Overview of the ACA and Its Impact in 2014
Sept. 20, 2013

Sabrina Heltz, Senior Vice President for Healthcare System Quality
Brian Small, Senior Vice President and Chief Actuary
Introduction

Topics for today’s discussion:

• Brief Market Overview for Providers
• Specifics of the Affordable Care Act (ACA)
• Impact on Consumer Purchase of Insurance
  – Premiums/premium subsidies
  – Benefits/cost share subsidies
  – Taxes and fees
• What Impact Can Our Provider Partners Expect?
  • New look for our ID cards/How to access member information
  • New vendor partnerships to meet ACA benefit mandates
  • New claims payment rules for subsidy-eligible members

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2014 Louisiana Commercial Market

Total Population: 2,049,000

- **65%**: Individuals: Rates and rules are really changing*
- **26.5%**: Fully Insured Groups: Will see some change
- **8.5%**: Self-funded: Will see some change

*The individual market is our focus today.
Specifics of the ACA

Sabrina Heltz, Senior Vice President, Health System Quality
Brian Small, Senior Vice President & Chief Actuary
ACA Changes to the Individual Market

• The Federal Fallback Marketplace ("Marketplace" or "Exchange")—radically changes how individuals will buy health insurance.
  + Employer coverage will continue to be the backbone of the health insurance system.
  + Those eligible for a government health insurance program will not receive any subsidy from the Marketplace.
  + The Marketplace is designed to be health-neutral, gender-neutral and very heavily subsidized by the federal government.
How BCBS of Louisiana Uses Each Premium Dollar

- **37¢**
  - hospital costs

- **30¢**
  - physician and diagnostic

- **17¢**
  - prescription drugs

- **7¢**
  - taxes and fees

- **6¢**
  - operating costs

**84¢ = your medical expenses**

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1. **Physician services** include doctor visits and services. Imaging (such as X-rays or MRIs) and outpatient services not performed in a hospital.

2. **Taxes** include state and federal taxes. **Fees** include regulatory assessments, provider commissions, contributions to state and federal high-risk insurance pools.

3. **Operating costs** consist of salaries, utilities, etc.
ACA Protection for Consumers

• Health insurers no longer sell true “insurance”—insurers now focus on managing medical costs for their customers.

• Insurers are developing new products, new types of networks and new ways to reduce costs.

• **Key point:** BCBSLA already complies with many of the ACA’s consumer protections.

• Blue Cross is collaborating with providers to control healthcare costs and improve quality.
Six ACA Components that Affect Consumer Premiums and Benefits

1) Guaranteed Issue
2) Changes in the Way Premiums Are Determined
3) Premium Subsidies
4) Coverage and Benefits
5) Cost-sharing Subsidies
6) Taxes and Fees
1) Guaranteed Issue

The ACA guarantees access to health coverage for all.

• Going away are the traditional industry practices of:
  – Medical questions
  – Pre-existing condition exclusion periods
  – Rates based on an individual’s health conditions

• Insurers must accept all applicants
1) Guaranteed Issue
The ACA guarantees access to health coverage for all.

- Individuals must have coverage or pay a penalty
- Limited open enrollment period: only 8 weeks after first year
- Higher mix of sick versus healthy people entering the individual market
2) Determining Premiums

The ACA creates a different rating system than what we have today.

• ACA allows only limited rating factors.
  – Geographic location
  – Age (limited 3 to 1)
  – Tobacco use

• Rating based on health status and gender is not allowed.

• ACA impact varies by customer.
  – Rates for younger males will generally be higher.
  – Rates for older people and those with health conditions may decrease.
3) Premium Subsidies

**Premium subsidies** in the form of advance tax credits will be available to those with incomes at 100%–400% of the federal poverty level (FPL).

