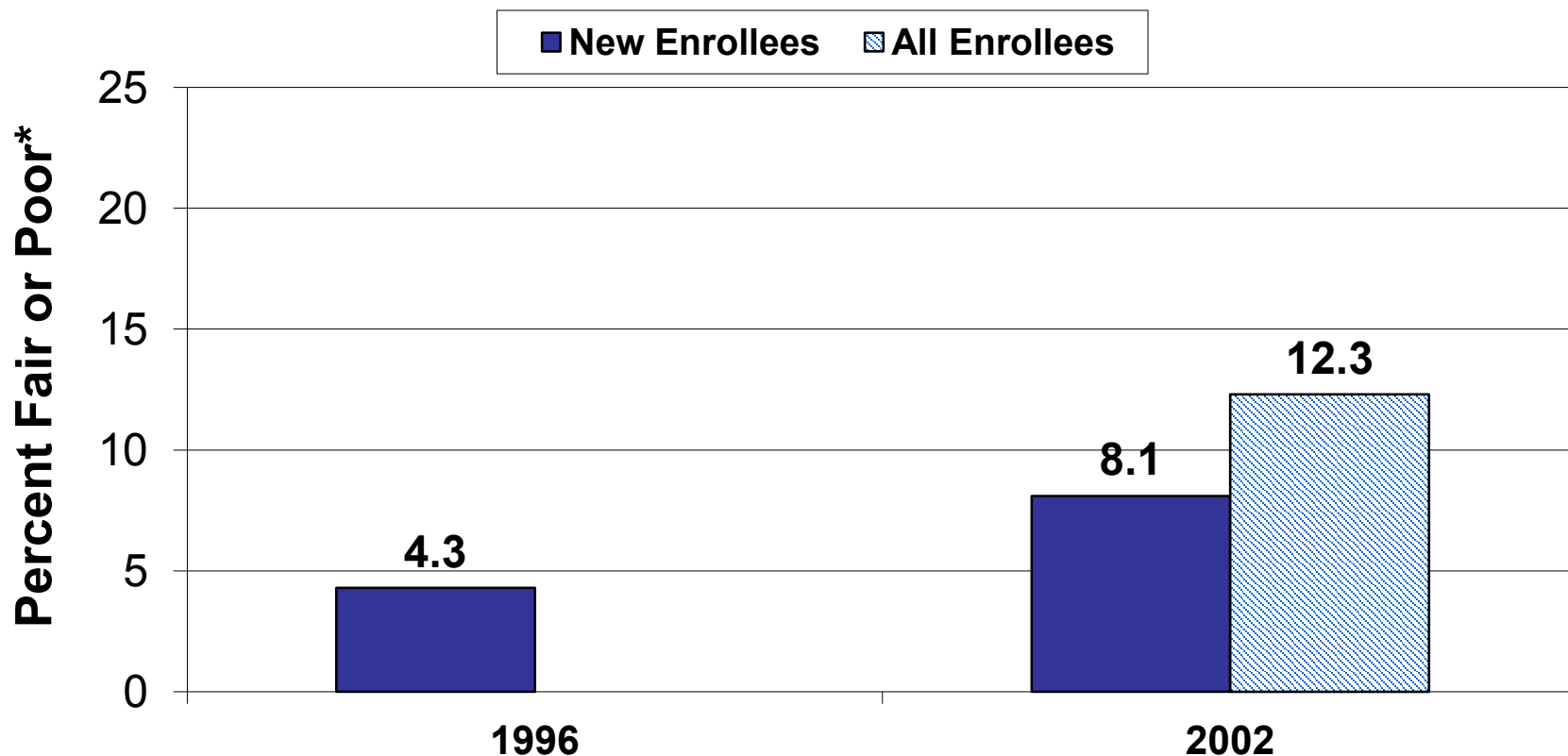
Monheit AC, Cantor JC, Koller M, Fox KS. 2004 "Community Rating And Sustainable Individual Health Insurance Markets In New Jersey" *Health Affairs*. 23(4)167-75.

Average Age of NJ Individual Market Enrollees, 1996 and 2002



Sources: 1996 data from Swartz K, Garnick D, 2000 “Lessons from New Jersey,” *Journal of Health Politics, Policy and Law*, 25(1):45–70. 2002 data from Monheit AC, Cantor JC, Koller M, Fox KS. 2004 “Community Rating and Sustainable Individual Health Insurance Markets In New Jersey” *Health Affairs*. 23(4):167-75.

