

Maryland Citizens Health Initiative's
Technical Advisory Committee:

**“HEALTH CARE FOR ALL”
PLAN PROPOSAL**

November 12, 2008

Underlying Goals of Plan

- Overall, make health insurance coverage affordable for everyone in the state, particularly small businesses
- Improve Efficiency of Care:
 - Reduce insurer overhead and initiate “value based” design
- Accessibility of Coverage:
 - Low-income subsidies for private plans and expand Medicaid
- Shared Responsibility:
 - Among individuals, businesses, providers, and government

Overview of Plan Components

- Financing and Organization:
 - Maryland Health Insurance Pool
 - Individual mandate with low-income subsidies
 - Catastrophic Reinsurance Program
 - Healthy Maryland Medicaid expansion
- Delivery and Quality:
 - Maryland Institute for Clinical Value
 - Prevention and health promotion
- Detailed budget over five years (balanced)
 - Largely financed by a 2% payroll tax

Maryland Health Insurance Pool

- Merge individual and small group (2-100) markets:
 - Lower administrative overhead
 - Choice among basic, typical, and generous plans
- Community rating and guaranteed issue:
 - Limit variation with age to a 3:1 band
 - Provisions to counter adverse selection
- Low-income subsidies for all in Pool:
 - Under 300% FPL: 50% of typical plan's premium
 - Between 300% and 400% FPL: 25% of typical plan's premium
- Individual mandate:
 - Tax penalty: half of average basic plan's subsidized premium

Catastrophic Reinsurance Program

- Reduce premiums by 10% by covering highest costs:
 - Improve care through better coordination and specialization
 - Benefit to plans in the Pool and large firms offering coverage
- The MHIP Board to receive bids from private reinsurers
- Sample reinsurance policy covering 10% of spending:
 - Covers 75% of costs between \$35,000 and \$100,000
 - Covers 95% of costs over \$100,000

Healthy Maryland Medicaid Expansion

- Eligibility:
 - Currently, MCHP children at 300% FPL and adults at 116% FPL
 - Expand adults to 200% FPL and parents to 300% (w/ \$50/mo.)
- Premium Assistance Program:
 - Employee-paid premium share at large firms
 - The 50% low-income subsidy in the Health Insurance Pool
- Infrastructure expenditures and expanded benefits (dental, drug/alcohol addiction, and HIV/AIDS testing)
- Underlying goals of maximizing federal dollars available, minimizing private crowd out, and horizontal equity

Exhibit 3: Sources of Coverage Under the Maryland Health Care For All Plan

Source of Coverage:	Thousands of People	Percent of Population
Total population	5,847	100.0%
Unaffected coverage:	1,461	25.0%
Medicare	746	12.8%
Champus	230	3.9%
Federal employees	486	8.3%
Healthy Maryland:	781	13.4%
Currently in Medicaid/SCHIP	401	6.9%
Uninsured, eligible prior to recent expansion	114	1.9%
Uninsured, eligible after recent expansion	159	2.7%
Uninsured, eligible under HCFA expansion	107	1.8%
Maryland Health Insurance Pool (MHIP):	1,364	23.3%
Currently insured	1,091	18.7%
Currently uninsured	273	4.7%
Large Group Insurance (100+ workers):	2,241	38.3%
Currently insured	2,117	36.2%
Currently uninsured	123	2.1%

Single People in the Health Insurance Pool (2010\$)

<u>Income:</u>		<u>Typical Plan:</u>		<u>Basic Plan:</u>		<u>Lowest Cost:</u>	
Percent FPL	Average Amount	Net Premium	Percent Income	Net Premium	Percent Income	Net Cost	Percent Income
100-200%	17,227	2,075	12.0%	837	4.9%	-	0.0%
200-300%	28,712	2,075	7.2%	837	2.9%	837	2.9%
300-400%	40,197	3,113	7.7%	1,875	4.7%	1,875	4.7%
400-500%	51,682	4,151	8.0%	2,913	5.6%	2,913	5.6%

Unsubsidized typical plan's premium under the status quo would average \$5,393

Family of Four in the Health Insurance Pool (2010\$)

<u>Income:</u>		<u>Typical Plan:</u>		<u>Basic Plan:</u>		<u>Lowest Cost:</u>	
Percent FPL	Average Amount	Net Premium	Percent Income	Net Premium	Percent Income	Net Cost	Percent Income
100-200%	34,843	5,609	16.1%	2,263	6.5%	-	0.0%
200-300%	58,071	5,609	9.7%	2,263	3.9%	1,800	3.1%
300-400%	81,300	8,414	10.3%	5,068	6.2%	5,068	6.2%
400-500%	104,528	11,218	10.7%	7,872	7.5%	7,872	7.5%

