
State Premium Subsidies

**Presentation to the
Maryland Health Insurance Coverage Protection Commission**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

December 17, 2019

Massachusetts ConnectorCare Program

- ConnectorCare layers additional state subsidies on top of Affordable Care Act (ACA) subsidies and cost-sharing reduction plans for eligible individuals with incomes up to 300% of federal poverty guidelines (FPG)
- ConnectorCare selects plans from commercial carriers using the lowest-cost silver plan as the base, then layers on both a premium subsidy and a cost-sharing subsidy
- Premium subsidy amounts are based on an affordability standard (0% to 5% of income) set by the Health Connector

ConnectorCare Financing

- Program costs total \$299 million annually (\$151.1 million for premium subsidies, \$147.7 million for cost-sharing subsidies)
- Commonwealth Care Trust Fund (created to support affordability and coverage expansion) provides about \$165 million in annual funding
- Trust Fund revenues come from a surcharge on the state cigarette tax, individual mandate penalties, and assessments on employers
- Massachusetts also receives \$134 million in federal matching funds through a Section 1115 waiver
- Currently covers about 200,000 enrollees with five carriers participating statewide

Impact of ConnectorCare Premium Subsidies

- For plan year 2019, premium subsidies “buy down” the premium cost based on income to as low as \$0 per month

<u>Plan Type 1</u> <u><=100% FPG</u>	<u>Plan Type 2A</u> <u>100% to 150% FPG</u>	<u>Plan Type 2B</u> <u>150% to 200% FPG</u>	<u>Plan Type 3A</u> <u>200%to 250% FPG</u>	<u>Plan Type 3B</u> <u>250%to 300% FPG</u>
\$0	\$0	\$44	\$85	\$126

FPG: federal poverty guideline

Impact of ConnectorCare Cost-Sharing Subsidies

- For plan year 2019, cost-sharing subsidies “buy down” the deductible, out-of-pocket (OOP) maximum, and copayments across a range of benefit categories

	<u>Standard Silver Plan</u>	<u>ConnectorCare</u>
Deductible	\$2,000	\$0
Annual OOP Max	\$7,900	\$250 to \$2,250
Primary Care Copay	\$30	\$0 to \$15
Specialist Copay	\$55	\$0 to \$22
Emergency Room	\$300	\$0 to \$100
Inpatient Hospitalization	\$1,000	\$0 to \$250
Rx Copay	\$25/\$50/\$75	\$1/\$3.65/\$3.65 to \$12.50/\$25/\$50

Estimating the Cost of Premium Subsidies in Maryland

- Enrollment data by income bracket for October 2019 show more than 92,000 enrollees with incomes up to 300% FPG
- Maryland Health Connection calculates the estimated monthly premium cost after the Advanced Premium Tax Credit (APTC) for the CareFirst Silver Value Plan for plan year 2020 (individual aged 40)
- The estimated cost to subsidize premiums down to ConnectorCare levels is the difference between the post-APTC premium and the ConnectorCare premium at each income level

Estimating the Cost of Premium Subsidies in Maryland (cont'd)

- Prepared preliminary low, mid-range, and high estimates for the cost of premium subsidies based on set assumptions
- Actual cost depend on the distribution of enrollees across income brackets, which drives the amount of the APTC
- These estimates do not reflect the age of enrollees, which also affects the premium cost

Low Estimate for Premium Subsidy

<u>Income Bracket</u>	<u>MHBE Enrollment</u>	<u>Estimated APTC</u>	<u>Silver Value Plan After APTC</u>	<u>MA Premium</u>	<u>Estimated State Subsidy (Monthly)</u>	<u>Estimated Annual State Subsidy</u>	<u>Total</u>
< 150% FPG	27,972	\$342.28*	\$58.65	\$0	\$58.65	\$703.80	\$19,686,694
151 to 200% FPG	31,699	326.46	74.75	45	29.75	357.00	11,316,543
201 to 250% FPG	20,540	256.91	144.02	87	57.02	684.24	14,054,290
251 to 300% FPG	<u>12,125</u>	174.66	226.27	130	96.27	1,155.24	14,007,285
	92,336						59,064,811

APTC: Advanced Premium Tax Credit
 MHBE: Maryland Health Benefit Exchange

FPG: federal poverty guideline

MA: Massachusetts

* Estimated APTC for an individual with 143% FPG.

Note: Monthly cost of Silver Value Plan without APTC is \$400.93 for an individual aged 40. Estimate assumes that enrollees' incomes fall at the lowest end of the income bracket and receive the largest APTC.

Mid-range Estimate for Premium Subsidy

<u>Income Bracket</u>	<u>MHBE Enrollment</u>	<u>Estimated APTC</u>	<u>Silver Value Plan After APTC</u>	<u>MA Premium</u>	<u>Estimated State Subsidy (Monthly)</u>	<u>Estimated Annual State Subsidy</u>	<u>Total</u>
< 150% FPG	27,972	\$342.28*	\$58.65	\$0	\$58.65	\$703.80	\$19,686,694
151 to 200% FPG	31,699	302.26	98.67	45	53.67	\$644.04	20,415,424
201 to 250% FPG	20,540	228.81	172.12	87	85.12	1,021.44	20,980,378
251 to 300% FPG	<u>12,125</u>	147.20	253.73	130	123.73	1,484.76	18,002,715
	92,336						\$79,085,210

APTC: Advanced Premium Tax Credit
 MHBE: Maryland Health Benefit Exchange

FPG: federal poverty guideline

MA: Massachusetts

* Estimated APTC for an individual with 143% FPG.