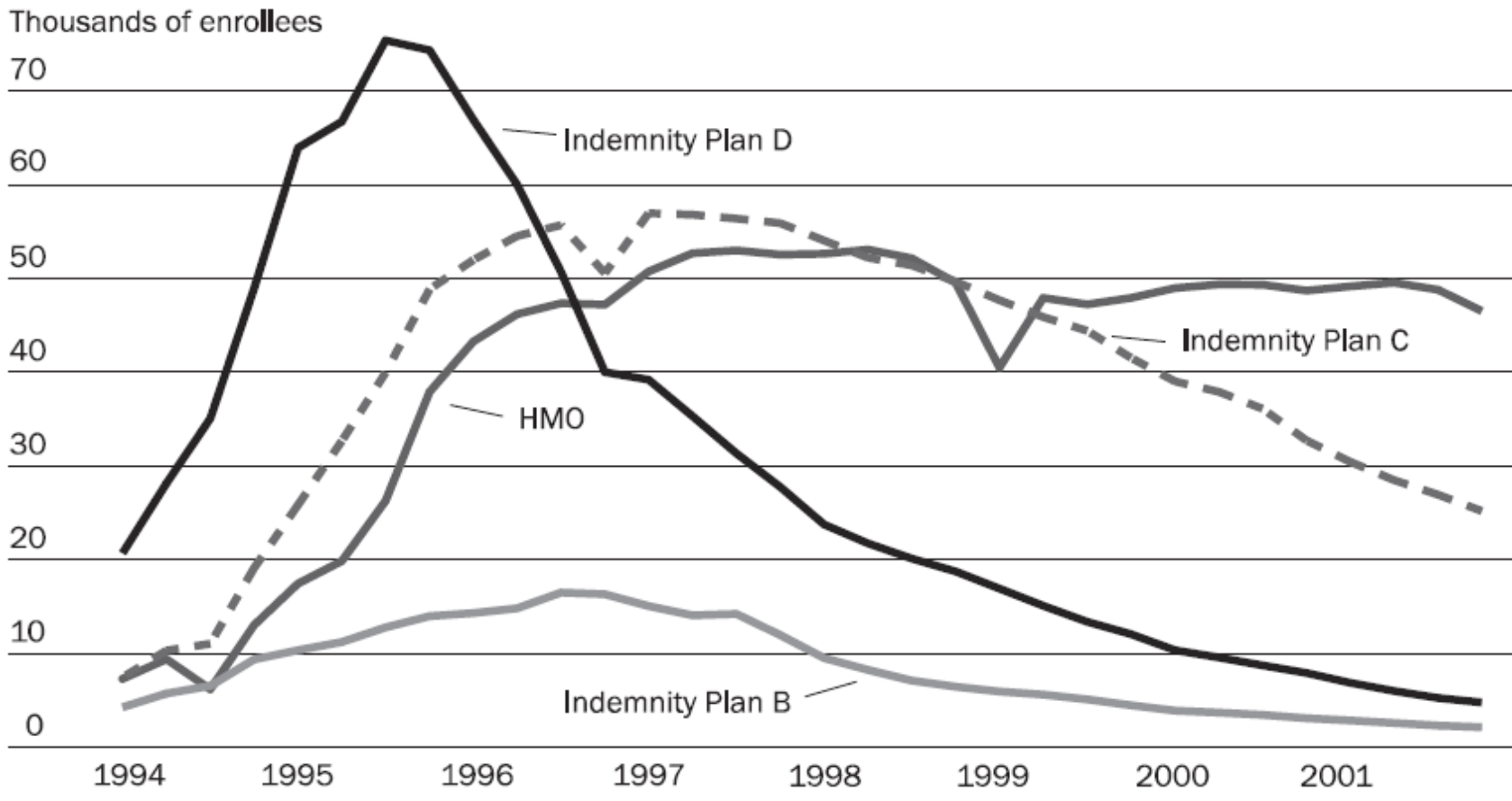
Self-Assessed Health of NJ Individual Market Enrollees, 1996 and 2002



Sources: 1996 data from Swartz K, Garnick D, 2000 "Lessons from New Jersey," *Journal of Health Politics, Policy and Law*, 25(1):45–70. 2002 data from Monheit AC, Cantor JC, Koller M, Fox KS. 1994 "Community Rating and Sustainable Individual Health Insurance Markets In New Jersey" *Health Affairs*. 23(4)167-75.

*Scale: Excellent, Very Good, Good, Fair, Poor

EXHIBIT 2
Enrollment In The New Jersey Individual Health Coverage Program (IHCP), By Plan Type, First Quarter 1994 Through Fourth Quarter 2001

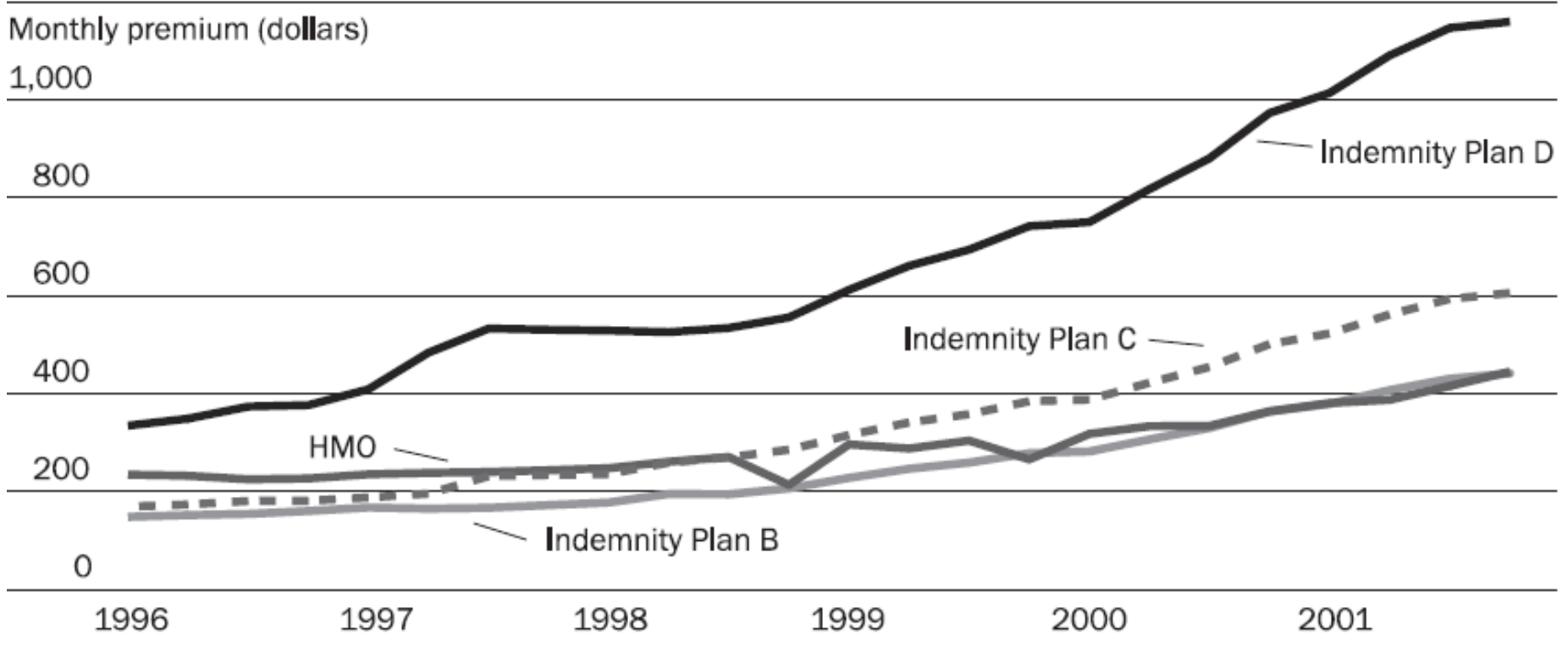


SOURCE: Individual Health Coverage Program (IHCP) Board, New Jersey Department of Banking and Insurance.

