

Louisiana Mandated Health Benefit Commission

Poydras Building Hearing Room

Baton Rouge, Louisiana

April 5, 2012

Members present: Mike Bertaut, Lauren Davidson, Jeff Drozda, Walter Brock, David Lavergne, Alan Boxberger, Travis McIlwain, Julie Fuselier, Janie Martin, Danny Ford and Kerry Everitt

Staff Present: Emma Fontenot, Carol Fowler-Guidry, Alecia Stephens and Rod Friedy

Ms. Emma Fontenot, Deputy Commissioner, Office of Health Insurance, Louisiana Department of Insurance began the meeting at 10:15 a.m.

The roll was called and quorum was present.

Minutes

Minutes from the March 29, 2012 meeting were presented.

Motion

Jeff Drozda made a motion to approve the Minutes as presented for the Mandated Benefit Meeting held on March 29, 2012. Motion seconded by Danny Ford. No opposition. Motion passed.

New Business

- The Department of Health and Hospitals presented a power point presentation on Medicaid and PPACA.
- Rod Friedy of the Department of Insurance provided an estimation of the cost for the following bills filed during the 2012 Legislature.
  - HB – 771 – Treating Autism
  - HB – 693 - Cancer Treatment – Oral Parity
  - HB – 387 - Alternative Disease Treatment
  - SB – 636 - Hospital stay after Mastectomy

2012 LEGISLATIVE SESSION  
PROPOSED MANDATED BENEFIT BILLS - FISCAL NOTE SUMMARY

ESTIMATED ANNUAL PREMIUM INCREASE (2012-13)

	<u>COST PER POLICY</u>	<u>% INCREASE PER POLICY</u>
HB-771 Treating Autism	\$42.00 to \$106.00	0.28% to 0.70%
HB-693 Cancer Treatment - Oral Parity	\$7.50 to \$20.00	0.05% to 0.13%
HB-387 Alternative Disease Treatment*	\$30.50 to \$117.50	0.23% to 0.92%
SB-636 Hospital stay after Mastectomy*	\$0.50 to \$4.00	0.00% to 0.03%

INSURANCE INDUSTRY – ESTIMATED AGGREGATE ANNUAL CLAIM COST INCREASE (\$ millions)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
HB-771 Treating Autism	17 to 43	34 to 85	34 to 85	34 to 85	34 to 85
HB-693 Cancer Treatment - Oral Parity	3 to 7	6 to 16	6 to 18	6 to 19	7 to 21
HB-387 Alternative Disease Treatment*	13 to 50	27 to 105	29 to 110	30 to 116	32 to 122
SB-636 Hospital stay after Mastectomy*	0.4 to 3.5	0.5 to 3.9	0.6 to 4.2	0.6 to 4.7	0.6 to 5.1

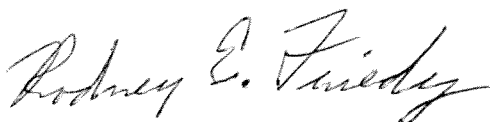
INSURANCE INDUSTRY – ESTIMATED AGGREGATE ANNUAL PREMIUM INCREASE (\$ millions)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
HB-771 Treating Autism	20 to 50	40 to 100	40 to 100	40 to 100	40 to 100
HB-693 Cancer Treatment - Oral Parity	3 to 9	7 to 19	7 to 21	7 to 23	8 to 25
HB-387 Alternative Disease Treatment*	15 to 59	32 to 124	34 to 130	35 to 136	37 to 143
SB-636 Hospital stay after Mastectomy*	0.5 to 4.3	0.5 to 4.7	0.6 to 5.2	0.6 to 5.7	0.6 to 6.3

STATE – TAX REVENUE INCREASE (\$ ,000s)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
HB-771 Treating Autism	23 to 56	45 to 113	45 to 113	45 to 113	45 to 113
HB-693 Cancer Treatment - Oral Parity	4 to 5	8 to 11	8 to 12	8 to 13	9 to 14
HB-387 Alternative Disease Treatment*	17 to 66	36 to 139	38 to 146	40 to 153	42 to 161
SB-636 Hospital stay after Mastectomy*	1 to 2	1 to 2	1 to 2	1 to 2	1 to 2

\* Preliminary Estimate



Rodney E. Friedy, FSA, MAAA  
 April 5, 2012

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# The Potential Impact of PPACA, Health Care Exchanges, and Essential Health Benefits Upon State Health Insurance Mandates

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Thomas Thompson and Elizabeth Eaton  
Center for Health Care Innovation and Technology  
Department of Health and Hospitals



**DEPARTMENT OF  
HEALTH**  
AND HOSPITALS



# The Patient Protection and Affordable Care Act (PPACA)

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- ▶ The Federal Health Care legislation (PPACA) signed into law in 2010 requires, in part, for each state to establish a health insurance exchange (HIX).
- ▶ Louisiana has elected to not establish a HIX, so the Federal government will establish one in the state if the entirety of PPACA is not declared unconstitutional in June.