Note: Monthly cost of Silver Value Plan without APTC is \$400.93 for an individual aged 40. Estimate assumes that enrollees' incomes fall at the mid-range of the income bracket and receive a moderate APTC.

High Estimate for Premium Subsidy

<u>Income Bracket</u>	<u>MHBE Enrollment</u>	<u>Estimated APTC</u>	<u>Silver Value Plan After APTC</u>	<u>MA Premium</u>	<u>Estimated State Subsidy (Monthly)</u>	<u>Estimated Annual State Subsidy</u>	<u>Total</u>
< 150% FPG	27,972	\$333.14	\$63.88	\$0	\$63.88	\$766.56	\$21,442,216
151 to 200% FPG	31,699	266.37	134.56	45	89.56	1,074.72	34,067,549
201 to 250% FPG	20,540	188.68	212.25	87	125.25	1,503.00	30,871,620
251 to 300% FPG	<u>12,125</u>	102.48	298.45	130	168.45	2,021.40	24,509,475
	92,336						\$110,890,861

APTC: Advanced Premium Tax Credit
 MHBE: Maryland Health Benefit Exchange

FPG: federal poverty guideline

MA: Massachusetts

Note: Monthly cost of Silver Value Plan without APTC is \$400.93 for an individual aged 40. Estimate assumes that enrollees' incomes fall at the top end of the income bracket and receive a modest APTC.

Calculating ConnectorCare Cost-Sharing Subsidies

- The Health Connector actuarial team determines the value of the cost-sharing reduction, which is paid to carriers as a monthly advanced state cost-sharing subsidy based on enrollment
- In June of the following plan year, the Connector receives carrier claims files, which are compared to the advanced payments
- Several months later, the Connector reconciles costs with carriers as needed

Estimating the Cost of Cost-Sharing Subsidies in Maryland

	<u>MD <150% FPG</u>	<u>MA Plan 1</u>	<u>MD 200% FPG</u>	<u>MA Plan 2B</u>	<u>MD 225%-250% FPG</u>	<u>MD 275%-300% FPG</u>	<u>MA Plan 3A/3B</u>
Deductible	\$0	\$0	\$0	\$0	\$2,050	\$2,250	\$0
OOP Max/person	\$1,300	\$250	\$2,350	\$1,250	\$6,500	\$8,000	\$2,250
Primary Care	\$10	\$0	\$10	\$10	\$30	\$30	\$15
Specialist Office	\$15	\$0	\$40	\$18	\$40	\$40	\$22
Behavioral Health	\$10	\$0	\$10	\$10	\$30	\$30	\$15
Speech/OT/PT	\$15	\$0	\$40	\$10	\$40	\$40	\$20
ER	10%	\$0	15%	\$50	30%	30%	\$100
Inpatient	10%	\$0	15%	\$50	30%	30%	\$250
Imaging	\$50	\$0	\$100	\$30	\$250	\$250	\$60
X-rays/Labs	\$0	\$0	\$0	\$0	\$55	\$55	\$0
Rx	\$0/\$10/\$25/\$75	\$1/\$3.65	\$15/\$50/\$70/\$150	\$10/\$20/\$40	\$15/\$50/\$70/\$150	\$15/\$50/\$70/\$150	\$12.50/\$25/\$50

Estimating the Cost of Cost-Sharing Subsidies in Maryland

- Additional data and analysis is needed to determine the how much it would cost to implement cost-sharing subsidies, which are a factor of enrollment and utilization
- Based on Massachusetts experience, the cost of cost-sharing subsidies is likely equal to that of premium subsidies

Estimated Cost to Replicate ConnectorCare Subsidies

- Based on these assumptions, the cost of premium subsidies is likely
 - Low Estimate: \$59.1 million
 - Mid-range Estimate: \$79.1 million
 - High Estimate: \$110.9 million
- As the cost of cost-sharing subsidies is likely similar, bringing total costs to
 - Low Estimate: \$118.2 million
 - Mid-range Estimate: \$158.2 million
 - High Estimate: \$221.8 million
- These estimates reflect the cost to further subsidize existing enrollees with incomes up to 300% FPG and do not reflect any impact on increased enrollment, which could be significant

California

- California will provide state-funded subsidies to residents with incomes up to 600% FPG (\$74,940/individual; \$154,500/family of 4 in 2019) in plan years 2020 through 2022
- Subsidies will be set to limit premiums to a percentage of household income (ranging from 6% for households at 200% FPG to 18% for households at 600% FPG)
- Most funding (about 80%) will go towards households with incomes between 401% FPG and 600% FPG
- California will use money generated from imposing individual mandate penalties to partially finance these costs, along with general fund contributions (total funding budgeted - \$429 million)

Washington

- Legislation enacted in Washington (Chapter 364 of 2019) requires the state to develop a plan to implement and fund premium subsidies for individuals with incomes up to 500% FPG (\$62,450 for an individual/\$128,750 for a family of 4 in 2019)
- Subsidies are intended to ensure that individuals spend no more than 10% of household income on premiums
- Plan must include an assessment of providing cost-sharing reductions and assess the impact of the subsidies on the uninsured rate
- The plan is due to the legislature by November 15, 2020

Issues for Consideration

- What problem needs to be addressed in the individual market?
 - Increase enrollment
 - Aid affordability (for which segments of the market?)
 - Increase consumer access/choice
 - Increase carrier participation
 - Reduce premiums (subsidies do not address the drivers of premium growth)
- How will subsidies impact behavior in the individual market?
- How will subsidies be funded?
 - Massachusetts leverages significant federal matching funds through an existing Medicaid 1115 and uses dedicated trust fund revenues for the remainder
 - California will use a combination of individual mandate penalties and state general funds