NOTE: Data are plotted by quarter, but labels show years only (year label corresponds with first quarter of that year).

EXHIBIT 3

Trends In Premiums For Selected New Jersey Individual Health Coverage Program (IHCP) Plans, By Plan Type, First Quarter 1996 Through Fourth Quarter 2001



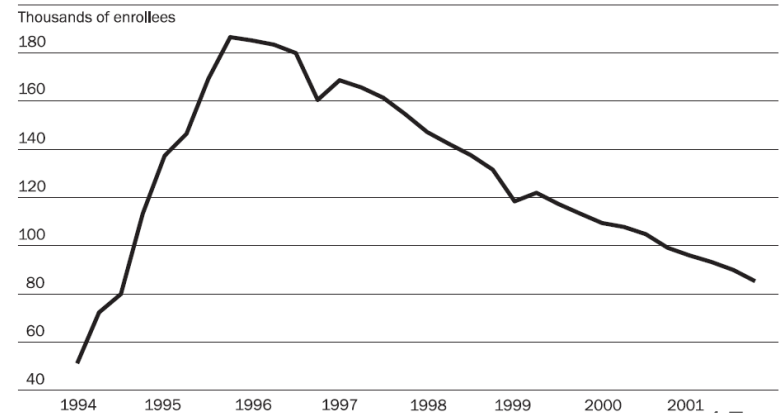
SOURCE: Individual Health Coverage Program (IHCP) Board, New Jersey Department of Banking and Insurance.
NOTE: Data are plotted by quarter, but labels show years only (year label corresponds with first quarter of that year).

From Monheit, Cantor, Koller, & Fox 2004.

Factors Driving NJ Individual Market Decline, 1996 to 2001

- Community rating and guaranteed issue → Adverse selection
- Other Factors
 - Robust job market → increase employer-sponsored coverage
 - Subsidy program phased out starting late 1996
 - Moral hazard in the carrier loss assessment mechanism, fixed in 1998

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Enrollment In The New Jersey Individual Health Coverage Program (IHCP), First Quarter 1994 Through Fourth Quarter 2001



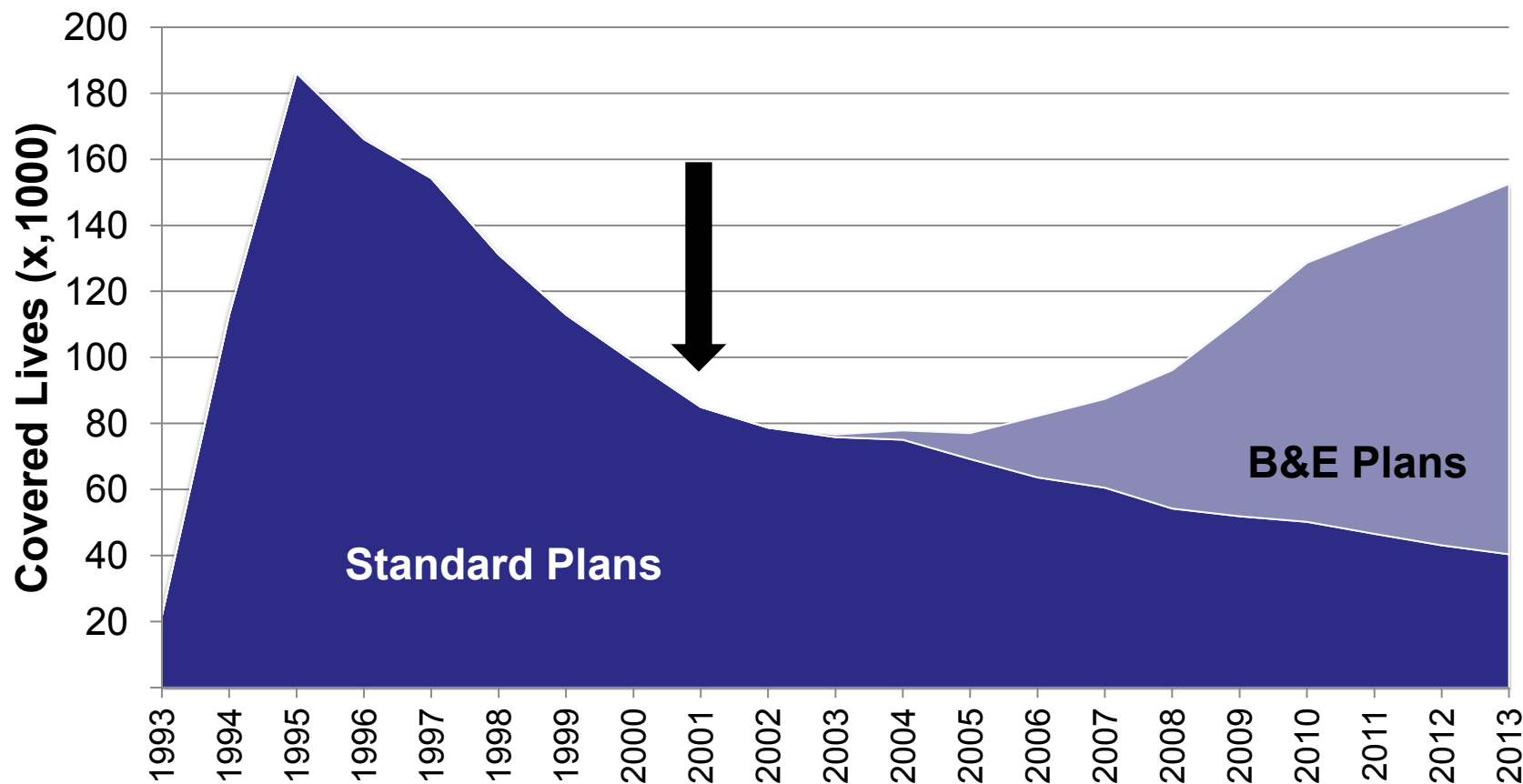
SOURCE: Individual Health Coverage Program (IHCP) Board, New Jersey Department of Banking and Insurance.
NOTE: Data are plotted by quarter, but labels show years only (year label corresponds with first quarter of that year).