- Subsidies will not be available to everyone
- Customers must apply for subsidies, either online or with the help of an agent or broker

- Approximately 45% of current individual BCBSLA customers could qualify for premium subsidies.
  - Determined by a sliding scale based on income level
  - Amounts will vary widely
  - [Premium assistance estimator at bcbsla.com/whatyoupay](http://bcbsla.com/whatyoupay)

- Credits available in advance and “settled through” tax return process.
3) Premium Subsidies

Who’s Eligible?
Anyone can shop on the marketplace who:
  – Lives in the U.S.
  – Is a U.S. citizen or national (or lawfully present)
  – Is not currently incarcerated

Subsidies are based on Federal Poverty Level:
  – Premium subsidies available for incomes at 100% to 400% of FPL
  – MUST apply for the subsidy through the marketplace

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3) Premium Subsidies

- Subsidies are a function of:
  - The cost of the benchmark Silver plan for the age and area of the covered individuals
  - Household income

- ACA caps how much a household will pay for insurance:
  - Low: 2% at income of 100% FPL
  - High: 9.5% at income of 400% FPL

- Example: Joe’s household income is $25,000, and the cost of the benchmark Silver plan is $4,500
  - Step 1: Find Joe’s FPL.................................................218%
  - Step 2: Find Joe’s Premium Cap......................... ...........6.92%
  - Step 3: Find Joe’s Cap in Dollars… (6.92% * 25,000) $1,730
  - Step 4: Determine Joe’s Subsidy… ($4,500 - $1,730) $2,470

Joe can buy any product on the exchange and will receive a subsidy of up to $2,470.
4) Coverage and Benefits

All policies* must meet new minimum standards under the ACA.

10 Categories of Benefits

- Ambulatory services
- Emergency services
- Hospitalization
- Laboratory services
- Maternity care
- Mental health and substance abuse
- Pediatric vision and dental
- Prescription drugs
- Rehabilitative services
- Preventive/wellness services
- USPTS schedule A and B, Women’s wellness services

*Individual and small group (<50 lives)

Does not apply to grandfathered plans
4) Coverage and Benefits

- **Actuarial Value (AV):** The percentage of allowable healthcare expenses (based on negotiated prices) that are covered by a health plan.
  - **Bronze** = 60 percent AV with respect to essential benefits
  - **Silver** = 70 percent AV with respect to essential benefits
    - **Only metal level with opportunity for cost-sharing subsidies**
      - Patients with incomes below 250% FPL may be eligible for cost-sharing subsidies, which could reduce their out-of-pocket costs
  - **Gold** = 80 percent AV with respect to essential benefits
  - **Platinum** = 90 percent AV with respect to essential benefits

*Each level allows a range of +/- 2 points*
4) Coverage and Benefits

Basically, the ACA means more coverage, more benefits, and more costs

• Many people will be buying more coverage than they have currently
  – Example: maternity care, hospital-only policies no longer allowed.

• Some customers will keep grandfathered plans
4) Coverage and Benefits
What might a typical benefit plan look like?

<table>
<thead>
<tr>
<th>Metal Plans (Illustrative Only – Benefits will Vary Between Companies)</th>
<th>AV</th>
<th>Deductible</th>
<th>PCP Copay</th>
<th>Specialist Copay</th>
<th>Coinsurance</th>
</tr>
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<tbody>
<tr>
<td>Platinum</td>
<td>90%</td>
<td>$250</td>
<td>$15</td>
<td>$45</td>
<td>80%</td>
</tr>
<tr>
<td>Gold</td>
<td>80%</td>
<td>$500</td>
<td>$25</td>
<td>$55</td>
<td>80%</td>
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<tr>
<td>Standard Silver</td>
<td>70%</td>
<td>$2,000</td>
<td>$40</td>
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<td>70%</td>
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<tr>
<td>Silver 200-250% FPL</td>
<td>73%</td>
<td>$2,000</td>
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<tr>
<td>Silver 150-200% FPL</td>
<td>87%</td>
<td>$400</td>
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<tr>
<td>Silver 100-150% FPL</td>
<td>94%</td>
<td>$100</td>
<td>$20</td>
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<tr>
<td>Bronze</td>
<td>60%</td>
<td>$6,250</td>
<td>$50</td>
<td>$60</td>
<td>100%</td>
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</tbody>
</table>
5) Cost-sharing Subsidies

- Silver Plan Cost-sharing Subsidy in the Marketplace
  - Customer’s income must be less than 250% of FPL
  - Customer must purchase a SILVER PLAN
  - Customer pays the Silver premium, but benefits are enriched (cost share is reduced) through lower deductible, coinsurance, copayments and/or out-of-pocket maximums.

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6) Taxes and Fees

Eight new ACA taxes and fees directly impact premiums.

• Health insurer tax
• Exchange user fee
• Pharmaceutical fees
• Device manufacturer fees
• Patient-Centered Outcomes Research Trust Fund (PCORTF)
• Risk adjustment fee
• Reinsurance fee
• Excise tax for high-cost plans (effective beginning 2018)
The ACA will bring many changes to the individual and small group markets in 2014.

