

HEALTH INSURANCE EXCHANGES:

WHAT LESSONS CAN BE LEARNED FROM THE CONCENTRATION OR COMPETITION IN FEDERAL EMPLOYEE HEALTH BENEFIT PLANS?

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Just Monday, the proposed rule for “Affordable Insurance Exchanges” was announced...

DEPARTMENT OF HEALTH AND HUMAN SERVICES

45 CFR Parts 155 and 156

[CMS-9989-P]

RIN 0938-AQ67

Patient Protection and Affordable Care Act; Establishment of Exchanges and Qualified Health Plans

AGENCY: Department of Health and Human Services.

ACTION: Proposed rule.

SUMMARY: This proposed rule would implement the new Affordable Insurance Exchanges

*“...These proposed rules are a major step forward in implementing the Exchanges. Starting in 2014, individuals and small businesses will have the **same affordable insurance choices as Members of Congress** and will be able to purchase private health insurance through the Exchanges.”*

From “**Obama Administration Rolls Out Standards for Health Insurance Marketplaces,**” **Robert Pear, New York Times, 7/11/11:** “Trumpeting the advent of the exchanges, the administration said Monday that they would ‘give Americans the same insurance choices as members of Congress.’ However, in response to questions after a news conference on Monday, health officials acknowledged that this claim was not necessarily correct.”

Affordable Care Act and Health Insurance Exchanges

- By January 1, 2014, states will establish Affordable Insurance Exchanges for individuals and 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

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

- Per the rule: *“Section 1334(a) of the Affordable Care Act establishes multi-State plans; the Office of Personnel Management (OPM) will enter into contracts with health insurance issuers to offer at least two multi-State QHPs through each Exchange in each State.”*
 - Directs OPM to administer and negotiate with plans as they do with FEHBP contracts
 - 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

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.

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**

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

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?