NJ Individual and Small Group Markets

Subsequent Reforms

- 2003 “Basic and Essential” plans in individual market
 - Age-sex rated (3.5:1 rate variations)
 - Limited benefits (Doctor visits \$700 max. benefit, Outpatient Dx testing \$500 max, Preventive care \$600 max, Hospital inpatient \$500 cost share/90 day max, other services capped, Rx rider extra)
- 2009 eased community rating for other individual plans
 - Age-only rated (3.5:1 rate variation)
- Small group market unchanged
 - Age-sex rated (2:1 rate variation).

NJ Individual Market Enrollment, by Plan Type, 1993-2013



Source: Individual Health Coverage Program Board, NJ Dept. of Banking and Insurance
 Data are for the 4th quarter of each year except 2013 which is for the 3rd quarter

Monthly Premiums for Popular Plans, NJ Individual Market, Q3 2013

Plan Type	25-29 Male	25-29 Female	55-59 Male	55-59 Female
Standard HMO \$30 co-payment No out of network	\$955			
Standard “Plan C” PPO In network: \$2,500/20% Out of network: \$5,000/30%	\$420		\$734	
Basic & Essential Plan Limited benefits No out of network With Rx rider	\$199	\$293	\$505	\$411

Of historical interest: Standard “Plan D” Indemnity

Open network: \$1,000/20%: \$5,026 (only 31 still enrolled as of Q3-2013)

Source: NJ Dept. of Banking and Insurance

http://www.state.nj.us/dobi/division_insurance/ihcseh/ihcsehenroll.html

2010 Patient Protection and Affordable Care Act



New Jersey and the Supreme Court

NFIB v Sebelius

“[When people] have a substantial risk of incurring high medical bills, they'll buy insurance....” – Supreme Court Justice Antonin Scalia

"That's the problem... and that's exactly the experience that the states had that made the imposition of guaranteed issue and community rating not only be ineffectual but be highly counterproductive. Rates, for example, in New Jersey doubled or tripled, [and enrollment] went from 180,000...to 80,000 people covered in this market.” – Solicitor General Donald Verrilli

Source: Politifact NJ and the Star Ledger, 4/4/2012 available at: <http://www.politifact.com/new-jersey/statements/2012/apr/04/donald-verrilli/donald-verrilli-says-enrollment-declined-and-rates/>



The Affordable Care Act

Ten Titles (452 Subtitles)

- I. Private insurance reform and mandate to buy coverage (65)
 - II. Medicaid eligibility expansion and other Medicaid reforms (42)
 - III. Quality and efficiency reforms (98)
 - IV. Prevention and population health programs (27)
 - V. Workforce programs (53)
 - VI. Program integrity and transparency reforms (50)
 - VII. Access to innovative medical therapies, “biosimilar” policy (6)
 - VIII. Community Living Assistance Services & Supports (CLASS) (2)
 - IX. Revenues (20)
 - X. “Manager’s Amendment” (89)
- Plus: Health Care, Education, and Reconciliation Act (35)

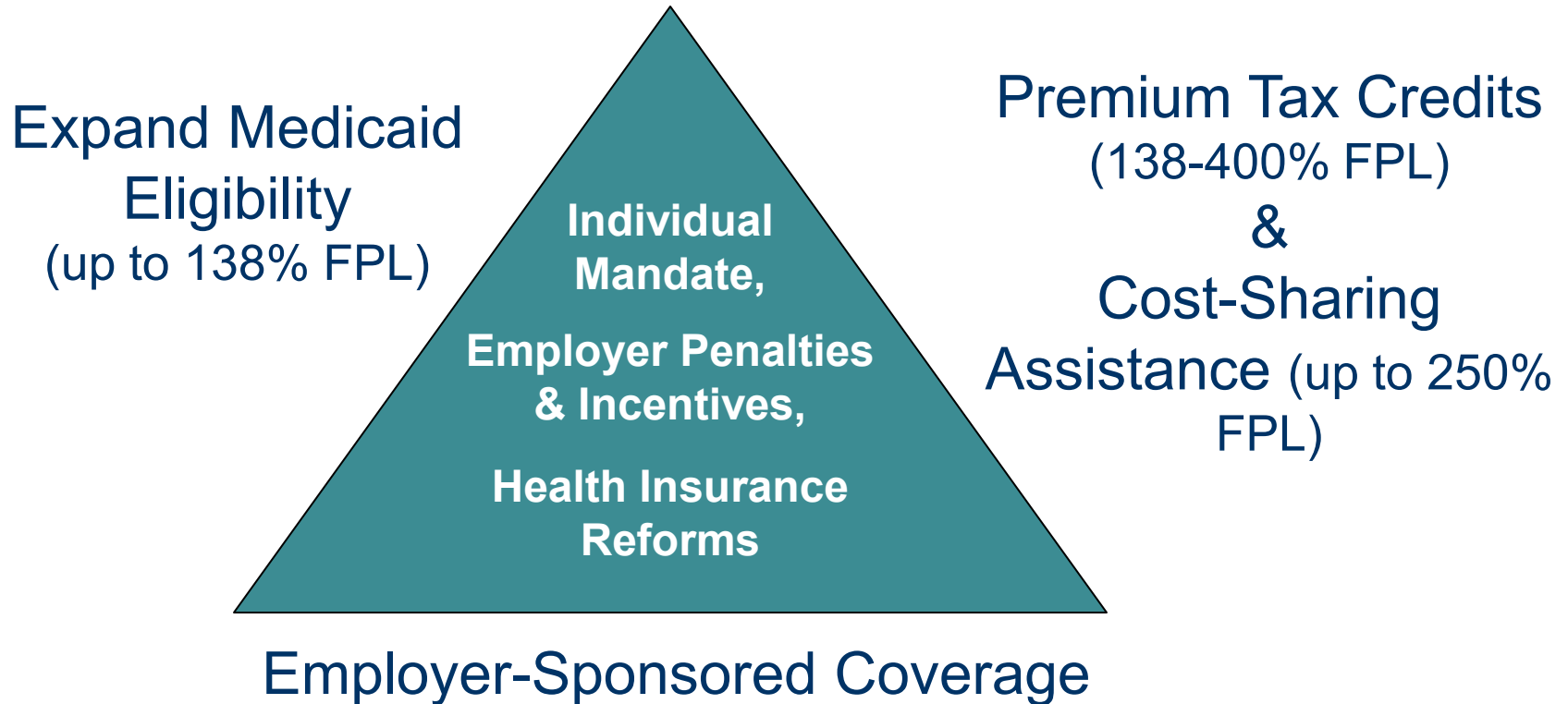
Key Structural Reforms (many implemented 2010)

