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
  - At 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…”

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

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
  - BCBS National Plans: 63%
  - Other National Plans: 21%
  - State Specific Plans: 15%
  - Total Enrollment: 7.942 million

FEHBP Enrollment, By Region and Plan Type

- Northeast:
  - National Plans: 79%
  - State Specific Plans: 20%
  - Total Enrollment: 83%

- Midwest:
  - National Plans: 83%
  - State Specific Plans: 15%
  - Total Enrollment: 98%

- South:
  - National Plans: 84%
  - State Specific Plans: 15%
  - Total Enrollment: 100%

- West:
  - National Plans: 61%
  - State Specific Plans: 38%
  - Total Enrollment: 100%
Concentration, by Rural/Urban

Urban Enrollment = 6,869,000 (86%)
- 1% BCBS Plans
- 23% Other National Plans
- 15% State Specific Plans
- 61% National - Limited Enrollment Plans

Rural Enrollment = 1,072,000 (14%)
- 3% BCBS Plans
- 6% Other National Plans
- 6% State Specific Plans
- 72% 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
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.

- 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.

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.**
**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.

**FEHBP Plan Attributes by Level of Competition**

<table>
<thead>
<tr>
<th>Level of Competition (Based on Herfindahl Index)</th>
<th>Premium (individual's share)</th>
<th>Copayments for:</th>
<th>Inpatient Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (&lt;.15)</td>
<td>$57.27</td>
<td>$18.90</td>
<td>$27.78</td>
</tr>
<tr>
<td>High (.15-.25)</td>
<td>$62.50</td>
<td>$19.66</td>
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<tr>
<td>Moderate (.25-.35)</td>
<td>$60.72</td>
<td>$20.55</td>
<td>$30.74</td>
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<tr>
<td>Low (.35-.45)</td>
<td>$61.94</td>
<td>$21.20</td>
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<tr>
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<td>$31.10</td>
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<tr>
<td>Extremely Low (&gt;.55)</td>
<td>$60.24</td>
<td>$18.90</td>
<td>$29.36</td>
</tr>
</tbody>
</table>

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

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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- Washington University, Brown School
  - [http://gwbweb.wustl.edu/Pages/Home.aspx](http://gwbweb.wustl.edu/Pages/Home.aspx)
- Saint Louis University,
  - Center for Health Law Studies
  - [http://law.slu.edu/healthlaw/index.html](http://law.slu.edu/healthlaw/index.html)