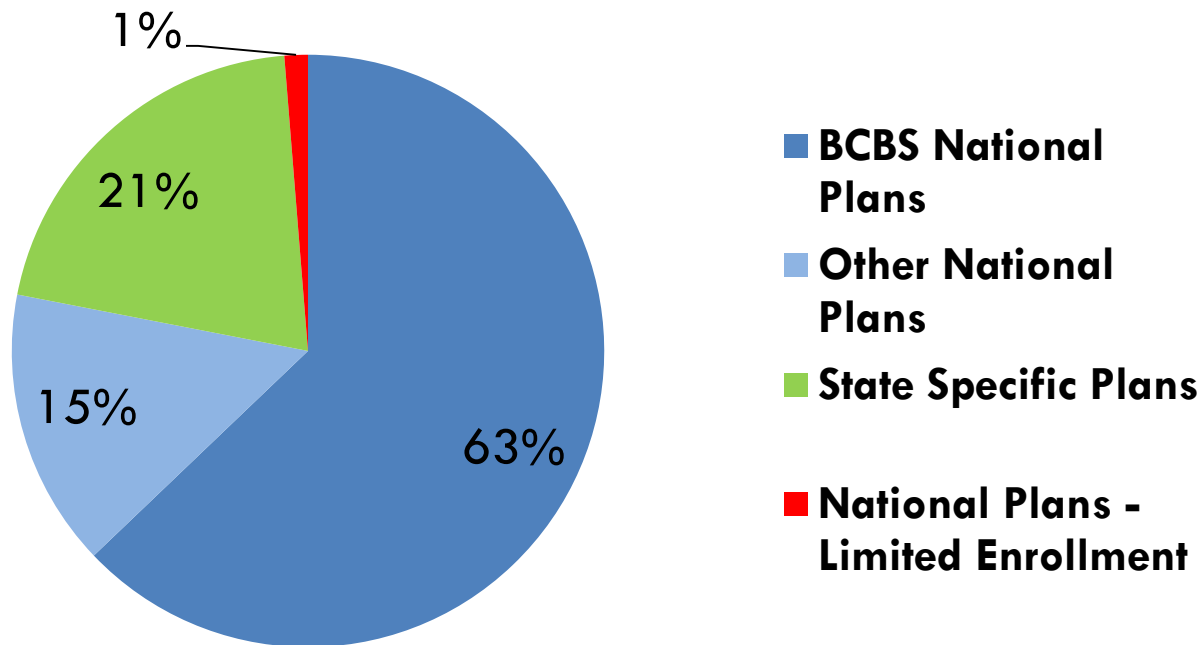
Data sources and methods

- 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

Concentration in FEHBP, by Type of Plan

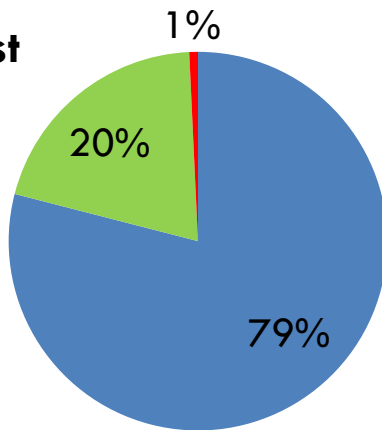
□ FEHBP Enrollment by Type of Plan

Total Enrollment= 7.942 million

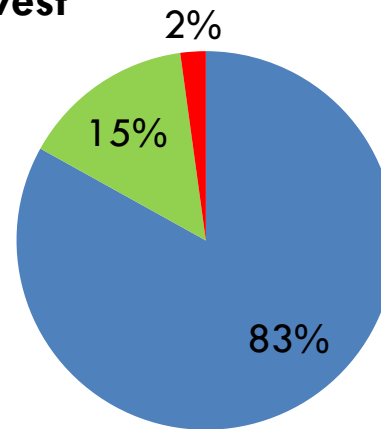


FEHBP Enrollment, By Region and Plan Type