- Prohibit discrimination & coverage limits
 - No pre-existing conditions, health status, gender discrimination
 - No lifetime and limit annual benefit caps
 - Bans most “rescissions”
- Require certain practices
 - Premium variation limited to age (3:1), smoking, wellness program participation
 - Cover certain preventive services without cost sharing
 - Offer of dependent coverage up to age 26
 - Cover “Essential Health Benefits”
 - Cover services delivered in clinical trials
 - Rebates if insurers fail to spend enough on medical expenses
- Establish standards and assistance to help consumers
 - Information and consumer protections
 - Federal and state exchanges (now called “marketplaces”).

Main 2014 Coverage Provisions

- **Affordability**
 - Sliding scale premium tax credits up to 400% of poverty
 - Cost-sharing assistance up to 250% of poverty
 - Premium tax credits for low-wage small employers
- **Shared Responsibility**
 - Individual coverage mandate
 - Employer requirement for large firms (50+ FTEs) to pay 60% or more of coverage cost

Summary of the ACA Coverage Expansion



FPL is the Federal Poverty Level (\$11,670 for family of 1 & \$23,850 family of 4 in 2014)

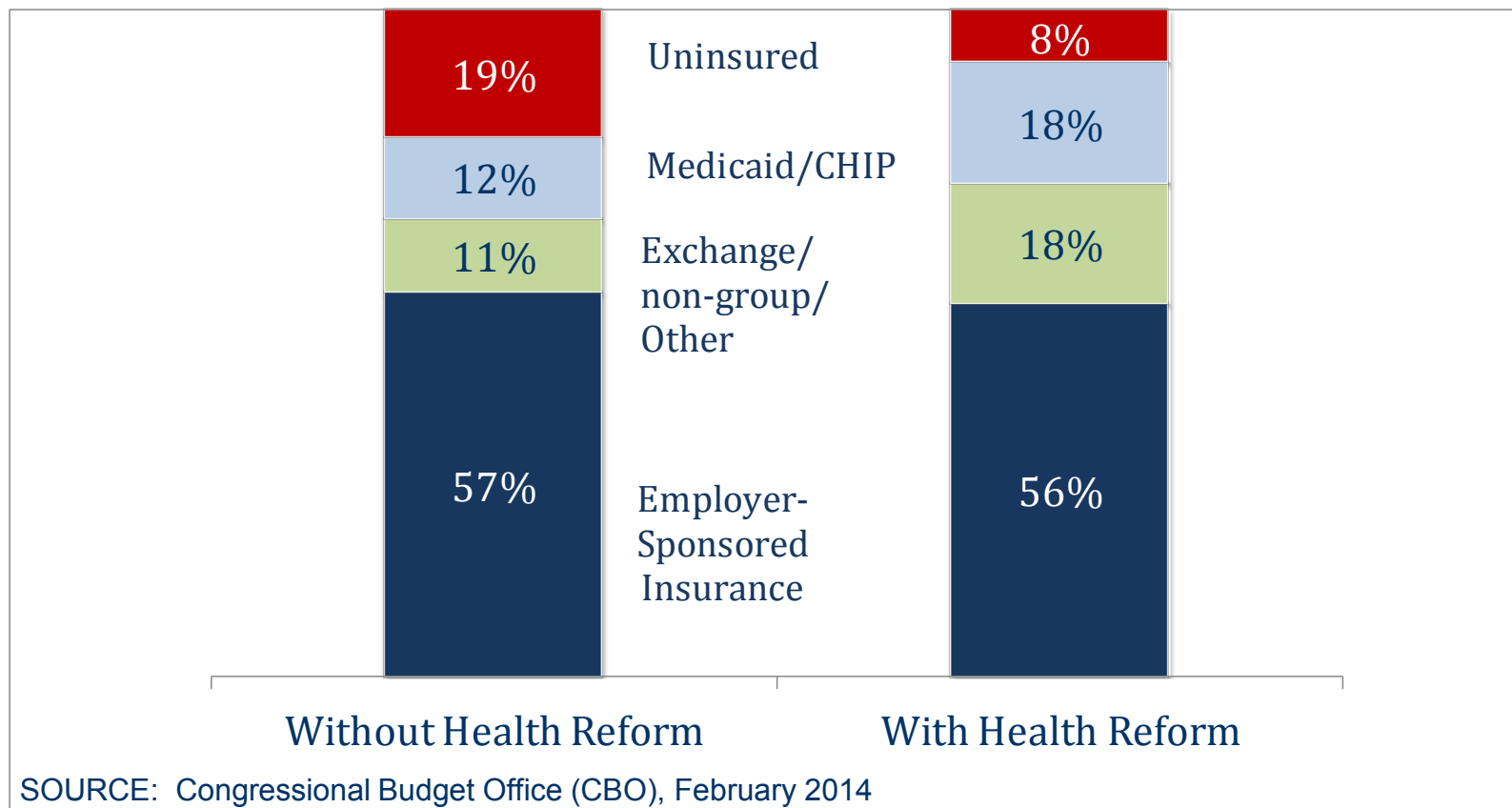
Adapted from J. Tolbert, *Health Reform: An Overview at Kaiseredu.org*

