Creating State Health Insurance Exchanges:

Lessons from The Federal Employee Health Benefit Plan

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Health Reform and the Health Insurance Exchanges

- By January 1, 2014, states will establish American Health Benefit Exchanges for individuals and Small Business Health Options Program Exchanges for small business employees
  - If not, the DHHS Secretary will establish and operate an Exchange in the state
- **Exchanges** are entities for purchasing health insurance in a structured and competitive market, emphasizing choice of health plans, rules for offering and pricing of insurance, and transparency – providing information to help consumers better understand and navigate through options available to them.
- **Eligibility:** U.S. citizens, Legal immigrants, Small business employees
- **Legal Obligations:** Certify qualified health plans (QHP), Transparency, Communicate with beneficiaries, Administrative Tasks, Consult with stakeholders
- **Design Issues for States:** Eligibility, Competition with carriers outside exchange, insurer participation, benefit packages, risk adjustment, geographic scope, governance
- **Subsidies available and Benefits offered through the Exchange**

Health Reform, Exchanges and Multi-state Plans, §1334

- OPM is directed to administer and negotiate with plans similar to the way it does for FEHBP contracts
- OPM shall contract to offer at least two multi-state qualified health plans through every state Exchange
  - Must be offered nationwide
  - Uniform benefit package nationwide that meets ACA requirements for "qualified health plans"
  - Must be licensed in every state and in compliance with all state laws not inconsistent with ACA §1334
  - For individuals and small groups
  - A least one must be with a non-profit entity

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FEHBP has been seen as a model for Exchanges for years

- *"The HIE concept is broadly similar to the popular and successful Federal Employees Health Benefits Program (FEHBP), the consumer-driven system that covers Members of Congress, federal workers and retirees, and their families…*
- *The FEHBP is the only large group insurance system in the nation in which individuals can choose the plans and benefits that they want at prices they wish to pay.*
- *As state officials work to reform their health insurance markets, they should take the best features of the FEHBP and apply them to their own markets…"*

Robert Moffitt, "State-Based Health Reform: A Comparison of Health Insurance Exchanges and the Federal Employees Health Benefits Program," Heritage Foundation, June 2007.

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FEHBP Plans

- **Nationwide Fee-For-Service Open to All**
  - Blue Cross/Blue Shield Service Benefit Plans
    - Standard Option PPO
    - Basic Option Closed Network PPPO
  - PPO Plans sponsored by unions, employee associations
    - GEHA (various insurers provide network)
    - NALC (Cigna Network)
    - APWU (Cigna Network)
    - SAMBA Nationwide (Cigna Network)
    - Mail Handlers (Coventry Network in all states except NJ and OH)
- **Nationwide Fee-For-Service for Specific Groups**
  - Rural Carrier Benefit Plan
  - + 3 others (Foreign Service, Panama Canal, Compass Ross
- **State Specific HMOs, HDHPs and CDHPs**

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Question: What lessons can we learn from FEHBP program?

- Why? FEHBP program is:
  - Nationwide
  - Offers private plans
  - Broad choice of plans and benefits
  - Not as heavily regulated as other models (e.g. Medicare Advantage)
  - Provision of consumer information
  - Offered to a mixed set of enrollees (individuals, families)
- Key differences?
  - FEHBP not as bound by state benefit mandates
  - FEHBP is group purchasing agent
  - FEHBP does restrict entry of plans
  - Federal employees: not much exposure to low-income population

SOURCE: Robert Moffitt, "State-Based Health Reform: A Comparison of Health Insurance Exchanges and the Federal Employees Health Benefits Program," Heritage Foundation, June 2007.

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Research and Policy Questions

- What is the range of choice of plans offered in FEHBP in states and counties?
- How much competition and concentration do we see in plans, in terms of how individuals enroll in the plans?
- What is the variation in plan premiums and benefits, across the country, and in relation to plan characteristics?