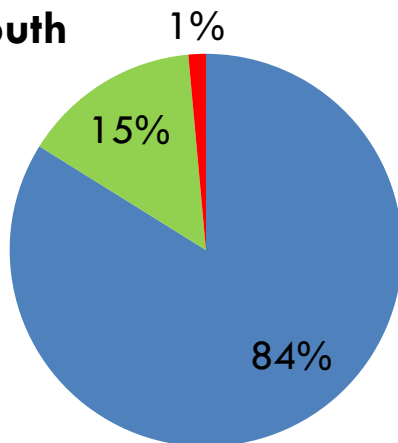
Northeast



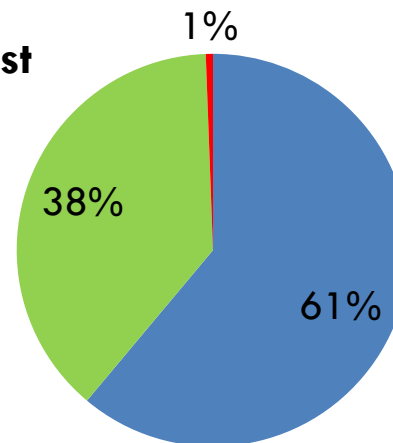
Midwest



South



West

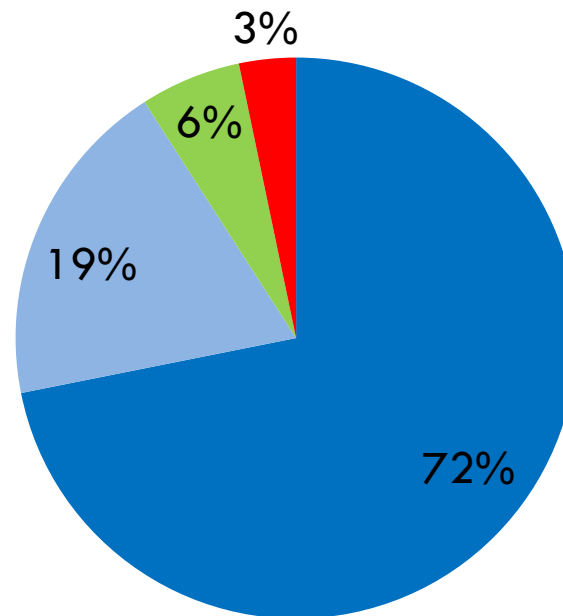
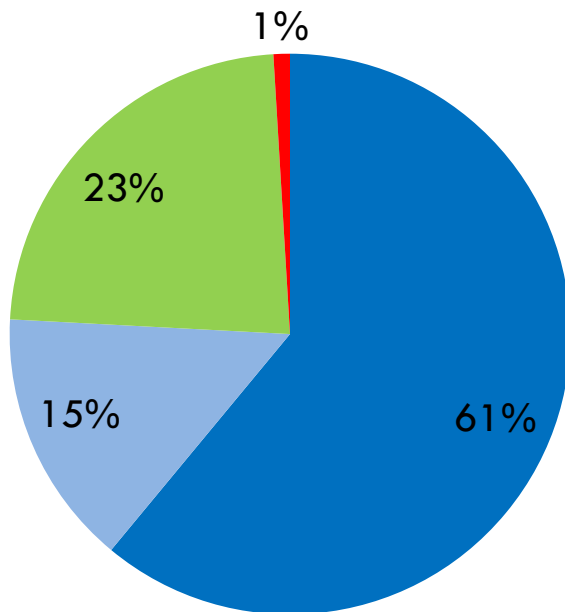


- National Plans
- State Specific Plans
- National Plans-Limited Enrollment

Concentration, by Rural/Urban

Urban
Enrollment = 6,869,000 (86%)

Rural
Enrollment = 1,072,000 (14%)

