

QHP TRANSPARENCY & AFFORDABILITY

Consumer and Small Employer Advisory Committee

July 22, 2014



MAKING INFORMED CHOICES

UNDERSTANDING PLAN CHOICES

- Important information is missing from Summary of Benefits and Coverage (SBC):
 - Is the deductible for a family embedded or aggregate? Missing from most plans.
 - Separate drug deductible? (Either missing or not offered by any MN plan.)
 - Plan type definitions (PPO, POS, or HMO).
 - Network and provider details. Even within a single insurance company, there are different networks, and one may cover your provider and another may not.
- Consumers sometimes have trouble finding the SBCs.
- Child only plans are shown for all consumers and can be hard to distinguish.
- How something is covered can be unclear:
 - “Hearing aids (as required by state law)” – what does this mean?
 - “Routine eye care” – what is routine, and do all companies define this the same way?



IDEAS FOR IMPROVING PLAN CLARITY

- Ability to filter plans by provider, or a third-party tool that does the same thing
 - Example: Illinois Marketplace Health Plan Comparison Tool
 - By nonprofit Consumer's Checkbook
 - www.healthplanratings.org/hie
- Ability to filter by child and adult plans
- Plan frequently asked questions and definitions
- Requiring that coverages are defined the same way across plans





CHOOSING AMONG METAL LEVELS



HOW METAL LEVELS IMPACT COST



HOW DO CONSUMERS CHOOSE?

- Healthier consumers may be better off with bronze and silver plans
- Consumers with greater health needs may be better off with gold or platinum plans
- Unfortunately, these decisions were often driven by monthly budgets in our experience. Many who would be better off with higher level plans chose “cheaper” plans.
- About 60% of people bought lower-level plan (bronze or silver)
 - How does the breakdown correlate to income?



EFFECT OF LOW PREMIUM PLAN

- Overall costs are often higher if plan is used for non-preventive care
- Lower-income could be deterred from using their insurance, due to higher out-of-pocket costs





MN'S AFFORDABILITY LANDSCAPE

LOW-INCOME MINNESOTANS



- No place better than Minnesota!
- Free or low-cost coverage (with no deductible) for 0% to 200% of Federal Poverty Level (FPL)
 - \$22,980 / year for an individual (or more for children and pregnant women)
 - \$47,100 / year for a family of four (or more for children and pregnant women)
- Minnesota expanded Medical Assistance
 - Adults up to 138% of the FPL
 - Children up to 275% and pregnant women up to 278% of the FPL
- MinnesotaCare covers:
 - Adults between 138% and 200% of the FPL
 - Immigrants between 0% and 200% of the FPL if they don't qualify for Medical Assistance
 - No deductible and monthly premiums of \$50 or less



HEALTHY, MODERATE- INCOME MINNESOTANS



- In-network preventive care is free (other than the premium)
 - Examples: immunization vaccines (flu shot, tetanus shot, etc.); blood pressure and cholesterol screening; certain cancer screenings; STD screening and prevention counseling; etc.
 - Must be in-network
- For people who mostly use preventive care services, low premium rates (found especially in Twin Cities) are very helpful
- May receive small tax credit to further reduce cost of premium



MODERATE-INCOME MINNESOTANS WITH GREATER HEALTH NEEDS



- In my experience, many find the plans unaffordable
- Lower premiums are not as helpful to those with higher health needs, because they are offset by higher deductibles and other out-of-pocket expenses
- For most Twin Cities residents, tax credits do not benefit them



ADVANCE PREMIUM TAX CREDITS

- Households with income up to 400% of the Federal Poverty Level should not have to contribute more than 9.5% of their income (or less) toward premiums for an average plan
 - APTCs are not concerned with other expenses (known as cost-sharing or out-of-pocket):
 - Deductible
 - Coinsurance
 - Copays
- What is an average plan?
 - Look at the consumer's "benchmark plan", which is the second cheapest silver plan
 - If the premium for that plan (based on the individual's age, zip code, and tobacco use) is more than 9.5% of household income, the tax credit will be set at an amount that lowers the premium to 9.5% of income
- Note: Often the affordability limit is less than 9.5% of income. For those closer to 200% of the FPL, the affordability limit is even less.



EXAMPLE

- Claudia is 55 years old, does not smoke, and lives in Saint Paul, MN
- For her, the premium for the "benchmark plan" is \$269 / month
- Claudia makes \$30,000 / year (or \$2,500 / month)
- She is at 261% of the FPL and her affordability percentage is 8.37%
- So, she should not have to pay more than \$209 / month for her premium
 - This is found by multiplying her monthly income (\$2,500) by her affordability percentage (8.37%)
- The premium for the benchmark plan is \$269 / month, or \$60 more than her limit
- She can apply an APTC of \$60 / month to any plan she chooses



EXAMPLE #2

- Same as above, except Claudia is 45 instead of 55
- Now, the premium for the “benchmark plan” is \$174 / month
- Remember, her affordability limit is \$209 / month
- Because the premium for the benchmark plan (\$174) is less than her limit (\$209), she will not get a tax credit, no matter which plan she picks



IS THIS GOOD FOR CLAUDIA?

- That depends
- The problem is that low premiums are inversely proportionate to the cost of out-of-pocket expenses (deductibles, copays, coinsurance)
 - When premiums are lower, other costs tend to be higher
- Premiums are the only certain cost
- But consumers often use some or all of their deductible, and deductibles are not discounted
 - With Claudia’s benchmark plan, the deductible is \$4,400!
- So, are the low premiums good for Claudia? It just depends on how healthy she is and how much she uses her insurance (for non-preventive care)





COMPARING THE TWIN CITIES TO OTHER COMMUNITIES

The 10 Least Expensive Health Insurance Markets In The U.S.