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Projected 2019 Coverage with & without the ACA

Total Nonelderly Population = 282 Million

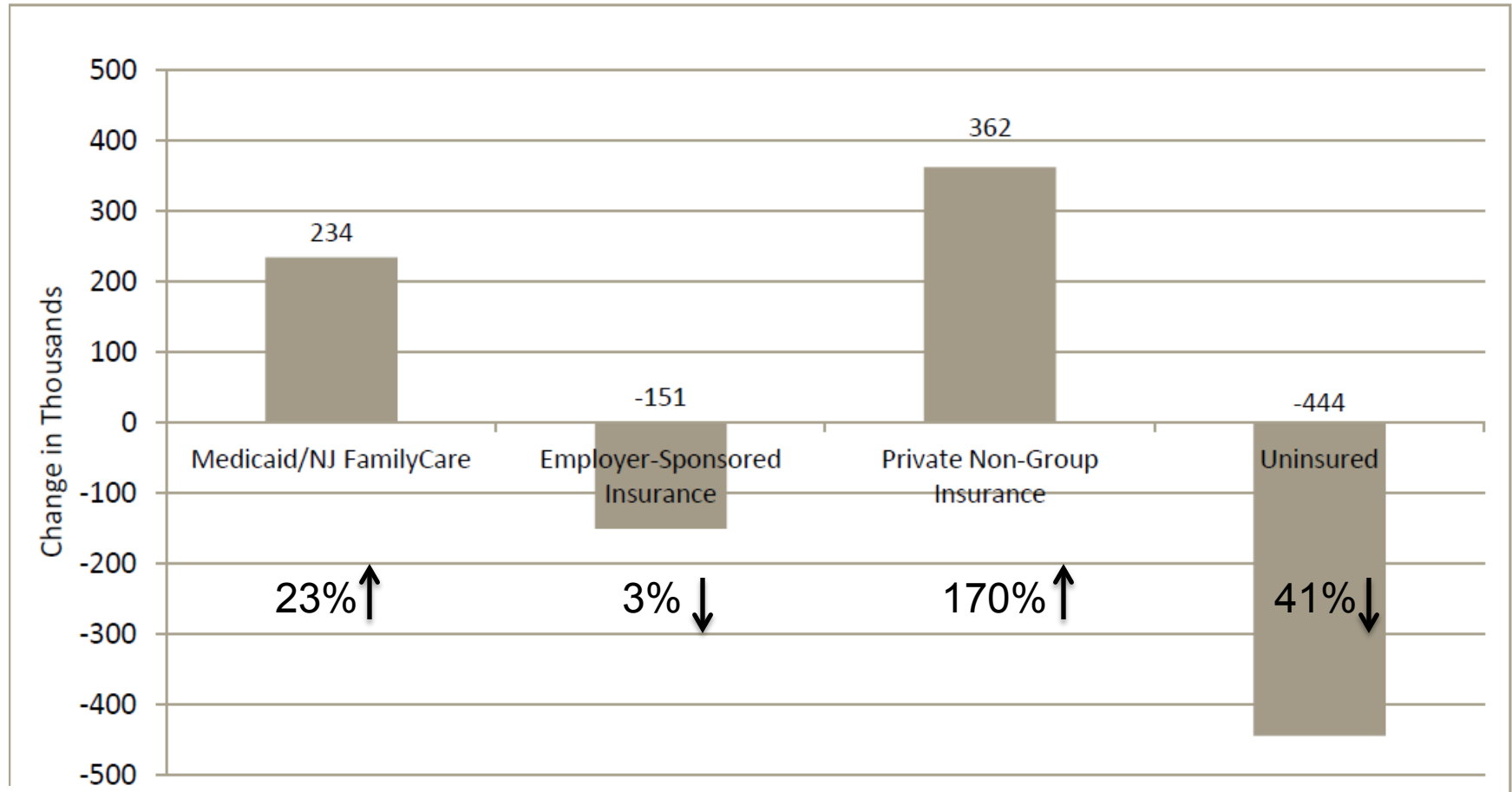


Early ACA Impact in New Jersey

- About 444,000 out of about 1.1 million previously uninsured NJ residents likely to gain coverage under 2014 ACA provisions*

* Cantor JC, Gaboda D, Nova J, and Lloyd K. *Health Insurance Status in New Jersey after Implementation of the Affordable Care Act*. New Brunswick: Rutgers Center for State Health Policy. 2011