# Health Care Exchange (HIX)

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- ▶ A HIX is an insurance market where individuals can purchase health care insurance from a selection of qualified health plans certified by the exchange and meeting essential health benefits (EHB).
- ▶ Individuals who do not qualify for Medicaid and are below 400% of the federal poverty level (FPL) will be incentivized to purchase health care on the exchange by receiving federal subsidies on a sliding scale.

# HIX Population

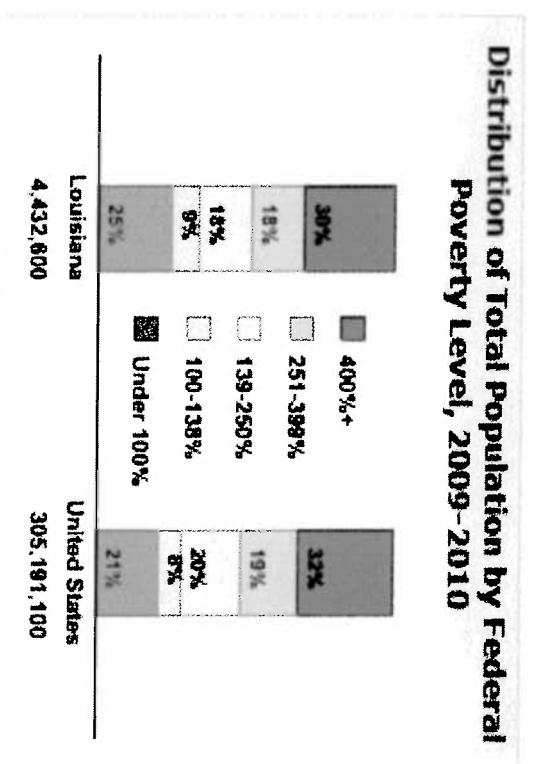
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- ▶ Those below 138% of the FPL will qualify for Medicaid in 2014. (\$31,809 for a family of four).
- ▶ Those below 400% of the FPL will qualify for subsidies for health care insurance purchased on the HIX. (\$92,000 for a family of four).

# HIX Population

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- ▶ Thus, according to Kasier State health facts, 36% of Louisiana's population would qualify for federal subsidies on the HIX. This would be around 1.6 million people.