Unsubsidized typical plan's premium under the status quo would average \$14,577

Maryland Institute for Clinical Value

- Cost-sharing and reimbursement:
 - Insurance copayments tied to established cost-effectiveness
 - Implemented through plans offered in Health Insurance Pool
- Coordination of chronic care
- Academic detailing
- Electronic health records:
 - Subsidize hospitals and physician practices
- Citizens' Advisory Council

Institute's "Prevention Trust"

- Local public health departments
- Prevention: alcohol/drug, tobacco prevention/cessation
- Increase access to care of providers in low supply:
 - Community health centers
 - Loan forgiveness for primary care clinicians to underserved
 - Training and upgrading of health care workers
- Health disparities:
 - Tracking data, provider grants, translation, CDC's REACH

Financing: Five-Year Costs (millions)

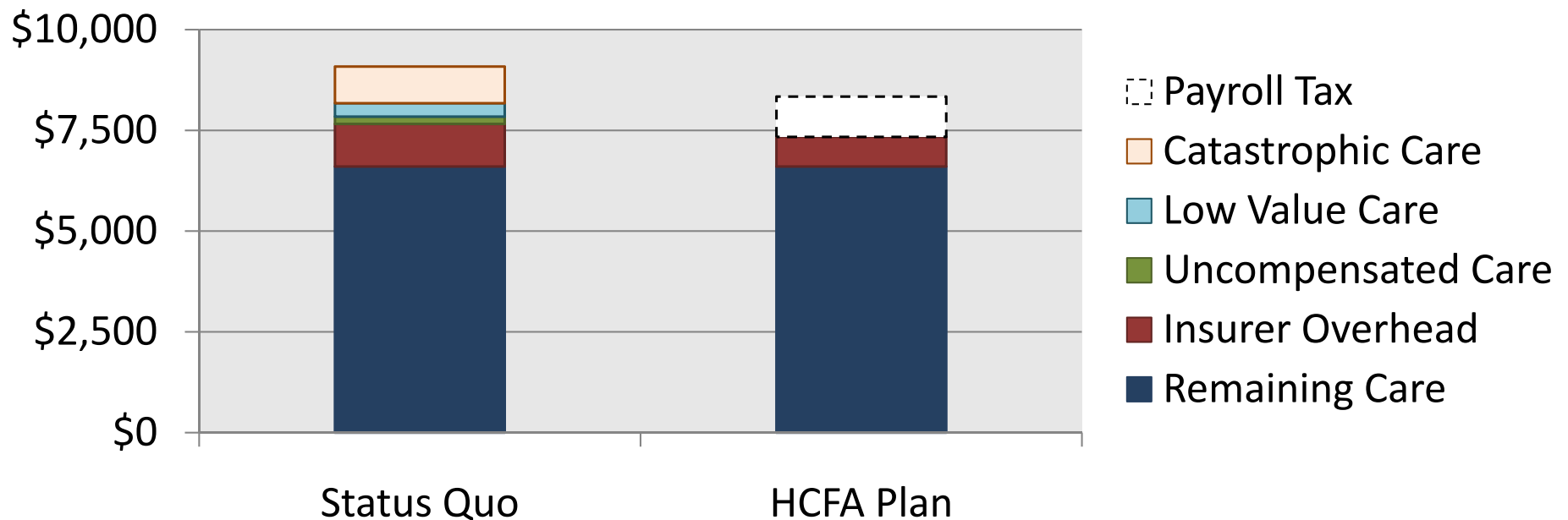
- Maryland Health Insurance Pool: \$4,278.5
- Catastrophic Reinsurance Program: \$7,560.6
- Healthy Maryland Medicaid Program: \$3,067.7
- Institute for Clinical Value: \$166.0
- Maryland Prevention Trust: \$407.5
- **Total** (with 100% take-up of coverage by year five) **\$15,480.2**

Financing: Five-Year Revenue (millions)

- Payroll Assessment of 2% on FICA: \$13,255.9
- Alcohol Tax (“dime a drink”): \$1,015.4
- Tobacco Taxes: \$516.4
- Tobacco Settlement Bonus Payments: \$150.0
- Reallocation of High Risk Pool Funds: \$590.7
- Total \$15,498.0

