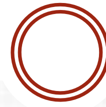
Rutgers Center for State Health Policy

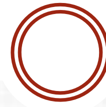


Applying University-Based Health Services Research to Shape State Health Coverage Policy

Joel C. Cantor, Sc.D.

Presentation to the
Center for Health Outcomes, Policy and Evaluation Studies (HOPES)
Ohio State University – College of Public Health
April 18, 2007

Collaborators & Sponsors

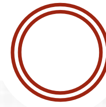


- Coverage research team
  - Alan Monheit, UMDNJ School of Public Health
  - Margaret Koller, CSHP Senior Associate Director
  - Research support by Carl Schneider, Piu Banergee and others
- Results of studies supported by the Robert Wood Johnson Foundation, Commonwealth Fund, and HRSA-State Planning Grant

Outline

- About Rutgers Center for State Health Policy
- Context of Health Coverage Reform
- CSHP Coverage Research & NJ Reform
- HSR and State Health Coverage Reform

Rutgers Center for State Health Policy



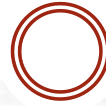
History

Established in 1999 with a major grant from the Robert Wood Johnson Foundation within Rutgers Institute for Health, Health Care Policy and Aging Research

Mission

To inform, support and stimulate sound and creative state health policy in New Jersey and around the nation

Rutgers Center for State Health Policy

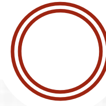


Focus

- Access and Coverage
- Long-Term Care and Support Services
- Health and Long-Term Care Workforce
- Health System Performance Improvement
- Mental Health Services Policy*
- Obesity Prevention Policy*

*developmental areas

Rutgers Center for State Health Policy



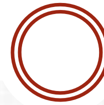
Functions

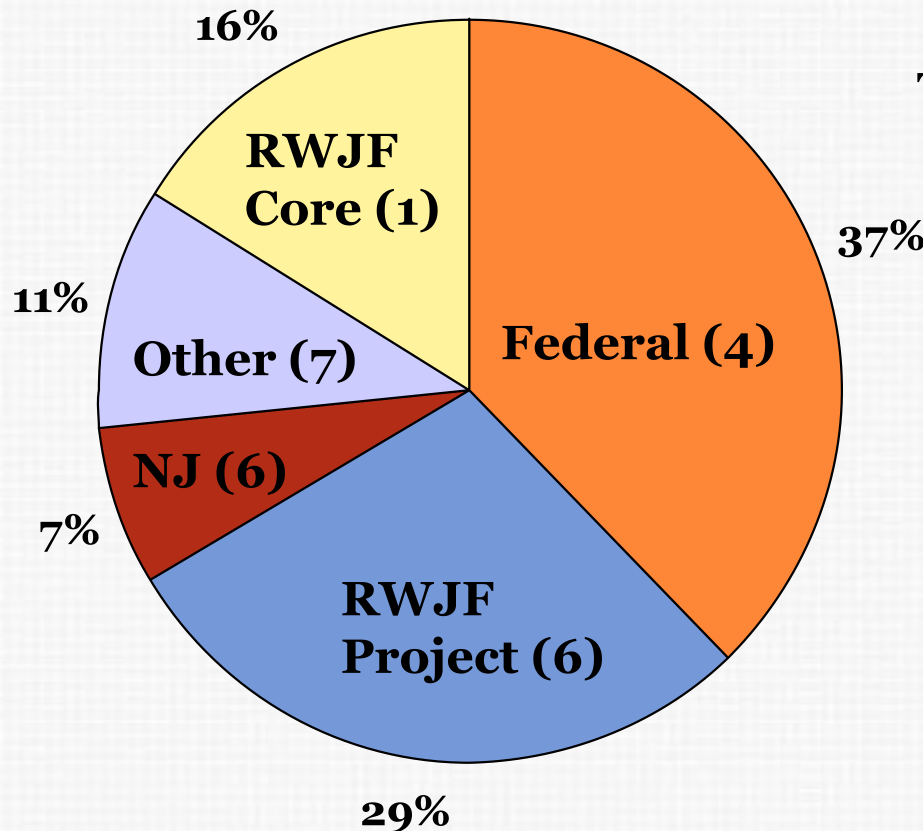
- Health services research
- Policy analysis
- Policy & program evaluation
- Convening
- Technical assistance