# HIX Population

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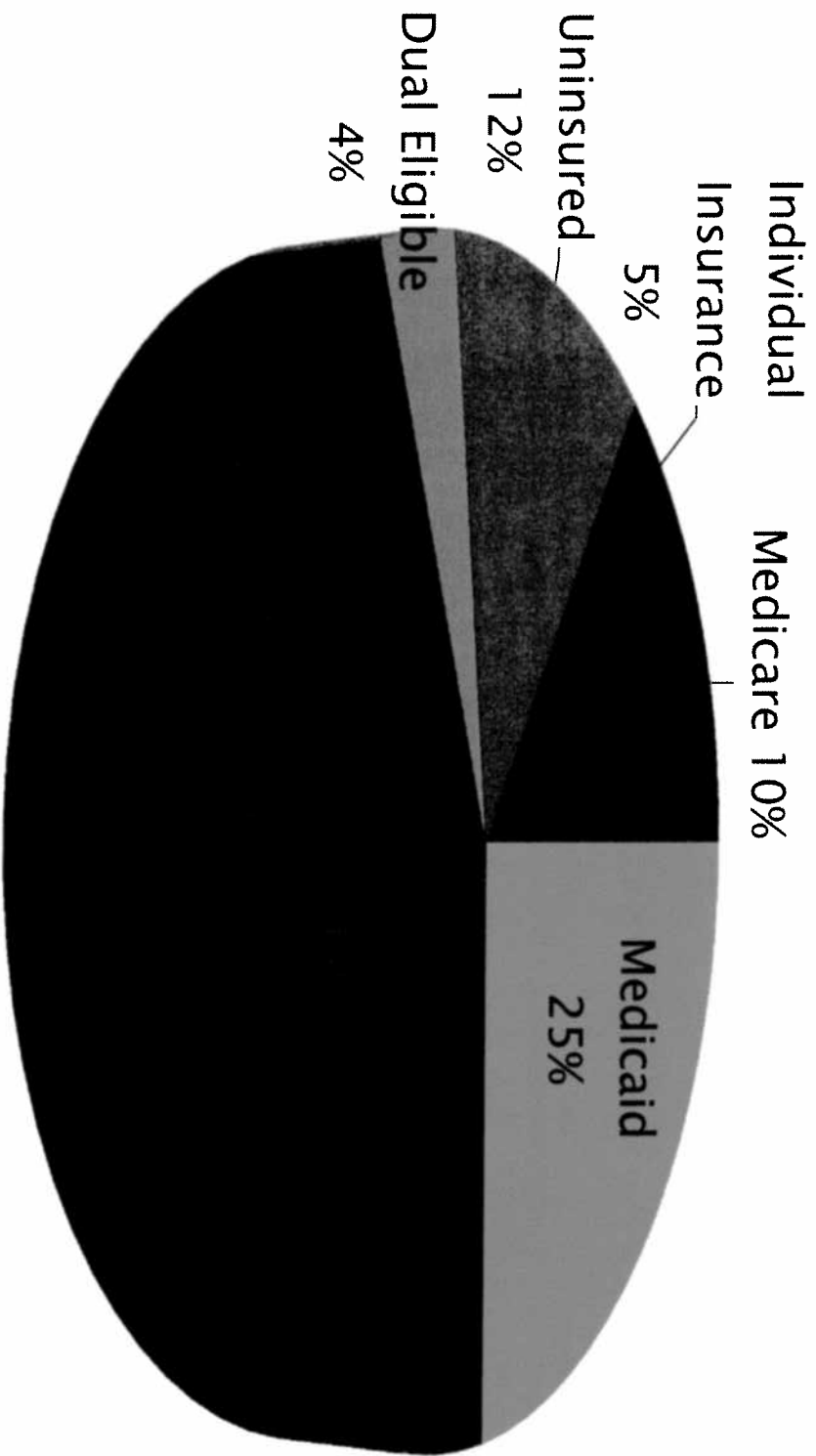
- ▶ Not all who qualify for a subsidy on the HIX are expected to purchase health care insurance on the exchange.
- ▶ Some will still be covered by their employer, for example.
- ▶ A rough estimate for those who will purchase insurance on the exchange is 600,000 to 800,000 people in Louisiana.



# Health Care Coverage, 2012

## Total Population 4,574,836

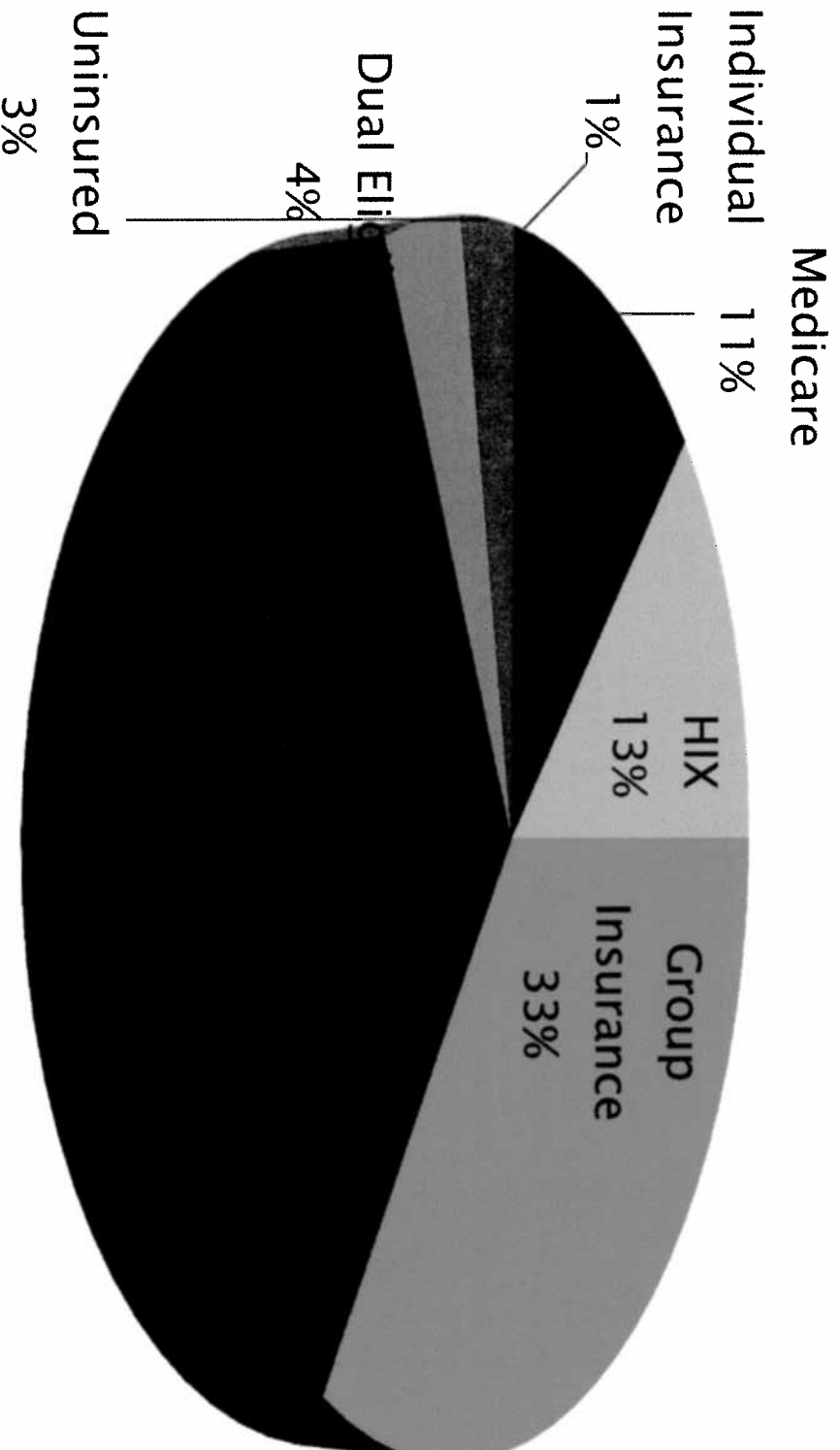
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# Health Care Coverage, 2014