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Data sources and methods

- Data sources
  - Federal Employees Health Benefits Program (FEHBP)
    - Enrollment data obtained from U.S. Office of Personnel Management (OPM) in response to a FOIA request
    - FEHBP premium and benefits data obtained from OPM website and participating plan brochures
- County level data:
  - Area Resources File (ARF)
  - US Department of HHS, Health Resources and Services Administration
- Methods
  - Files merged at county level
  - Descriptive analysis shown here today
  - Leading towards multivariate analysis

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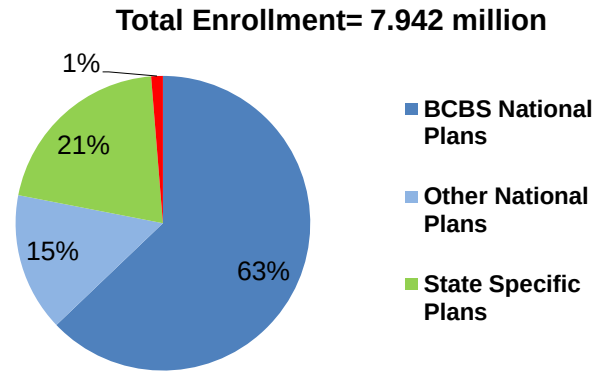
Concentration in FEHBP, by Type of Plan

- FEHBP Enrollment by Type of Plan



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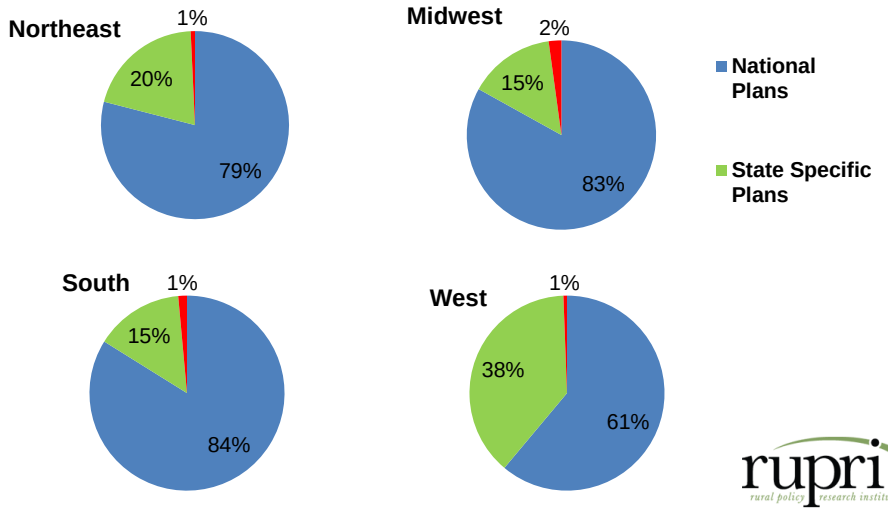
FEHBP Enrollment, By Region and Plan Type



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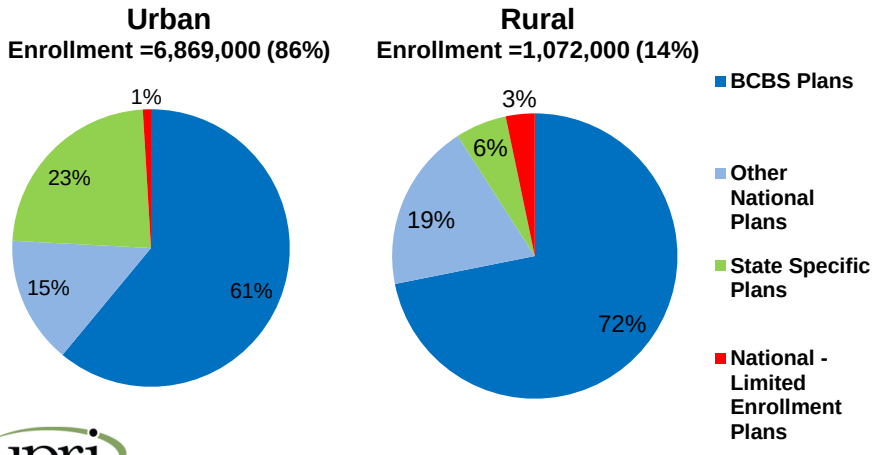
Concentration, by Rural/Urban