Skill Sets

- Qualitative research & policy analysis
- Econometrics, biostatistics
- Survey research
- Administrative data analysis
- Translational communication

Sources of CSHP Support

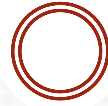




Share of Annualized Active Project Revenue (4/07)
Total = $4.7 million (24 projects)

- **Major role of RWJF (45% of funds)**
- **State-sponsored projects do little to support infrastructure**
- **Single-state focus not always attractive to national sponsors**

Outline



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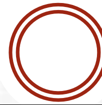
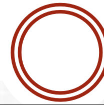
SES & Demography



	US	OH	NJ
Poverty	17%	16% (22)	13% (41)
Median Income	$46,367	$44,961 (25)	$59,989 (1)
White, Non-Hispanic	67%	83% (27)	64% (38)
Non-Citizen	7%	2% (36)	11% (2)

State rank shown in parentheses

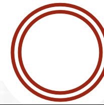
Coverage



	US	OH	NJ
Insured Adults (19-64)	79.5%	84.4% (14)	81.1% (29)
Insured Children (<19)	89.0%	92.0% (20)	89.4% (35)
SCHIP Elig.	---	200% FPL (12)	350% FPL (1)
Pregnant Women Elig.	---	150% (40)	200% (4)

State rank shown in parentheses

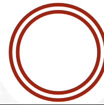
Health Care Costs



	US	OH	NJ
Medicare Part A&B Spending per Beneficiary	$6,611	$6,470 (18)	$8,076 (1)
Medicaid DSH per Beneficiary	$187	$197 (16)	$633 (3)

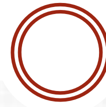
State rank shown in parentheses

Politics



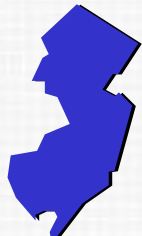
	US	OH	NJ
President	--	51% Bush	53% Kerry
Governor	28D – 21R	D	D
State Senate	25D – 23R	R	D
State House	30D – 19R	R	D

Summary
Context for Reform: New Jersey & Ohio



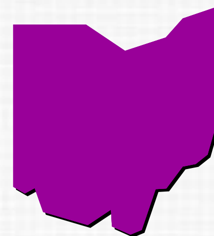
New Jersey

- High income, moderate poverty
- Very high health care costs
- Diverse population, many immigrants
- High coverage eligibility
- Average uninsured rate
- Blue and getting bluer (single party rule)



Ohio

- Average income, poverty rate
- Average health care costs (still a lot)
- Fairly demographically homogeneous
- Average coverage eligibility
- Lower than average uninsured
- Purplish (divided government)



2007 NCAA Division I Women's BASKETBALL CHAMPIONSHIP

First Round | Second Round | Regionals | National Semifinals | National Championship | National Semifinals | Regionals | Second Round | First Round

Dallas Regional (27-Mar)

First Round

Pittsburgh
- 1 North Carolina (30-3) vs. 16 Prairie View (19-13) — Mar. 18, 30 min. foll. ESPN2
- 8 California (23-8) vs. 9 Notre Dame (19-11) — Mar. 18, Noon ESPN2

Los Angeles
- 5 George Washington (26-3) vs. 12 Boise St. (24-8) — Mar. 17, 30 min. foll. ESPN*
- 4 Texas A&M (24-6) vs. 13 Texas - Arlington (24-8) — Mar. 17, 11 a.m. ESPN

Minneapolis
- 6 Iowa St. (25-8) vs. 11 Washington (18-12) — Mar. 17, 11 a.m. ESPN2
- 3 Georgia (25-6) vs. 14 Belmont (25-6) — Mar. 17, 30 min. foll. ESPN

Minneapolis
- 7 Georgia Tech (20-11) vs. 10 DePaul (19-12) — Mar. 17, 7 p.m. ESPN2
- 2 Purdue (28-5) vs. 15 Oral Roberts (22-10) — Mar. 17, 30 min. foll. ESPN2

Second Round
- North Carolina (95-38)
- 20-Mar: Notre Dame (62-59)
- George Washington (76-67)
- 19-Mar: Texas A&M (58-50)
- Iowa St. (79-60)
- 19-Mar: Georgia (53-36)
- Georgia Tech (55-54)
- 19-Mar: Purdue (63-42)

Regionals (25-Mar)
- North Carolina (60-51)
- George Washington (59-47)
- Georgia (76-56)
- Purdue (76-63)