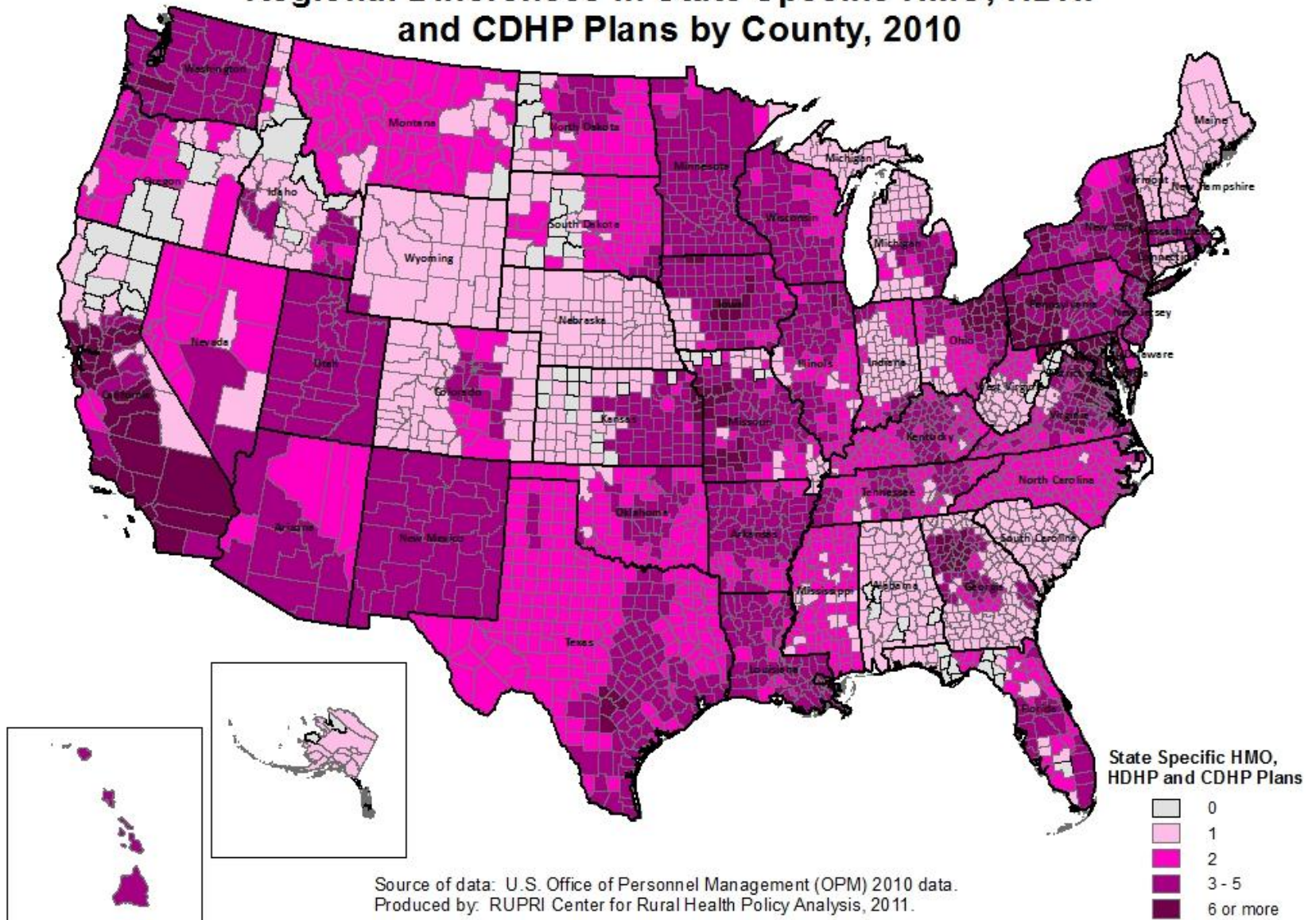


- BCBS Plans
- Other National Plans
- State Specific Plans
- National - Limited Enrollment Plans