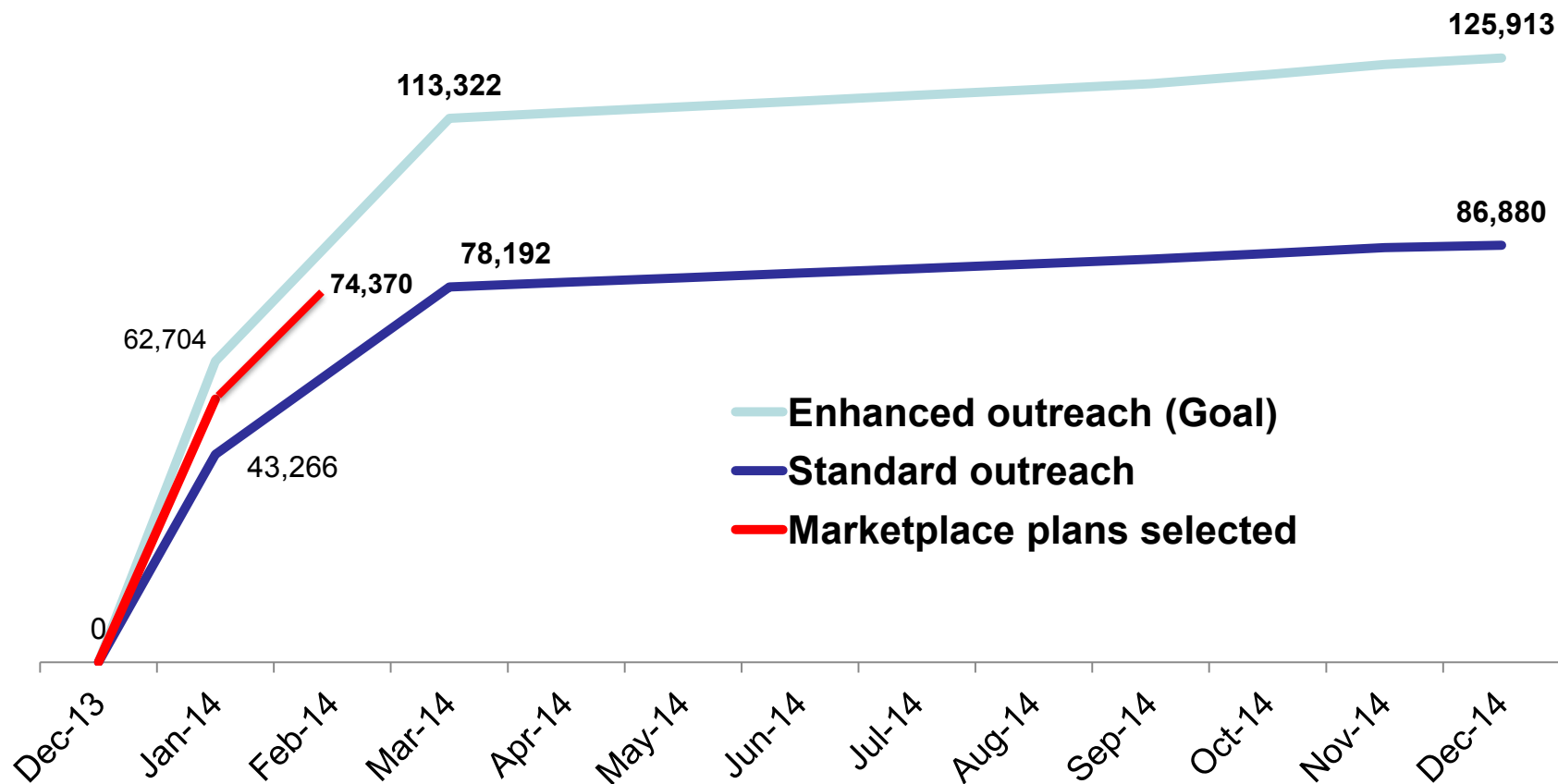
Change in Coverage Source in New Jersey after 2014 ACA Reforms



Cantor JC, Gaboda D, Nova J, and Lloyd K. *Health Insurance Status in New Jersey after Implementation of the Affordable Care Act*. New Brunswick: Rutgers Center for State Health Policy. 2011

Projected NJ Marketplace Enrollment, 2014

Percent of January Goal: 87 (preliminary)