Regional Semifinal/Final
- North Carolina (70-56)
- Purdue (78-65)
- Dallas 27-Mar: North Carolina (84-72)

Dayton Regional (27-Mar)

First Round

Pittsburgh
- 1 Tennessee (28-3) vs. 16 Drake (14-18) — Mar. 18, 7 p.m. ESPN2*
- 8 Pittsburgh (23-8) vs. 9 James Madison (27-5) — Mar. 18, 30 min. Foll. ESPN2

Stanford
- 5 Middle Tenn. (29-3) vs. 12 Gonzaga (24-9) — Mar. 17, 5 p.m. ESPN2*
- 4 Ohio St. (28-3) vs. 13 Marist (27-5) — Mar. 17, 30 min. foll. ESPN2*

Austin
- 6 Marquette (25-6) vs. 11 La.-Lafayette (25-8) — Mar. 17, 30 min. foll. ESPN*
- 3 Oklahoma (26-4) vs. 14 Southeast Mo. St. (24-7) — Mar. 17, 11 a.m. ESPN2

Hartford
- 7 Ole Miss (21-10) vs. 10 TCU (21-10) — Mar. 18, Noon ESPN2*
- 2 Maryland (27-5) vs. 15 Harvard (15-12) — Mar. 18, 30 min. Foll. ESPN*

Second Round
- Tennessee (76-37)
- 20-Mar: Pittsburgh (71-61)
- Middle Tenn. (85-46)
- 19-Mar: Marist (67-63)
- Marquette (87-58)
- 19-Mar: Oklahoma (74-60)
- Ole Miss (88-74)
- 20-Mar: Maryland (89-65)

Regionals (25-Mar)
- Tennessee (68-54)
- Marist (73-59)
- Oklahoma (78-47)
- Ole Miss (89-78)

Regional Semifinal/Final
- Tennessee (65-46)
- Ole Miss (90-82)
- Dayton 27-Mar: Tennessee (98-62)

Fresno Regional (26-Mar)

First Round

Hartford
- 1 Connecticut (29-3) vs. 16 UMBC (16-16) — Mar. 18, 30 min. foll. ESPN2
- 8 New Mexico (24-8) vs. 9 Wis.-Green Bay (28-3) — Mar. 18, 7 p.m. ESPN2

Raleigh
- 5 Baylor (25-7) vs. 12 Chattanooga (25-7) — Mar. 18, 30 min. foll. ESPN
- 4 North Carolina St. (23-9) vs. 13 Robert Morris (24-7) — Mar. 18, Noon ESPN2

Austin
- 6 Xavier (26-7) vs. 11 West Virginia (20-10) — Mar. 17, 7 p.m. ESPN2
- 3 LSU (26-7) vs. 14 UNC Asheville (21-11) — Mar. 17, 30 min. foll. ESPN2

Stanford
- 7 Old Dominion (24-8) vs. 10 Florida St. (22-9) — Mar. 17, 11 a.m. ESPN
- 2 Stanford (28-4) vs. 15 Idaho St. (17-13) — Mar. 17, 30 min. foll. ESPN

Second Round
- Connecticut (82-33)
- 20-Mar: Wis.-Green Bay (59-52)
- Baylor (68-55)
- 20-Mar: North Carolina St. (84-52)
- West Virginia (65-52)
- 19-Mar: LSU (77-39)
- Florida St. (85-75)
- 19-Mar: Stanford (96-58)

Regionals (24-Mar)
- Connecticut (94-70)
- North Carolina St. (78-72 OT)
- LSU (49-43)
- Florida St. (68-61)

Regional Semifinal/Final
- Connecticut (78-71)
- LSU (55-43)
- Fresno 26-Mar: LSU (73-50)

Greensboro Regional (26-Mar)

First Round

Raleigh
- 1 Duke (30-1) vs. 16 Holy Cross (15-17) — Mar. 18, 7 p.m. ESPN2
- 8 Temple (24-7) vs. 9 Nebraska (22-9) — Mar. 18, 30 min. foll. ESPN2

East Lansing
- 5 Michigan St. (23-8) vs. 12 Delaware (26-5) — Mar. 18, 7 p.m. ESPN2
- 4 Rutgers (22-8) vs. 13 East Caro. (19-13) — Mar. 18, 30 min. foll. ESPN2*