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

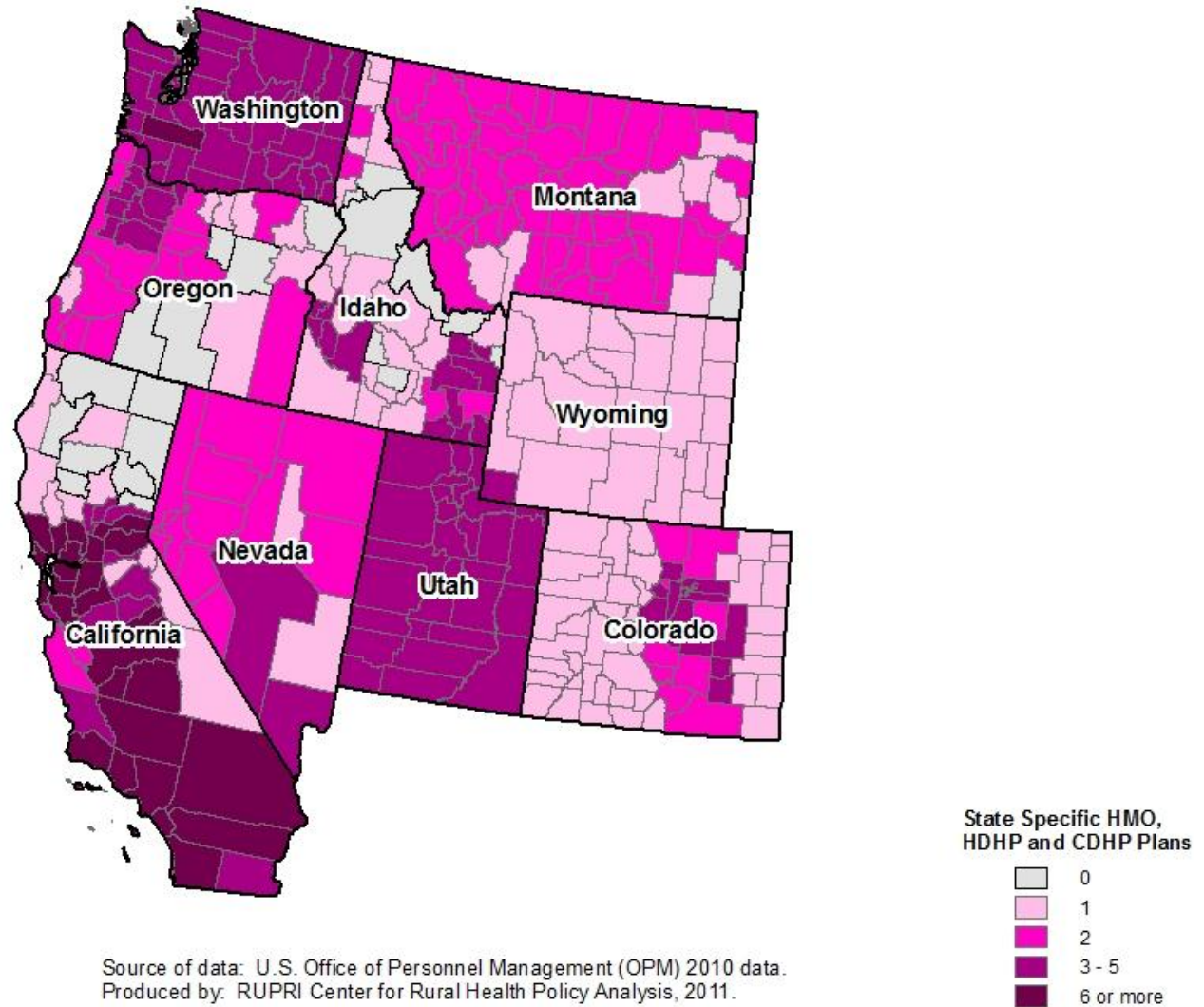


Source of data: U.S. Office of Personnel Management (OPM) 2010 data.
Produced by: RUPRI Center for Rural Health Policy Analysis, 2011.

Note: Alaska and Hawaii are not to scale.

Coordinate System: North America Albers Equal Area Conic

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



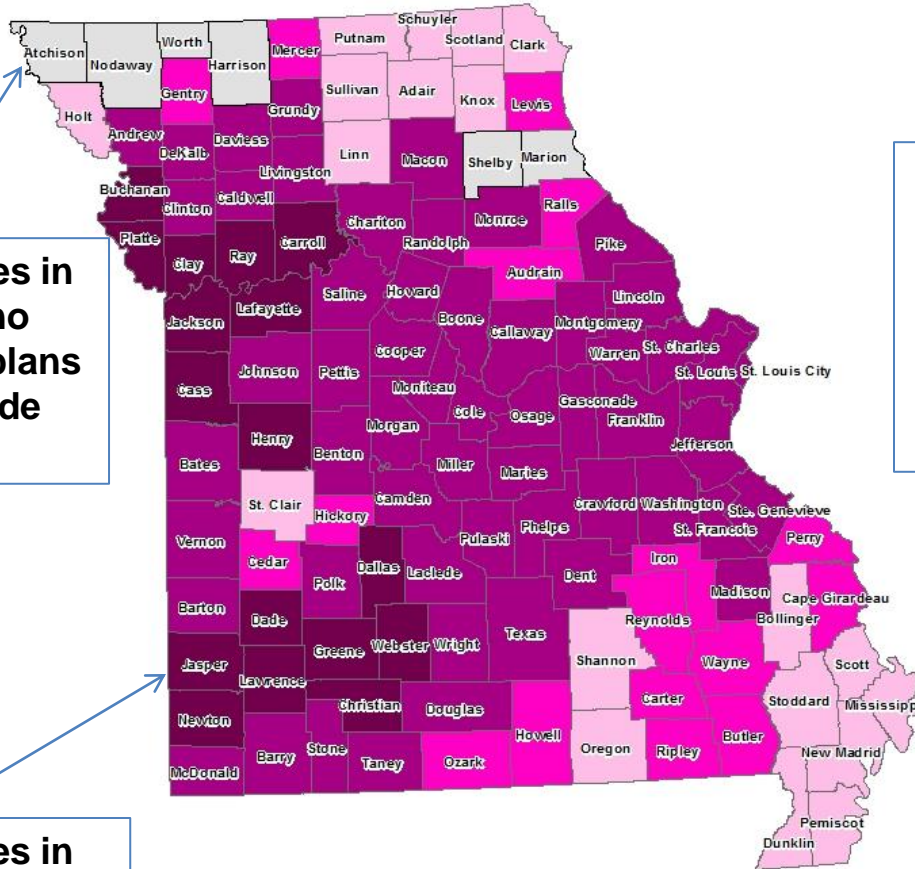
Source of data: U.S. Office of Personnel Management (OPM) 2010 data.
Produced by: RUPRI Center for Rural Health Policy Analysis, 2011.