## Total Population 4,574,836

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# Essential Health Benefits

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- ▶ Section 1302(b) of the Patient Protection and Affordable Care Act directs the Secretary of Health and Human Services to define Essential Health Benefits.
- ▶ Non-grandfathered plans in the individual and small group markets, Medicaid benchmark and benchmark-equivalent, and Basic Health Programs must cover EHB beginning in 2014.

# Statutory Requirements of Essential Health Benefits

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- ▶ Qualified health plans, those plans sold on the HIX, must be certified by the exchange and meet essential health benefits (EHB) as a base.
- ▶ The Essential Health Benefits must encompass an enumerated ten categories of services.
- ▶ Section 1311(d)(3)(B) of PPACA requires States to defray the costs of State-mandated benefits in excess of EHB for individuals.
  - “A State shall make payments to an individual enrolled in a qualified health plan... or on behalf of an individual directly to the qualified health plan... to defray the cost of any additional benefits....”

# Guidance Received Regarding Essential Health Benefits

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- ▶ According to guidance received from the Health and Human Services (HHS) in December 2011, the state will choose a benchmark plan to define EHB in 2014 and 2015 from:
  - The largest plan by enrollment in any of the three largest small group insurance products in the State's small group market as of the first quarter of 2012;
  - Any of the largest three State employee health benefit plans by enrollment as of the first quarter of 2012;
  - Any of the largest three national FEHBP plan options by enrollment as of the first quarter of 2012; or
  - The largest insured commercial non-Medicaid Health Maintenance Organization (HMO) operating in the State as of the first quarter of 2012.

# Guidance Received Regarding Essential Health Benefits

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Most of these choices (with the exception of the three national FEHBP plans) will take into account existing state mandates since these benchmarks currently meet the state mandates.

Thus, existing state mandates will become “essential health benefits” in Louisiana for 2014 and 2015 and the state will not have to defray their cost as stated in Section 1311(d)(3)(B) of PPACA.

However...

# Guidance Received Regarding Essential Health Benefits

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Guidance from February 2012 states:

Q: Would States be required to defray the cost of any State-mandated benefit?

A: The Affordable Care Act requires States to defray the costs of State-mandated benefits in qualified health plans (QHPs) that are in excess of the EHB.

Q: Could a State add State-mandated benefits to the State-selected EHB benchmark plan today without having to defray the costs of those mandated benefits?

A: No. We intend to clarify that under the proposed approach any State-mandated benefits enacted after December 31, 2011 could not be part of EHB for 2014 or 2015, unless already included within the benchmark plan regardless of the mandate.