Los Angeles
- 6 Louisville (26-7) vs. 11 Brigham Young (23-9) — Mar. 17, 5 p.m. ESPN2
- 3 Arizona St. (28-4) vs. 14 UC Riverside (21-10) — Mar. 17, 30 min. foll. ESPN2

East Lansing
- 7 Bowling Green (29-3) vs. 10 Oklahoma St. (20-10) — Mar. 18, 30 min. foll. ESPN
- 2 Vanderbilt (27-5) vs. 15 Delaware St. (20-12) — Mar. 18, Noon ESPN2

Second Round
- Duke (81-44)
- 20-Mar: Temple (64-61)
- Michigan St. (69-58)
- 20-Mar: Rutgers (77-34)
- Louisville (80-54)
- 19-Mar: Arizona St. (57-50)
- Bowling Green (70-66)
- 20-Mar: Vanderbilt (62-47)

Regionals (24-Mar)
- Duke (62-52)
- Rutgers (70-57)
- Arizona St. (67-58)
- Bowling Green (59-56)

Regional Semifinal/Final
- Rutgers (53-52)
- Arizona St. (67-49)
- Greensboro 26-Mar: Rutgers (64-45)

National Semifinals — Cleveland, April 1
- Tennessee (56-50)
- Rutgers (59-35)

National Championship — Cleveland, April 3
Tennessee (59-46)

NATIONAL CHAMPION

*** ALL TIMES ARE LOCAL TO THE HOST SITE***
*Game will also be carried on ESPNU

March 17 and 19 first-/second round sites: Austin, Minneapolis, Stanford, Los Angeles
March 18 and 20 first-/second round sites: East Lansing, Hartford, Pittsburgh, Raleigh
March 24 and 26 regional sites: Fresno, Greensboro
March 25 and 27 regional sites: Dallas, Dayton

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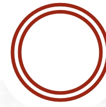
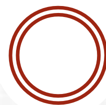
More New Jersey Context



Late 1980's/Early 1990's

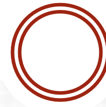
- All-Payer Hospital Rate Setting
  - First use of DRGs, cost containment goal
  - Cross-subsidized public goods (charity care, medical education, carrier of last resort…)
  - Medicare pulled out (1988)
  - Carrier of last resort (BCBS) in financial trouble (main source of non-group coverage)
  - ERISA challenge from self-funded union plans
  - Competition paradigm favored, hospital coalition weakens
- 1992 Comprehensive Reforms

Key Features of 1992 Reforms



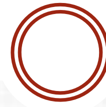
- Rate setting repealed
- New funding mechanism for charity care
- BCBS no longer carrier of last resort
- New Non-Group and Small-Group Market Regulations
  - Guaranteed Issue, Renewal, Portability
  - No health and limited demographic premium rating
  - Standardization of policies
  - Minimum loss ratio (75%)
  - Encourage participation (especially non-group market)

Additional Features of Non-Group Market Reforms



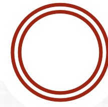
- Pure community rating (small group regulations permit limited demographic/geographic variation)
- Carrier loss assessment mechanism
  - Intended to spread "excess" risk broadly & encourage entry/competition
  - Initially *very* poorly structured
  - Bad players under-priced premiums, enrolled many, were heavily subsidized, then exited
- Subsidies for low income participants
  - Subsidized enrolled peaked at 20,000
  - Phased out starting 1997 in favor of SCHIP
- **Trouble in paradise starting 1996 *(more in a moment)***

Other Important Developments (1997-present)



- S-CHIP (1997)
  - Children eligible up to 350% FPL
  - Parents eligible, with some difficulty sustaining
- Non-Group Market "Basic and Essential" plan (2003)
  - Modified community rating
  - Limited benefits, but riders permitted
  - 22% of non-group market lives (Q4-2006)
- Under 30 dependent coverage (2006)
  - Requires insurers to permit coverage of some adult children on employer plans
  - About 7,000 covered lives (Q1-2007)

Outline



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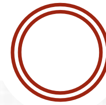
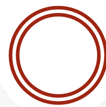
CSHP Coverage Research



