

# CREATING STATE HEALTH INSURANCE EXCHANGES:

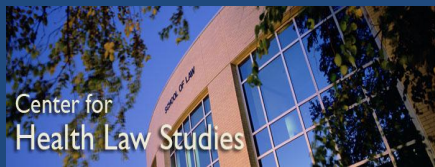
## LESSONS FROM THE FEDERAL EMPLOYEE HEALTH BENEFIT PLAN

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# Outline

- Health Reform the Health Exchanges
- The FEHBP Plan
  - What lessons can we learn from FEHBP program?
- Research Questions
- Data and Analysis Plan
- Results
- Conclusions and Policy Implications
- Future Plans

# 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

# 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.

# Can FEHBP help the uninsured?

## 10 “Experts” Weigh in...

- “I think it makes a lot of sense.”  
-- Jonathan Gruber, MIT
- “Any strategy that allows the process to move forward, in my opinion, is a good thing.”  
– Gail Wilensky, Project HOPE
- “The operation of the FEHBP is something of a model.”  
– Joseph Antos, American Enterprise Institute
- “I advocated an idea like this 14 years ago, so I think it has potential...”  
–Frank McArdle, Hewitt Associates
- “What this plan brings is ... competitive markets. It's why it works. It's very consumer friendly. There's all kinds of positive results.”  
– Walt Francis, Consumer Checkbook
- “It's just such a nutty idea.”  
-- Grace Marie Turner, Galen Institute.
- “..This I think is largely a meaningless thing.... who is going to play in the system?”  
– Michael Tanner, CATO
- “The question is how will we hold plans accountable? There needs to be a lot of oversight.”  
-- Marilyn Moon, American Institutes of Research
- “It may have potential merit, but as a substitute for a public option that produces major savings, it's a joke.... I think it's quite likely that one or more large national insurers would be willing to do this, particularly the Blue Cross/Blue Shield Association.”  
-- Jacob Hacker, Yale University

# 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

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



# 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

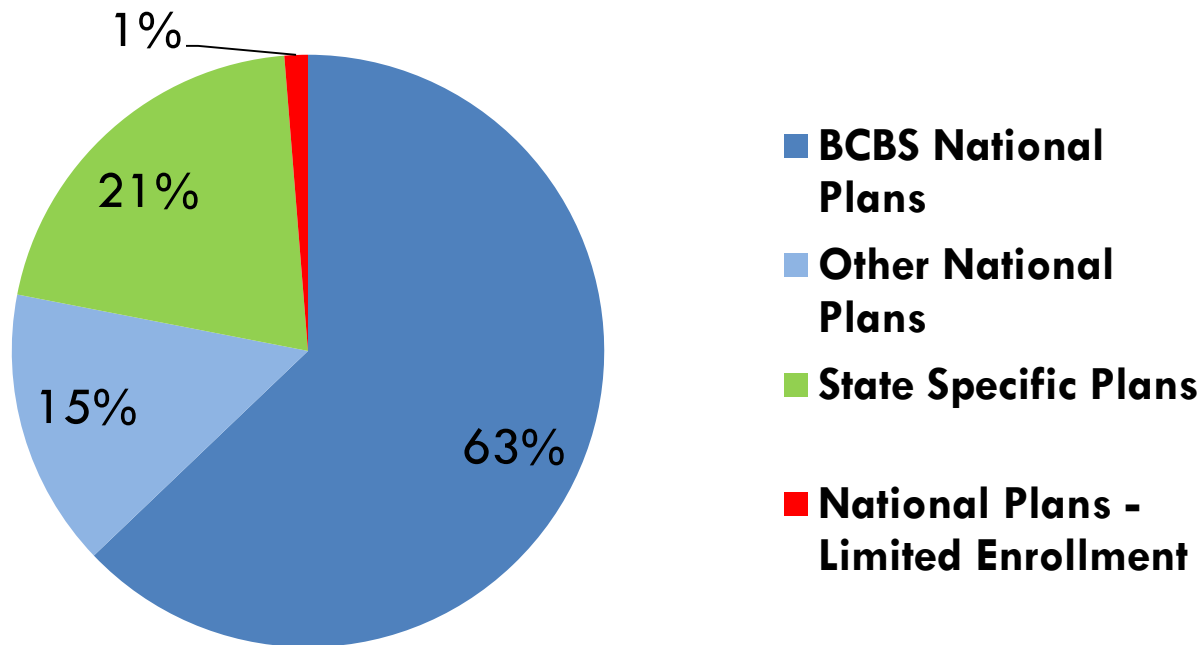
# A potential limitation?