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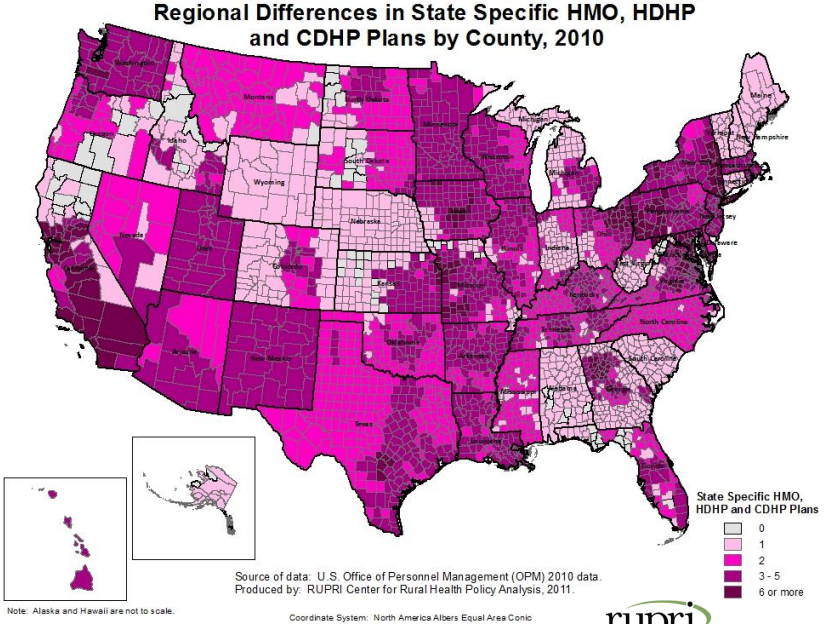
Why so much concentration?

- Limited Availability of State-Specific Offerings
  - While consumer-directed health plans and high-deductible health plans are offered in all states
  - 11 States have no HMO offered
    - AK, AL, MS, NE, NC, SC, CT, RI, VT, NH, ME
  - 12 states have only one HMO offered
    - OR, NV, MT, WY, CO, OK, AR, LA, TN, WV, DE, MA

Federal Employees Health Benefits Program (FEHBP): Regional Differences in State Specific HMO, HDHP and CDHP Plans by County, 2010



Note: Alaska and Hawaii are not to scale.

Source of data: U.S. Office of Personnel Management (OPM) 2010 data.
Produced by: RUPRI Center for Rural Health Policy Analysis, 2011.

Coordinate System: North America Albers Equal Area Conic

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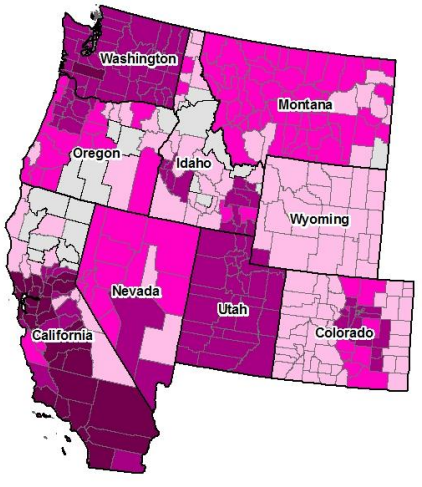
Federal Employees Health Benefits Program (FEHBP): Availability in State Specific HMO, HDHP and CDHP Plans in Western Region by County, 2010



Source of data: U.S. Office of Personnel Management (OPM) 2010 data.
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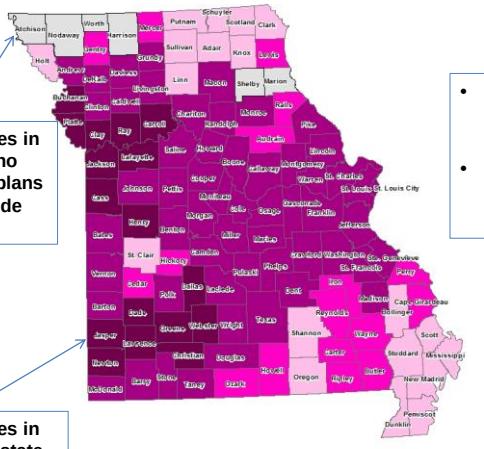
Federal Employees Health Benefits Program (FEHBP): Availability of Missouri HMO, HDHP and CDHP Plans by County, 2010



99% of enrollees in counties with no state-specific plans are in nationwide plans.

74% of enrollees in counties with state-specific plans are in nationwide plans.