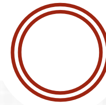
- Study of NJ Non-Group Market, 2002-04 (RWJF-HCFO Initiative and The Commonwealth Fund)
- State Planning Grant, 2002-06 (HRSA via NJ DHS)
  - The Uninsured
    - Two descriptive data books
    - Affordability study
    - Urban coverage disparity study
    - Support for State Task Forces
  - NJ FamilyCare (SCHIP)
    - Strategies to Improve Enrollment & Retention in NJ FamilyCare
    - Simulation of Full-Cost Buy In
    - Optimizing Premium Support Program
  - Health Coverage Markets
    - Expert Panel on State Health Insurance Regulations
    - Impact of Benefit Mandates
    - Expert Panel on Reinsurance

Focus for Today



- Coverage composition and trends
  - Trends following the 1992 reforms
  - Causes of the decline of the non-group market
- Options for reform in the non-group market
- Current policy debate in NJ

NJ Health Insurance Coverage by Source, 2004

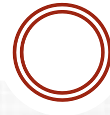


8.7 million persons

Source	Share
Insured Large Group	18%
Insured Small Group	11%
Non-Group	1%
Self-Funded	23%
Public*	21%
State Employee Self-Funded	9%
Federal Employee	2%
Uninsured	15%

*Medicare, Medicaid, SCHIP, Military
Source: Adapted from NJ Dept. of Banking and Insurance analysis of CPS & administrative sources