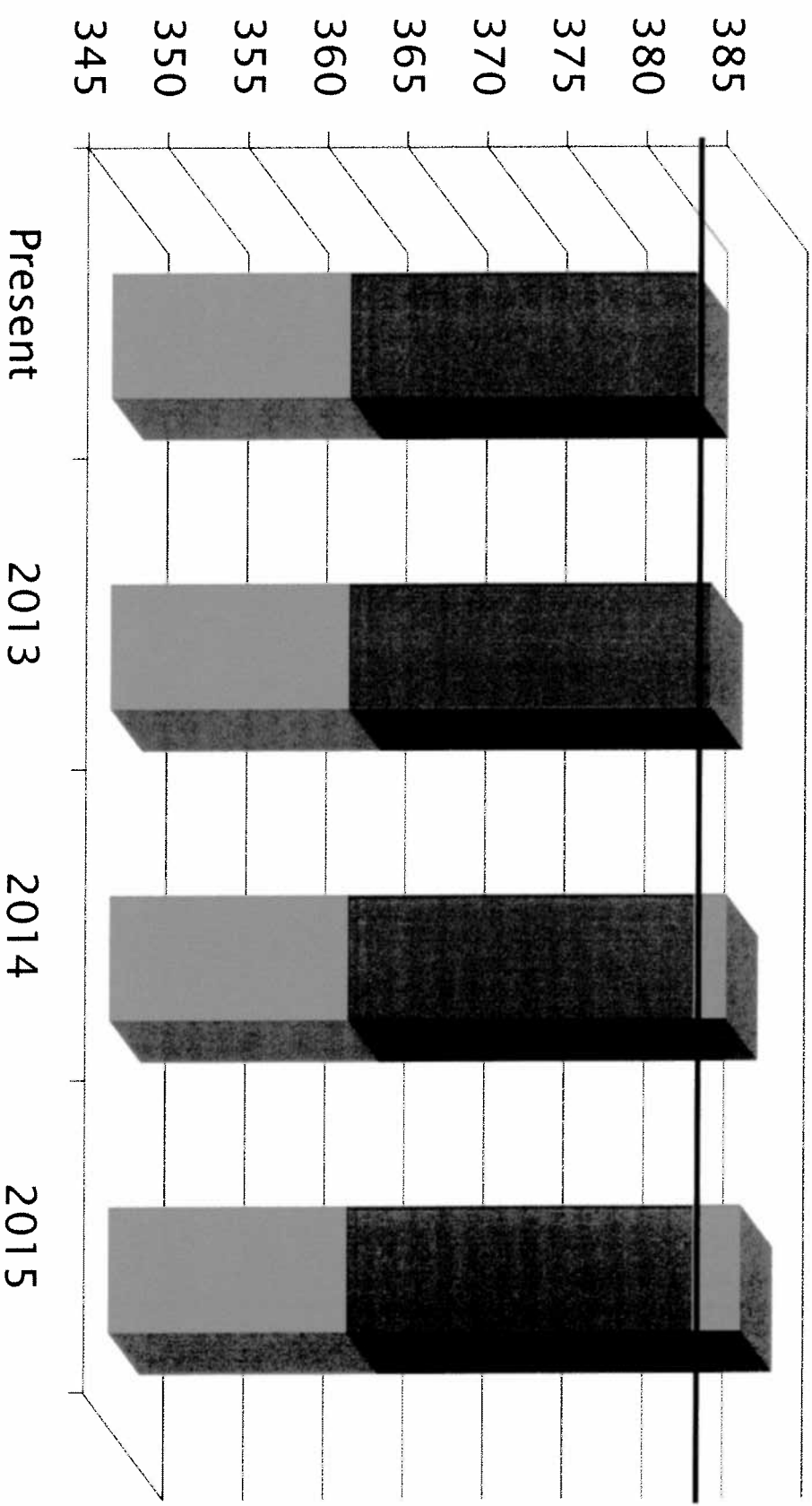
# Health Insurance Mandates

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- ▶ Thus, according to guidance so far received, any state health insurance mandate passed into law after 12/31/2011 will have to be paid for by the State of Louisiana out of the State's general funds for any plan sold on the HIX for the calendar years of 2014 and 2015.
- ▶ After 2015, HHS will revisit the EHB.



# Premium Increase State Would be Liable For Per Member Per Month



# Idea for Cost to the State

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- ▶ If there will be an additional premium cost of \$0.60 per member per month (PMPM) due to the cost of additional mandates passed this year, this would equal an extra \$7.20 per member per year.
- ▶ Assuming that 13% of Louisiana's population (around 601,500 people) purchase health care insurance on the HIX, the total cost to the state would be 601,500 times \$7.20, or \$4.3 million per year starting in 2014.



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