- **Most counties have few choices of state-specific plans available.**
- **About 30 counties have no state-specific HMO plans available.**

State Specific HMO, HDHP and CDHP Plans

0
1
2
3 - 5
6 or more

Source of data: U.S. Office of Personnel Management (OPM) 2010 data.
Produced by: RUPRI Center for Rural Health Policy Analysis, 2011.
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Not shown are nationwide plans, one high-deductible plan (Aetna) available in most counties in the state, and one consumer-directed plan available in 10 counties.

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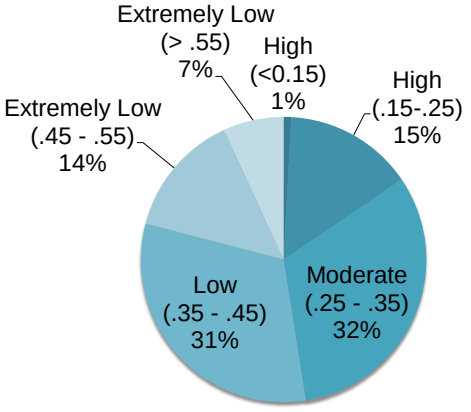
Level of Competition in FEHBP Market, by County



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**Competition levels derived from Herfindahl index values, which measure concentration of firms. "High competition" refers to low-to-moderate Herfindahl indices (under 0.25), while "Moderate", "Low", and "Extremely Low" categories correspond to high Herfindahl indices of 0.25-0.35, 0.35-0.45, and above 0.45, respectively.

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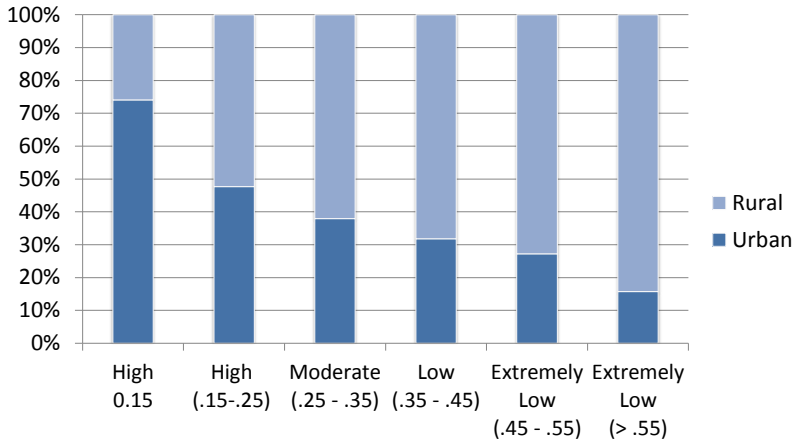
Level of Competition by Urban and Rural Counties



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FEHBP Plan Attributes by Level of Competition

Level of Competition (Based on Herfindahl Index)	Premium (individual's share)	Copayments for:		
		Primary Visits	Specialist Visits	Inpatient Hospital
High (<.15)	$57.27	$18.90	$27.78	$348
High (.15-.25)	$62.50	$19.66	$29.19	$317
Moderate (.25-.35)	$60.72	$20.55	$30.74	$381
Low (.35-.45)	$61.94	$21.20	$31.12	$389
Extremely Low (.45-.55)	$65.24	$21.04	$31.10	$355
Extremely Low (>.55)	$60.24	$18.90	$29.36	$325

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Source of data: U.S. Office of Personnel Management (OPM) 2010 data. Produced by: RUPRI Center for Rural Health Policy Analysis, 2011

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Summary and Policy Implications

- Findings
  - FEHBP has a wide array of plan choices ostensibly offered, but most enroll in just the nationwide plans
  - This likely is result of choices facing many enrollees or networks in their areas; but a historical connection of BC/BS organization with FEHBP
- Policy Implications
  - ACA assures at least two national plans in every area
  - FEHBP offers a cautionary tale: is this enough competition?
  - State and federal policymakers may need to require at least a few state-specific plans be offered in every area to make sure that all areas have a minimum amount of choice to prompt competition

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A potential limitation?

- FEHBP enrollees includes a good number of "annuitants", that is retirees
  - 2.8 million out of 7.9 million FEHBP enrollees are retirees
- Thinking forward, the uninsured population entering Exchanges will not include retirees
  - Only 676,000 out of the 50.7 million uninsured are over age 65.
- However, note that we still have a large number (5.1 million of non-retirees in the FEHBP data)
  - And 7.6 million outside of the D.C. area, and 4.9 million non-retirees.

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  - Center for Health Law Studies
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