NJ Total Employer and Small Group Coverage



Enrollment X1,000

Year	1996	1997	1998	1999	2000	2001

Y-axis: 0, 1,000, 2,000, 3,000, 4,000, 5,000, 6,000

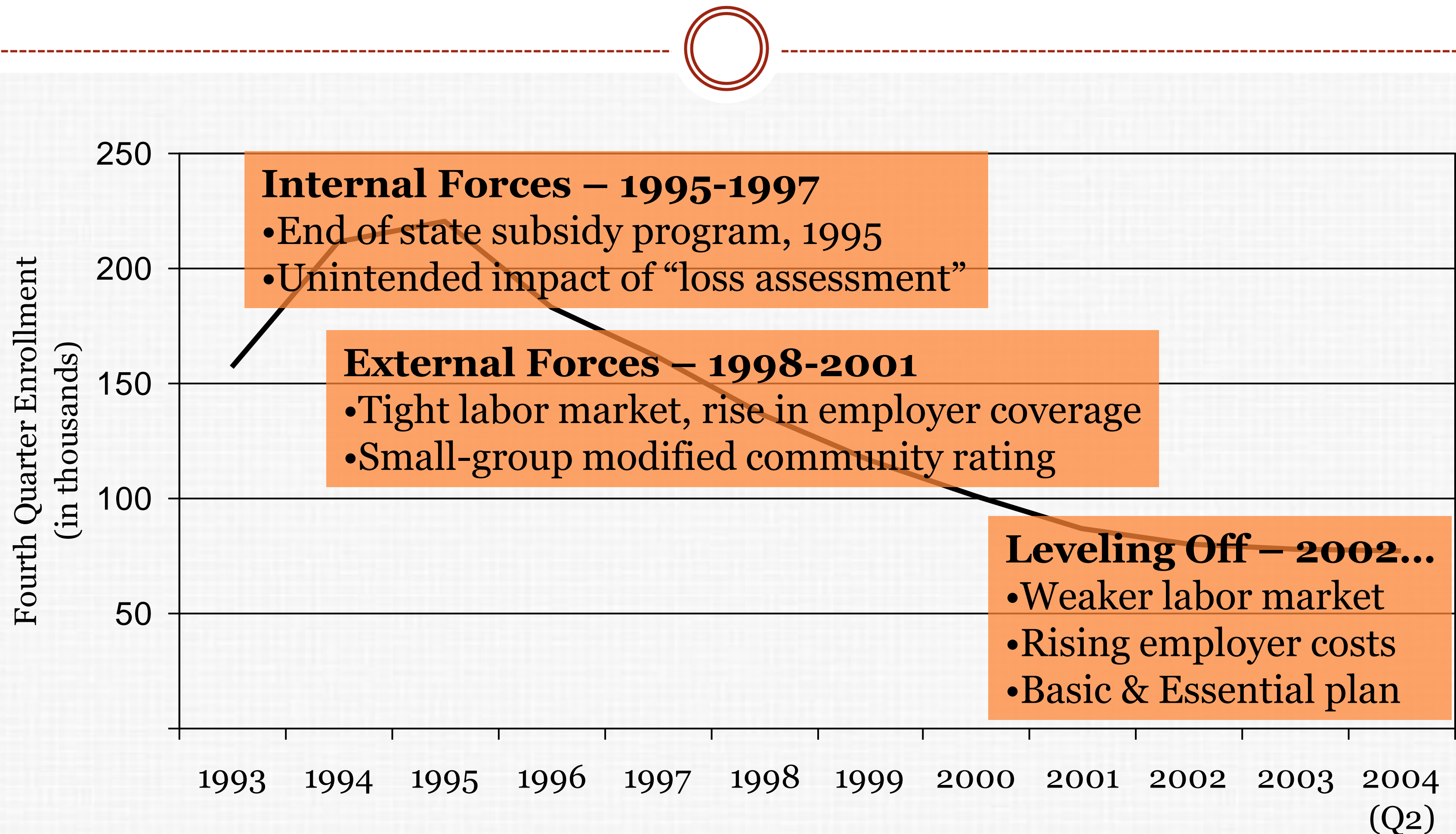
Legend: Total; Small Gp

4.7 million

5.4 million

Source: Current Population Survey and the NJ Small Employer Health Benefit Program

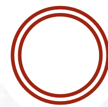
Decline of the NJ Non-Group Market



Source: Monheit, et al. Health Affairs, July/August 2004.

Older Average Age in Non-Group Market

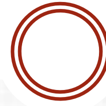
Percentage age 45-64



Year	New Enrollees	All Enrollees
1996	44.6	
2002	66.3	70.8

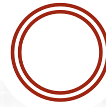
Sources: 1996 data from Swartz and Garnick and 2002 data from Monheit, et al.

Need for Reform



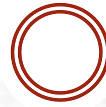
- Dysfunctional non-group market
  - 3% per quarter enrollment decline since 1996
  - Enrollment growing older and sicker
  - “Basic & Essential” plan stopped the decline
- 1.3 million uninsured
  - Average rate - despite high income & progressive eligibility policy
  - High cost, affordability gap

Non-Group Market Policy Simulation



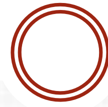
- **Alternative scenarios**
  - Shift from pure to modified (age, sex) community rating
  - Add universal reinsurance
  - Sensitivity analysis
- **Population**
  - Non-elderly adults (21-64)
  - Single coverage
- **Simulate decisions to participate or withdraw**
  - Compare ***projected "reservation price"*** to ***projected premiums***
  - Assume no person pays >10% of family income for coverage

Simulation Data Sources



- **New Jersey Family Health Survey (NJFHS)**
  - 500 uninsured individuals, random digit dial, 2001
  - 701 non-group market subscribes, supplemental sample from 4 of five largest carriers' enrollment lists, 2002
- **2000 Medical Expenditure Panel Survey (MEPS) – Household Component**
  - Model health plan payout based on demographics and health characteristics
  - Apply model to project payout estimates to NJFHS populations

Simulation Details



Reservation price

$R_i = 0.5 * r_i * V(\$)_j + E(\$)_i$, where:

r_i = risk aversion parameter for *individual i*

$V(\$)_j$ = variance of expected plan payout for *rating group j*

$E(\$)_i$ = expected plan payout for *individual i*

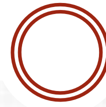
Expected plan payout

- MEPS two part model predicting likelihood of any payout and level, as function of age, gender, region, health, and coverage
- Apply to NJFHS non-group and uninsured populations