TOPICS: HEALTH COSTS

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This story was produced in collaboration with [n p r](#)

People in [much of Minnesota](#), northwestern Pennsylvania and Tucson, Ariz., are getting the best bargains from the health care law's new insurance marketplaces: premiums half the price or less than what insurers in the country's most expensive places are charging.

The 10 regions with the lowest premiums in the nation also include Salt Lake City, all of Hawaii and eastern Tennessee. This ranking is based on the lowest cost of a "silver" plan, the mid-range plan most consumers are choosing.



than let specialists work detached from each other.

The cheapest cost regions tend to have robust competition between hospitals and doctors, allowing insurers to wangle lower rates. Many doctors work on salary in these regions rather than being paid by procedure, weakening the financial incentive to perform more procedures.

Health systems focus on organizing patient care rather

Here are the least expensive areas:

\$154: Minneapolis-St. Paul. Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Sherburne and Washington counties.

\$164: Pittsburgh and Northwestern Pennsylvania. Allegheny, Armstrong, Beaver, Butler, Crawford, Erie, Fayette, Greene, Indiana, Lawrence, McKean, Mercer, Warren, Washington and Westmoreland counties.

\$166: Middle Minnesota. Benton, Stearns and Wright counties.

\$167: Tucson, Ariz. Pima County.

\$171: Northwestern Minnesota. Clearwater, Kittson, Mahanomen, Marshall, Norman, Pennington, Polk and Red Lake counties.

\$173: Salt Lake City. Davis and Salt Lake counties.

\$176: Hawaii.

\$180: Knoxville, Tenn. Anderson, Blount, Campbell, Claiborne, Cocke, Grainger, Hamblen, Jefferson, Knox, Loudon, Monroe, Morgan, Roane, Scott, Sevier & Union.

\$180: Western and North Central Minnesota. Aitkin, Becker, Beltrami, Big Stone, Cass, Chippewa, Clay, Crow Wing, Douglas, Grant, Hubbard, Isanti, Kanabec, Kandiyohi, Lac qui Parle, Lyon, McLeod, Meeker, Mille Lacs, Morrison, Otter Tail, Pine, Pope, Renville, Roseau, Sibley, Stevens, Swift, Todd, Traverse, Wadena Wilkin and Yellow Medicine counties. In Chisago County, the lowest premium is \$162.

\$181: Chattanooga, Tenn. Bledsoe, Bradley, Franklin, Grundy, Hamilton, Marion, McMinn, Meigs, Polk, Rhea and Sequatchie counties.



ASSUMPTIONS MADE FOR COMPARISONS

- For simplicity, only used premiums and deductibles, as they are the largest expenses. But copays and coinsurance would need to be factored in.
- Assumes that consumer spends entire deductible, so the numbers are not relevant to all consumers.
- For tax credit, I used a 37 year old living in Saint Paul. He makes \$23,500 / year, which puts him at 210% of the FPL.
 - He is over-income for MinnesotaCare, but well within the income range for tax credits (200% to 400% of FPL).



LEAST AND MOST EXPENSIVE MARKETS

Saint Paul, MN

- No Tax Credits
 - \$150 / month premium
 - \$4,400 / year deductible

- **\$6,200 potential annual total**
- With Tax Credits
 - ~~\$150~~ \$148 / month premium
 - \$4,400 / year deductible

- **\$6,176 potential annual total**

Vail, CO

- No Tax Credits
 - \$481 / month premium
 - \$2,000 / year deductible

- **\$7,772 potential annual total**
- With Tax Credits
 - ~~\$481~~ \$160 / month premium
 - \$2,000 / year deductible

- **\$3,920 potential annual total**



SIMILAR SIZED METRO AREA (#1)

Saint Paul, MN

- No Tax Credits
 - \$150 / month premium
 - \$4,400 / year deductible

 - **\$6,200 potential annual total**
- With Tax Credits
 - ~~\$150~~ \$148 / month premium
 - \$4,400 / year deductible

 - **\$6,176 potential annual total**

Seattle, WA

- No Tax Credits
 - \$272 / month premium
 - \$1,500 / year deductible

 - **\$4,764 potential annual total**
- With Tax Credits
 - ~~\$272~~ \$146 / month premium
 - \$1,500 / year deductible

 - **\$3,252 potential annual total**



SIMILAR SIZED METRO AREA (#2)

Saint Paul, MN

- No Tax Credits
 - \$150 / month premium
 - \$4,400 / year deductible

 - **\$6,200 potential annual total**
- With Tax Credits
 - ~~\$150~~ \$148 / month premium
 - \$4,400 / year deductible

 - **\$6,176 potential annual total**

San Diego, CA

- No Tax Credits
 - \$302 / month premium
 - \$2,000 / year deductible

 - **\$5,624 potential annual total**
- With Tax Credits
 - ~~\$302~~ \$156 / month premium
 - \$2,000 / year deductible

 - **\$3,872 potential annual total**



NEARBY LARGE CITY; FEDERAL EXCHANGE

Saint Paul, MN

- No Tax Credits
 - \$150 / month premium
 - \$4,400 / year deductible

- **\$6,200 potential annual total**
- With Tax Credits
 - ~~\$150~~ \$148 / month premium
 - \$4,400 / year deductible

- **\$6,176 potential annual total**

Milwaukee, WI

- No Tax Credits
 - \$306 / month premium
 - \$2,500 / year deductible

- **\$6,172 potential annual total**
- With Tax Credits
 - ~~\$306~~ \$148 / month premium
 - \$2,500 / year deductible

- **\$4,276 potential annual total**