- More people in the insurance pool with health conditions.
- Higher rates in general, but subsidies will help those who qualify.
- Insurers are creating new products and new programs to help control costs.
ACA’s Impact on Specific Customer Groups

Brian Small, Chief Actuary
Overview of 2014 Premium Impacts for Individual Market Customers

• Healthcare reform looks different for everyone
  – Younger, healthier customers could pay more
  – Older, sicker customers could pay less
  – Some will have grandfathered status and keep their current plans

• The ACA will drive rates higher, but components such as advance premium tax credits and grandfathering will temper the actual impact

• Customers have options such as new products to consider; agents can help
ACA Premium Impact—
the Effect of Subsidies

• Federal government tax credits ("subsidies") will be extremely important in helping mitigate the actual impact of the ACA’s rate increases.

• These subsidies, which make insurance "affordable" under the ACA, are funded by taxpayers and industry taxes and fees.

• When we talk about rate increases under the ACA, remember the richer benefits and the consumer protection afforded by 80-85% MLR.
Five General BCBSLA Customer Groups and Their ACA Outcomes

- **37%** Grandfathered
- **30%** High Subsidies/ Lower Premiums
- **18%** Some Subsidy/Premiums Increases Equal to Previous Years
- **10%** Small Subsidy/Higher Increases
- **5%** Very High Premium Increases
ACA’s Impact on Your Practice
Sabrina Heltz, Senior Vice President, Health System Quality
New ID Cards and iLinkBlue

New ID cards will be phased in throughout 2014.
• No member cost-sharing information will available on ID cards (deductibles, coinsurance, copayments).

**iLinkBlue (BCBSLA provider portal) will be enhanced!**
• We are working hard to enhance this online tool.
• You will have more comprehensive information about your patients and their benefits.
• We will send you updated *iLinkBlue* info in a newsletter issue before end of the year.
ACA-required 90-day Premium Grace Periods

• Only apply to customers who receive premium subsidies (Advance Premium Tax Credits)
  o Must provide a 90-day grace period for delinquent premiums before coverage is canceled
  o BCBSLA claims payment policy during grace period:
    ▪ First 30 days:
      • Claims can be filed
      • Claims will be paid to provider; no recoupment
    ▪ Days 31-90:
      • Claims can be filed
      • Claims will be pended until premiums are paid.

• No change to current processes for customers who are not receiving premium subsidies (during 30-day grace period, claims are pended)
• What Is Commercial Risk Adjustment
  o Risk adjustment is the process of using diagnosis codes put on claims to determine the disease state or illness burden of a patient
  o Health plans are using risk adjustment analytics to:
    ▪ Identify patients needing care coordination or special disease managing intervention
    ▪ Understand the morbidity levels of patients who are part of a provider’s panel of patients
    ▪ Adjust measures that are used to make value-based payments or bonuses
Risk adjustment is a component of the new healthcare law and is designed to improve coverage, preserve consumer choice and improve quality of care for patients.

What is the purpose of CRA?
- To minimize the incentive to select enrollees based on their health status.
- To encourage competition based on quality improvements and efficiency, mitigating the impact of potential adverse selection and stabilizing premiums.

How does the CRA program operate?
- The federal government (Department of Health & Human Services) will be responsible for operating the risk-adjustment model in Louisiana.
- Insurers pay in/out based on the risk associated with their individual and small group enrollees.
- As a result, the risk-adjustment model redistributes money from insurers with healthier patient populations to those with sicker patient populations.
Why & How Commercial Risk Adjustment (CRA) Will Affect Providers

**Why will providers be affected?**

Risk adjustment relies on providers to perform accurate medical record documentation and coding practices in order to capture the complete risk profile of each individual patient.

**How will providers be affected?**

Accurate risk capture improves **high-risk patient identification** and the ability to reach out to **engage patients** in disease and care management programs and care prevention initiatives. It also helps in the endeavor to **identify practice patterns** and **reduce variation** when clinically appropriate.