Premium

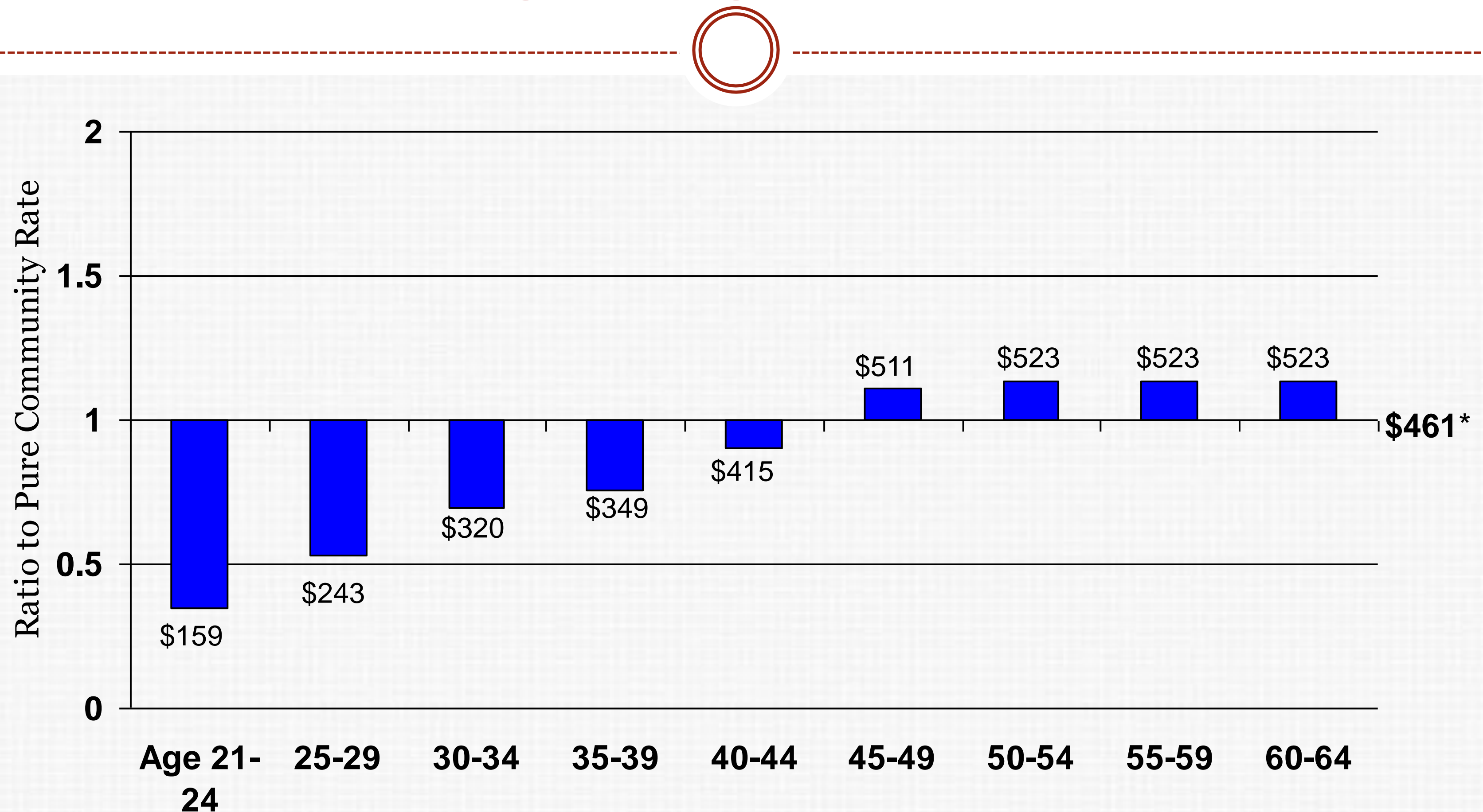
- Expected plan payout * 1.25 for each rating group

Simulation Assumptions



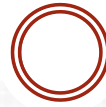
- **Price sensitivity assumptions**
  - Assume 0.4 price elasticity, consistent with recent studies
  - Test lower price responsiveness (0.2 elasticity)
- **Affordability limit**
  - Assume no individual will pay >10% of income
  - Test purchase under no income limit assumption
- **Reinsurance assumptions**
  - Reallocate top 10% of predicted expenditures for top decile of individuals in the expenditure distribution
  - Mandatory for all carriers must participate
  - Examine impact of internal versus external financing

Change in Monthly Non-Group Single Premium
Simulation of Age Rating with 3.5 to 1 Rate Bands



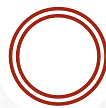
*Monthly premium for the lowest cost HMO in the NJ non-group market ($15 copay plan in October, 2004).

Monthly Non-Group Single Premiums
Baseline and Alternative Policy Scenarios



*Monthly premium for the lowest cost HMO product in the NJ non-group market ($15 copay plan in October, 2004). PCR is pure community rating and MCR is modified community rating

Monthly Non-Group Single Premiums
Baseline and Alternative Policy Scenarios (continued)



Lowest | Highest rating category

Monthly Premium

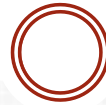
$600
$500
$400
$300
$200
$100
$0

$461*
$150
$525
$150
$523
$127
$446

PCR
MCR Age/Gender 3.5:1
MCR Age/Gender 3.5:1 - Internally Funded Reinsurance
MCR Age/Gender 3.5:1 - Externally Funded Reinsurance

*Monthly premium for the lowest cost HMO product in the NJ non-group market ($15 copay plan in October, 2004). PCR is pure community rating and MCR is modified community rating.