Business Savings: Typical Firm

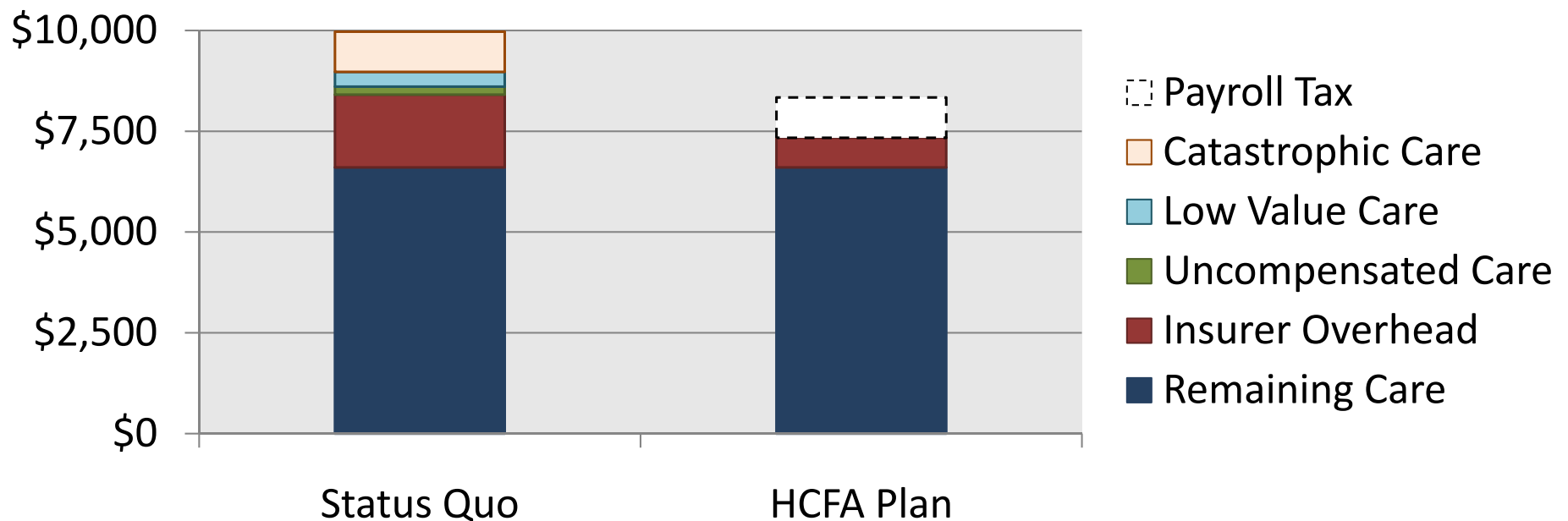
A typical firm offering coverage in Maryland – with wages of \$50,000 and healthcare spending of \$9,100 per worker – would have total costs fall by 8%.



Smaller firms would see higher savings in insurer overhead; larger firms would see lower savings. Lower-wage firms would pay lower taxes per worker; higher-wage firms would pay higher taxes. Reductions in low value care from “value-based design” are shown for five years’ slowed growth.

Business Savings: Small Firm

A typical small firm offering coverage in Maryland – with wages of \$50,000 and healthcare spending of \$10,000 per worker – would have total costs fall by 16%.



Costs shown for firms with less than 50 workers; larger firms would see lower savings in overhead. Lower-wage firms would pay lower taxes per worker; higher-wage firms would pay higher taxes. Reductions in low value care from “value-based design” are shown for five years’ slowed growth.

Savings Across Various Businesses

	Small Firm 50 workers Not Offering	Small Firm 50 workers Offering	Medium Firm 250 workers Offering	Large Firm 2000 workers Offering
As a Percent of Current Health Costs:				
Wages of \$30K	n/a	19.3%	11.4%	7.4%
Wages of \$50K	n/a	16.4%	8.2%	4.0%
Wages of \$70K	n/a	14.4%	6.0%	1.8%
Wages of \$90K	n/a	11.0%	2.3%	-2.2%

	Small Firm 50 workers Not Offering	Small Firm 50 workers Offering	Medium Firm 250 workers Offering	Large Firm 2000 workers Offering
As a Percent of Payroll:				
Wages of \$30K	-2.0%	5.4%	2.9%	1.8%
Wages of \$50K	-2.0%	3.3%	1.5%	0.7%
Wages of \$70K	-2.0%	2.4%	0.9%	0.3%
Wages of \$90K	n/a	1.4%	0.3%	-0.2%

Notes: These estimate include the employer and employee shares combined and are in 2010 dollars. They show the savings from value-based insurance design after a five-year implementation period; these savings will be higher after five years.