Accurate medical records and diagnosis code capture on claims the “first time” helps **reduce the administrative burden of adjusting claims or medical record requests**. For providers involved in value based payments it also ensures **more accurate payments and reflection based on the severity of illness burden**.
New Claims Filing Procedures due to Risk Adjustment

- **Effects on Hospitals and Facilities**
  - Outpatient billing of services cannot be submitted as “interim”
  - Claims will be rejected for appropriate coding

- **Effects on All Provider Types**
  - Not otherwise specified (NOS) diagnostic codes need specificity
  - Claims with some NOS codes will be pended for more appropriate coding
New Ways of Collaborating with the Delivery System

- Technology, data- and analytics-sharing with providers to drive focus on chronic patient care and opportunities for quality and efficiency improvement
- Transformation support for primary care to population health
- Support and/or augmentation of care coordination infrastructure
- Transparency to primary care around cost and quality of specialty and hospital care
- Consumer engagement through technology and tools
Future BCBSLA Model Must Continue Transforming to Keep Up

<table>
<thead>
<tr>
<th>Value Proposition</th>
<th>Traditional Model</th>
<th>Future Model</th>
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<tbody>
<tr>
<td>Good member benefits, brand strength of Cross &amp; Shield</td>
<td>1. Price</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Great member experience/quality</td>
<td></td>
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<tr>
<td></td>
<td>3. Ease of use</td>
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<table>
<thead>
<tr>
<th>Key Customer Constituent</th>
<th>Traditional Model</th>
<th>Future Model</th>
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<tbody>
<tr>
<td>Employers</td>
<td>Individuals</td>
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<thead>
<tr>
<th>Financial Sustainability</th>
<th>Traditional Model</th>
<th>Future Model</th>
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<tbody>
<tr>
<td>Aggressive cost management and underwriting</td>
<td>Aggressive risk and health management</td>
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<thead>
<tr>
<th>Service model</th>
<th>Traditional Model</th>
<th>Future Model</th>
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<tbody>
<tr>
<td>One size fits all</td>
<td>Varied models based on attitudinal &amp; clinical segments</td>
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<thead>
<tr>
<th>Contracting Strategy</th>
<th>Traditional Model</th>
<th>Future Model</th>
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<tbody>
<tr>
<td>Unit-cost based</td>
<td>Cost, quality and collaboration</td>
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<thead>
<tr>
<th>Care delivery</th>
<th>Traditional Model</th>
<th>Future Model</th>
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<tbody>
<tr>
<td>None</td>
<td>Blurred lines of responsibility with increased levels of participation</td>
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<tr>
<th>Enrollment Process</th>
<th>Traditional Model</th>
<th>Future Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer and broker-led</td>
<td>Supportive and individualized</td>
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</table>
Conclusion: Changes Are Coming

New taxes and fees. Eight new taxes and fees will drive rates up for many people.

New benefits, new costs. The ACA says insurers must offer a standard package of essential benefits. Richer benefits come at a cost.

New ways to decide premiums. The ACA changes many of the ways insurers have determined rates in the past—such as by gender or health status.

New ways of collaborating with the delivery system. The ACA puts new pressures on insurers to solve the affordability challenge.

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Brian Small, Senior Vice President and Chief Actuary

Brian Small joined Blue Cross as an actuarial student in 1990 and worked his way up to be director of Actuarial Services, then vice president of Provider Reimbursement, where he provided analysis to support provider negotiations and developed provider reimbursement methodologies.

Small was promoted to senior vice president and chief actuary in 2006, with responsibilities for the Actuarial, Actuarial Systems and Group Underwriting departments. In 2007, he assumed responsibility for individual underwriting. One of his current priorities is modeling the impact of healthcare reform on BCBSLA.

Brian has a B.S. in Mathematics Education at the University of Iowa. He is Fellow of the Society of Actuaries and Member of the American Academy of Actuaries.
Sabrina Heltz, Senior Vice President, Healthcare System Quality

Sabrina Heltz, ASA, MAAA, serves as Senior Vice President of the Healthcare System Quality Division of Blue Cross and Blue Shield of Louisiana. In that capacity, she is responsible for the company’s claims cost management activities, which include provider reimbursement and medical and pharmacy management programs.

She graduated magna cum laude from Nicholls State University with a bachelor’s degree in mathematics, and she became an Associate in the Society of Actuaries in 1991.

During her tenure at Blue Cross, she has also worked at various levels in the Actuarial Division, serving as Chief Actuary prior to moving into her current capacity. She is a member of the American Academy of Actuaries.
Questions?
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Provider.Relations@bcbsla.com

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