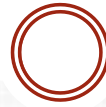
Non-Group Enrollment
Actual and Alternative Policy Scenarios



Scenario	Enrollment (x1,000)
PCR	62.6
MCR Age/Gender 3.5:1	135.3
MCR Age-Only 3.5:1	109.0
MCR Age/Gender 5:1	194.9
MCR Age/Gender 3.5:1 - Internal Reinsurance	135.9
MCR Age/Gender 3.5:1 - External Reinsurance	148.4

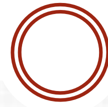
Notes: Enrollment in four of the five largest carriers, representing 95% of total covered lives.
PCR is pure community rating and MCR is modified community rating.

Summary of Simulation Findings



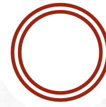
- **Large increase in total enrollment**
  - 1.7 to 3 fold increase across policy scenarios
- **Higher premiums for older adults, but few drop out**
  - Up to about 15% premium increase under MCR
  - Externally funded reinsurance holds older adults harmless
- **Much lower premiums for younger adults, *many* enroll**
  - Up to 55% to 77% decline in premiums
  - 21 to 39 year old grow from about 16% to over half of market
  - Moderate income individuals gain coverage (data not shown)

CSHP Communication Strategy



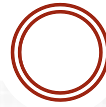
- **Disseminate written report**
- **Extensive policymaker and stakeholder briefings**
  - Key legislators
  - Regulatory officials and board
  - Stakeholders (individual carriers, AARP, etc.)
- **Peer presentations and publication**
  - Rutgers seminars
  - Commonwealth, HCFO
  - Academy Health ARM
  - *Health Affairs*
  - *HSR*

CSHP Communication Strategy (continued)



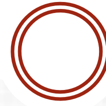
- **Two full day “Expert Panels” engaging officials & stakeholders**
  - State Health Insurance Regulation
    - Outside papers, panels
    - Edited volume
  - Reinsurance Options
    - Dept. of Banking and Insurance
    - Outside Experts
    - Issue Brief

CSHP Work & the New Jersey Policy Debate



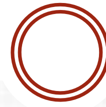
- **Corzine Administration reform proposal under development**
  - Key features of CSHP focus adopted during campaign
- **Modified community rating in non-group market**
  - Bills introduced
  - Supported by carriers, BCBS CEO op-ed
  - Vigorous high-level debate
- **Reinsurance**
  - BCBS lobbying
  - Limited bill introduced last year
  - Vigorous high-level debate
- **Merging Non-Group and Small Group Markets**
  - Discussed, but not simulated by CSHP
  - Vigorous high-level debate
- **Key Legislator to introduce Massachusetts-style Individual Mandate**

Outline



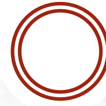
- About Rutgers Center for State Health Policy
- Context of Health Coverage Reform
- CSHP Coverage Research & NJ Reform
- HSR and State Health Coverage Reform

HSR and State Health Coverage Reform



- Engage with policymakers and stakeholders early and often
- Communicate in policymakers' own terms
  - Oral communication critical
  - Short-format reports

HSR and State Health Coverage Reform



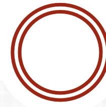
How researchers communicate:

- Intro (problem, significance)
- Data and Methods
- Findings
- Discussion
  - Evidence
  - Caveats
  - Limitation
  - Future research

How policy audience hear researchers:

- Stating the obvious
- Obsessing over details
- Not getting to the point
- Dismissing own findings

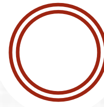
HSR and State Health Coverage Reform



- **Engage with policymakers & stakeholders early, often**
- **Communicate in policymakers' own terms**
  - Oral communication critical
  - Short-format reports
  - Reverse the presentation (i.e., bottom line first, details in an appendix)
- **Manage risks**
  - Guard reputation/impartiality (actually be impartial)
  - Broad communication, share with everyone
- **Be patient and persistent**
  - HSR can provide fodder for debate but does not trump politics
  - Be an expert resource, not just a study author

Selected Bibliography

See www.cshp.rutgers.edu



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