- 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.

# Concentration by Plans

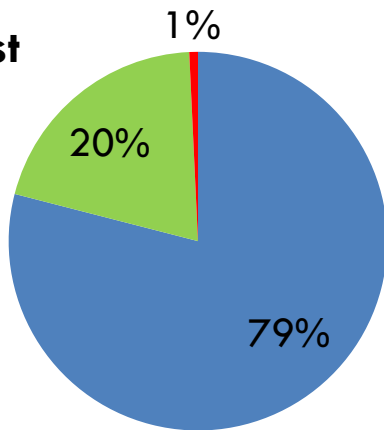
## □ FEHBP Enrollment by Type of Plan

**Total Enrollment= 7.942 million**

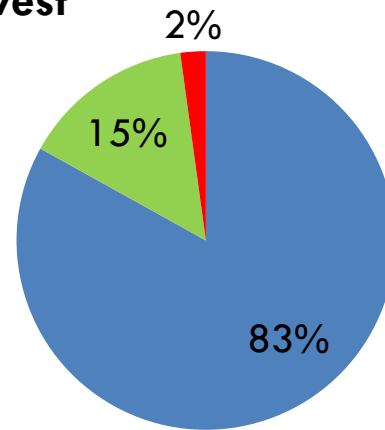


# FEHBP Enrollment By Region and Plan Type

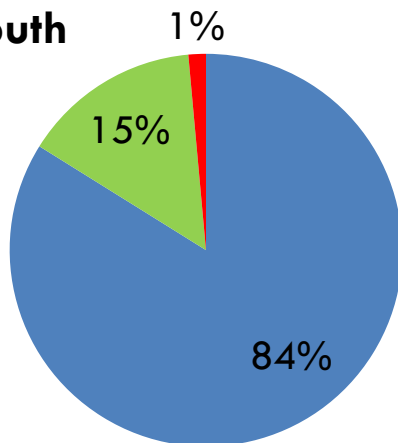
**Northeast**



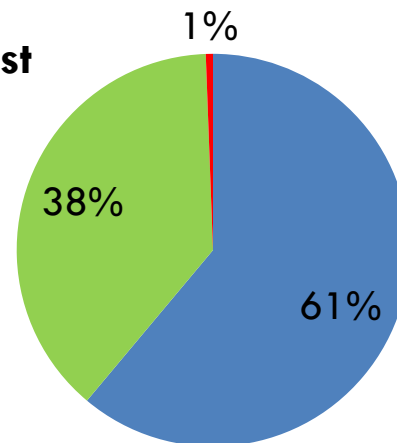
**Midwest**



**South**



**West**

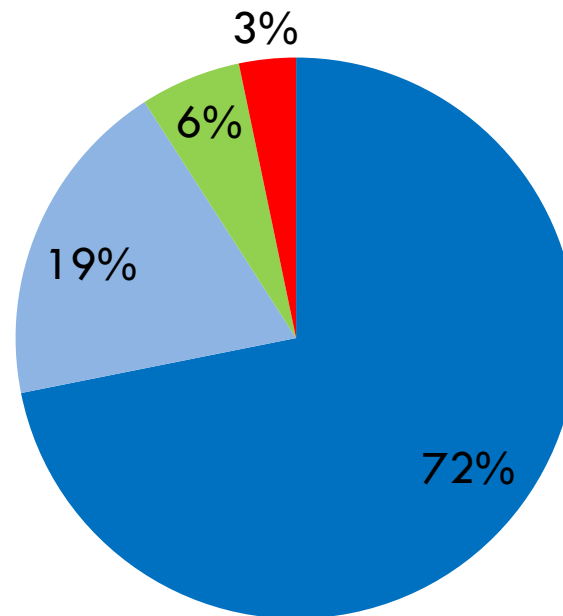
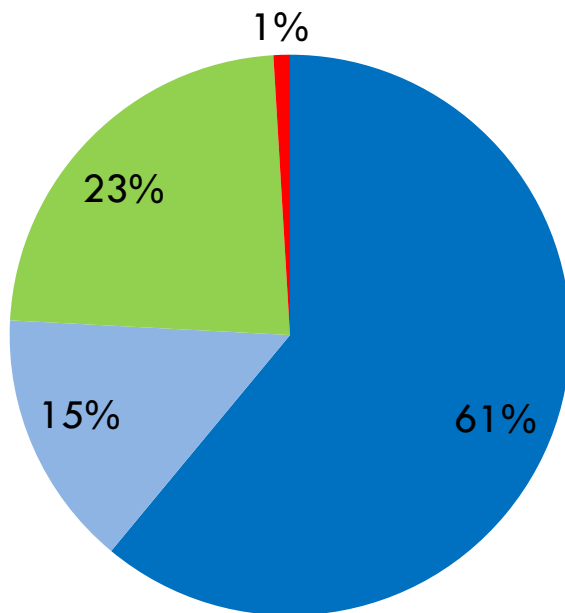