Coordinate System: North America Albers Equal Area Conic

**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



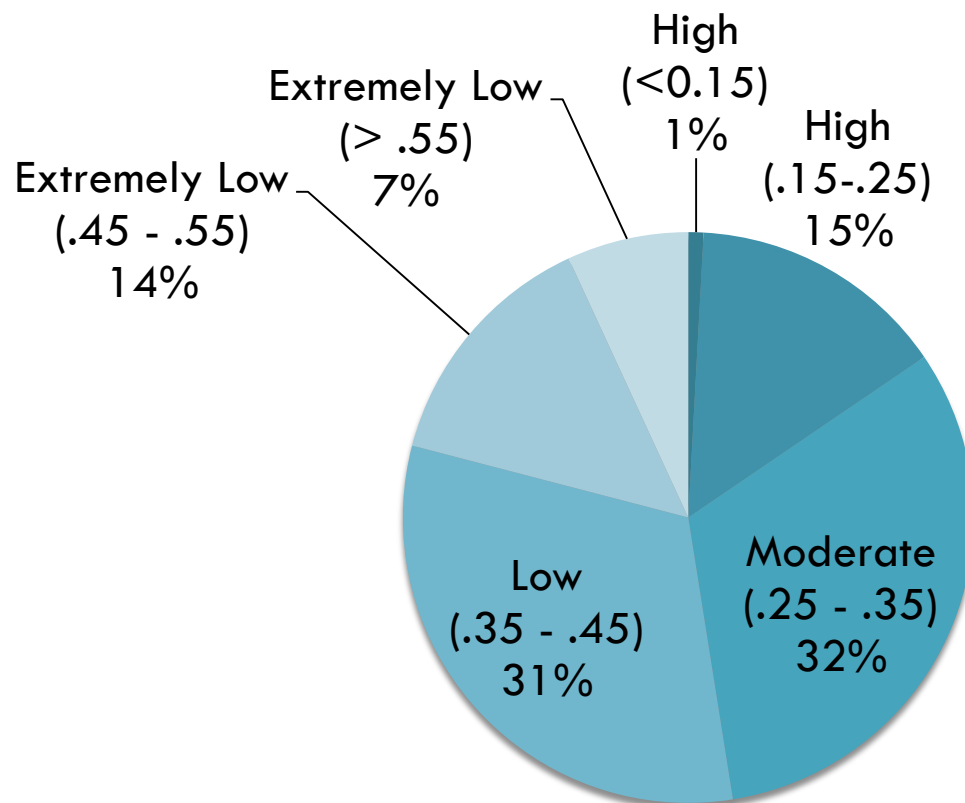
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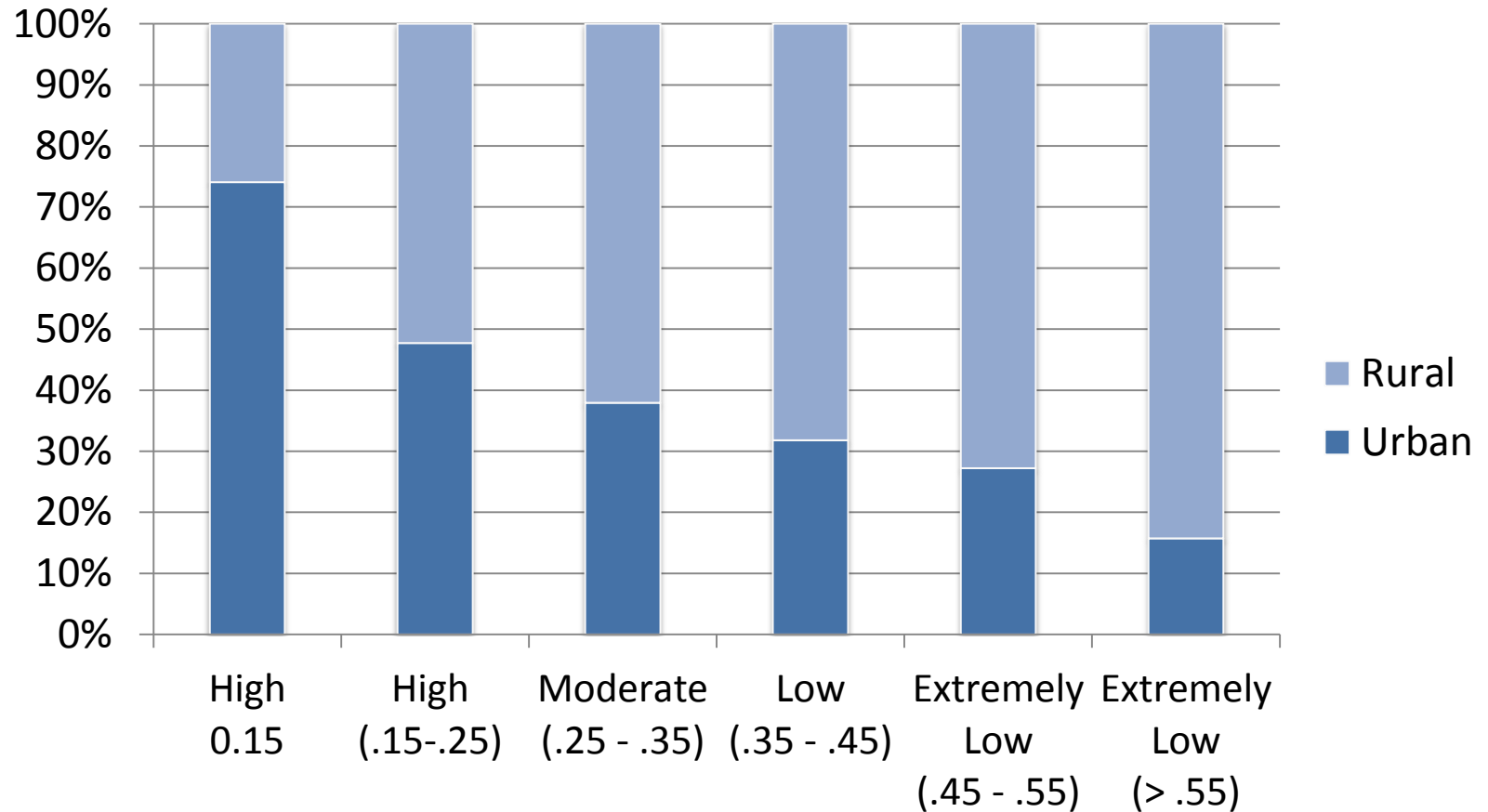
Not shown are nationwide plans, one high-deductible plan (Aetna) available in most counties in the state, and one consumer-directed plan available in 10 counties.

Level of Competition in FEHBP Market, by County



**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.

Level of Competition by Urban and Rural Counties



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State-by-State Comparison

State Comparisons	Herfindahl Index*	Premium
Utah	.25	\$43.10
Wyoming	.45	\$45.20
North Carolina	.38	\$41.00
South Carolina	.40	\$42.10
Iowa	.34	\$40.00
Nebraska	.39	\$42.10
Louisiana	.35	\$42.70
Alabama	.59	\$45.20

National plans include the nationwide FFS open to all and nationwide FFS open only to specific groups.

*A lower Herfindahl index equals a higher level of competition.

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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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 assure that the regulations are written to assure choice and competition

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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 - ▣ <http://gwbweb.wustl.edu/Pages/Home.aspx>
- Saint Louis University,
 - ▣ Center for Health Law Studies
 - ▣ <http://law.slu.edu/healthlaw/index.html>