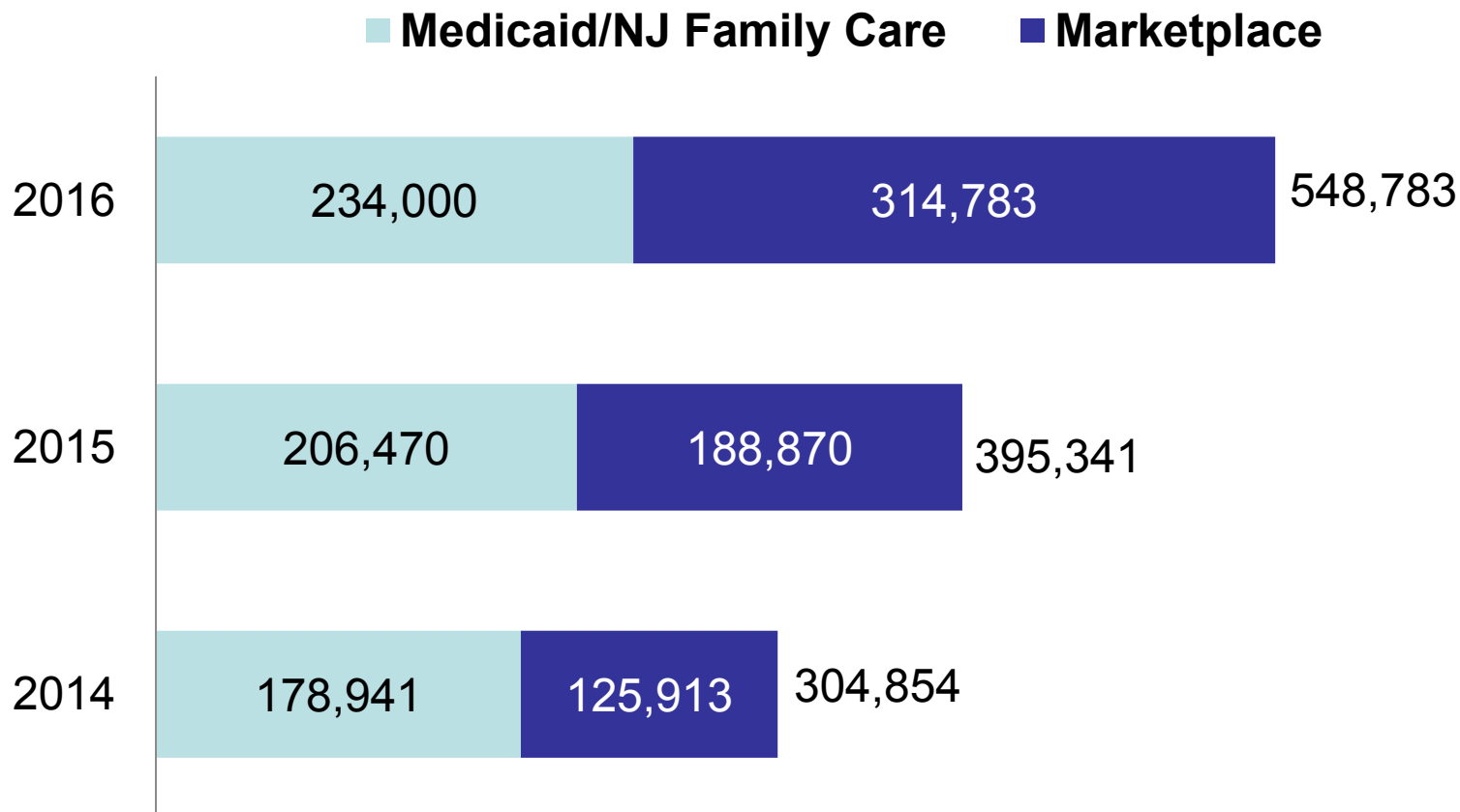


Source: New Jersey Policy Perspectives analysis of data from Rutgers CSHP and CBO

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NJ Projected Annual Enrollment, Assuming Assertive Public Education and Outreach



Source: New Jersey Policy Perspectives analysis of data from Rutgers CSHP, CBO, and NJ Medicaid

Early ACA Impact in New Jersey (continued)

- About 444,000 out of about 1.1 million previously uninsured NJ residents likely to gain coverage under 2014 ACA provisions*
- Little change in highly concentrated insurance market
 - Horizon BCBS market share ~80% in 2013
 - Six carriers, including three in the Marketplace
- Large scale migration among plans expected
 - 32% with individual coverage reported “cancelation” notices Q4-2013**
 - Some in small groups will need to shift to the individual market
- Narrower provider network options
- 2014 premiums down for some, up for others

*Cantor JC, Gaboda D, Nova J, and Lloyd K. *Health Insurance Status in New Jersey after Implementation of the Affordable Care Act*. New Brunswick: Rutgers Center for State Health Policy, 2011.

** Urban Institute, Health Reform Monitoring Survey-New Jersey.

Illustrative Premiums without Subsidy for a 27 year old

Plan Type	Monthly Premium
Pre-Reform Basic & Essential Plan Limited benefits, limited network, w/Rx rider	\$293(f) \$199(m)
Pre-Reform Standard “Plan C” PPO In network: \$2,500 ded. 20% co-ins. Out of network: \$5,000 ded. 30% co-ins.	\$420
ACA Catastrophic Plan (exclusive network) \$6,350 ded., primary care & preventive visits, no copays	\$168
ACA Bronze Plan (exclusive network) \$2,350 ded., \$50-\$75 copay, 50% Rx, limited network	\$230
ACA Silver Plan (point of service) In Network: \$2,500 ded., \$40/\$50 copay, 50% Rx Out of network: \$5,000 ded., 50% co-ins.	\$361
ACA Gold Plan (point of service) In Network: \$1,000 ded., \$30/\$40 copay, \$7 generic Rx Out of network: \$3,000 ded., 40% co-ins, 50% Rx	\$438

Illustrative Premiums without Subsidy for a 57 year old

Plan Type	Monthly Premium
Pre-Reform Basic & Essential Plan Limited benefits, limited network, w/Rx rider	\$411(f) \$505(m)
Pre-Reform Standard “Plan C” PPO In network: \$2,500 ded. 20% co-ins. Out of network: \$5,000 ded. 30% co-ins.	\$734
ACA Bronze Plan (exclusive network) \$2,350 ded., \$50-\$75 copay, 50% Rx, limited network	\$534
ACA Silver Plan (point of service) In Network: \$2,500 ded., \$40/\$50 copay, 50% Rx Out of network: \$5,000 ded., 50% co-ins.	\$838
ACA Gold Plan (point of service) In Network: \$1,000 ded., \$30/\$40 copay, \$7 generic Rx Out of network: \$3,000 ded., 40% co-ins, 50% Rx	\$1,017

Source: NJ Dept. of Banking and Insurance and Healthcare.gov

Issues to Watch in New Jersey

- Health insurance markets lack competition
 - High leverage in provider rate negotiations
 - But providers also consolidating
- Coverage take-up rates may be low
 - Limited investment in public education/outreach
- Sicker risk pools and higher 2015 premiums
 - Initial data show older demographic enrolling, but too early to tell
- Disruptions in patient-provider relationships
 - Many will change plans
 - Narrow networks
- Provider supply may be inadequate as more gain coverage
 - Primary care
 - Some regions of the state more than others

The background of the slide is a solid red color. In the top left corner, the word "RUTGERS" is written in a large, white, serif font. Below it, in a smaller, white, sans-serif font, are the words "THE STATE UNIVERSITY OF NEW JERSEY". A large, faint, circular seal of Rutgers University is visible in the background, centered behind the text. The seal features a sunburst design and the text "RUTGERS UNIVERSITY" around the perimeter.

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Thank You

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