- National Plans
- State Specific Plans
- National Plans-Limited Enrollment

# Concentration by Rural/Urban

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

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

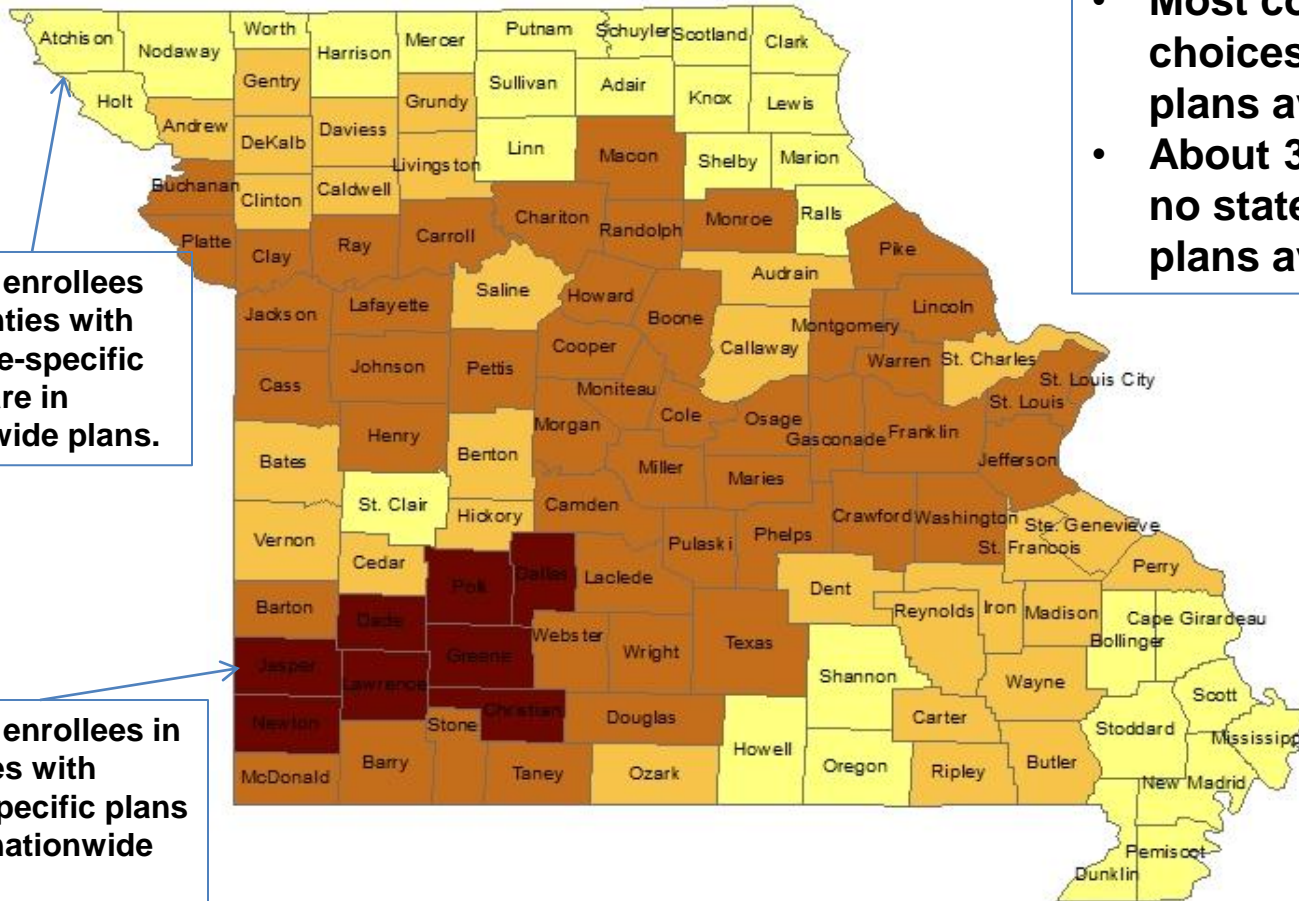


- BCBS Plans
- Other National Plans
- State Specific Plans
- National - Limited Enrollment Plans

# 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

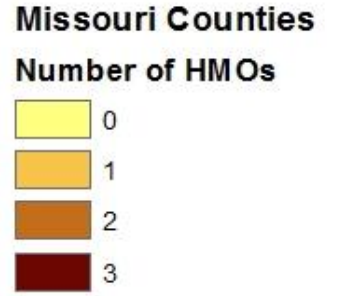
# Availability of FEHBP State-Specific HMO Plans by County in Missouri



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

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.



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.



# Summary of Findings

- FEHBP is one of the widest examples of a nationwide health insurance program
  - ▣ A wide array of plan choices are ostensibly offered
  - ▣ But in fact most enroll in just the nationwide plans, and the majority enroll in the Blue Cross/Blue Shield plan
- This likely reflects the choices facing many enrollees
  - ▣ Only nationwide plans or HDHP/CDHP available in all locations
  - ▣ 11 states have no HMO option and 12 states have only one HMO which is probably not offered state-wide
- There is also likely a historical connection of BC/BS organization with FEHBP
  - ▣ Providers long association with the plan -- possible large network size?
  - ▣ Workers may have a tendency to stay in plans rather than switching

# Policy Implications

- ACA assures that there will be at least two national plans in every area
  - ▣ FEHBP offers a cautionary tale that this may not be enough competition to prompt variation in benefits and premiums and provider choice and access
- 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
- Current models of State Exchanges (e.g. Massachusetts, Utah) do not have this problem, but they have not had a national plan option in their offerings.


# Future Work

- Our future work will focus on the variation in plan premiums and benefits
  - ▣ How do plan premiums and benefits (that is, copayments, coinsurance and coverage) vary across geography and other characteristics of the area?
- Does less competition lead to higher premiums and less generous benefit packages?
  - ▣ We will use measures of concentration of enrollment (such as the economic measures of concentration, the Herfindahl index) and relate this to FEHBP premiums and benefits
- What does all this portend for Health Insurance Exchanges?

# Acknowledgements

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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>





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# Discussion and Questions

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