Nevada Association of Health Plans

Interim Health Care Committee Meeting
March 15, 2006
Nevada Association of Health Plans: Who We Are

Total HMO Enrollment – 574,740*
- Commercial, Medicare, Medicaid, Nevada Check-Up

Total HMO & PPO Enrollment – 928,514*

- HMO membership
  - Clark County – 310,248 members
  - Washoe County – 53,165 members
  - Rural Counties – 20,238 members

- Total Commercial HMO Enrollment – 383,651 members

- PPO membership
  - Clark County – 40,006 members
  - Washoe County – 65,666 members
  - Rural Counties – 8,739 members
  - Total Enrollment – 353,774 members
    - (One plan does not report enrollment by county, only total enrollment)

*Nevada HMO Industry Profile, Fourth Quarter 2005
Medicare & Medicaid Membership*

- **HMO Medicare Enrollment**
  - Clark County – 71,853
  - Washoe County – 9,512
  - Rural Counties – 5,591
  - Total Medicare – 86,956

- **HMO Medicaid Enrollment**
  - Clark County – 70,245
  - Washoe County – 11,018
  - Rural Counties – 51
  - Total Medicaid – 81,314

- **HMO Nevada Check-Up Enrollment**
  - Clark County – 18,731
  - Washoe County – 4,082
  - Rural Counties – 6
  - Total Checkup – 22,819

*Nevada HMO Industry Profile, Fourth Quarter Report 2005*
Health Insurance Challenges

- **Affordability**
  - Premium Increases
  - Health Care Cost Increases

- **Accessibility**
  - Ensuring that Providers and Services are Available
  - Emergency Room

- **Regulatory Challenges**
  - State and Federal Regulations
  - Speed to Market
  - Flexibility in Product Designs
Affordability*

Cost of Healthcare Continues to Climb
- 2001 - 2002: 13.7% increase
- 2004 - 2005: 8.8% increase

Reasons for Premium increase (of the 8.8%)
- General Inflation – 27%
- Increase Utilization – 43%
- Health Care Price Increase in Excess of Inflation – 30%
Affordability*

- **Factors Driving up the cost of premiums:**
  - Movement to broader access plans
  - Higher priced technology, including:
    - Newer prescription drugs
    - Newer technology replacing older technology, e.g., x-rays being replaced with digital x-rays
  - Cost-shifting from Medicaid and the uninsured to private payers

- Estimated that providing care to the uninsured adds as much as 8.5% to the cost of premiums

*The Factors Fueling Rising Healthcare Costs 2006, PricewaterhouseCoopers*
# Affordability*

<table>
<thead>
<tr>
<th>Components</th>
<th>Share of Health Insurance Premiums</th>
<th>Spending Growth Rate</th>
<th>Contribution to the 8.8% increase in Premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Physician</strong></td>
<td>24%</td>
<td>7.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>CPI</td>
<td>2.4%</td>
<td></td>
<td>0.6%</td>
</tr>
<tr>
<td>Price increase in Excess of Inflation</td>
<td>2.3%</td>
<td></td>
<td>0.6%</td>
</tr>
<tr>
<td>Utilization</td>
<td>3.1%</td>
<td></td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Outpatient</strong></td>
<td>22%</td>
<td>13.6%</td>
<td>3.0%</td>
</tr>
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<td>CPI</td>
<td>2.4%</td>
<td></td>
<td>0.5%</td>
</tr>
<tr>
<td>Price increase in Excess of Inflation</td>
<td>4.0%</td>
<td></td>
<td>0.9%</td>
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<tr>
<td>Utilization</td>
<td>7.2%</td>
<td></td>
<td>1.6%</td>
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<tr>
<td><strong>Hospital Inpatient</strong></td>
<td>18%</td>
<td>7.5%</td>
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<td></td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Prescription Drugs</strong></td>
<td>16%</td>
<td>8.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Utilization</td>
<td>5.1%</td>
<td></td>
<td>0.8%</td>
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<td>Price increase in Excess of Inflation</td>
<td>1.1%</td>
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</tr>
<tr>
<td><strong>Other Medical Services</strong></td>
<td>6%</td>
<td>7.3%</td>
<td>0.4%</td>
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*The Factors Fueling Rising Healthcare Costs 2006, PricewaterhouseCoopers*
Where Does Your Health Insurance Dollar Go?

- Consumer Services, Provider Support & Marketing
- Government Payments, Compliance, Claims Processing & Other Administration
- Insurance Industry Profit
- Other Medical Services
- Cost of Medical Liability & Defensive Medicine

<table>
<thead>
<tr>
<th>5¢</th>
<th>6¢</th>
<th>3¢</th>
<th>5¢</th>
<th>Drugs-15¢</th>
<th>Physicians-21¢</th>
<th>Hospitals-35¢</th>
<th>10¢</th>
</tr>
</thead>
</table>

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Federal Reserve Note

THE UNITED STATES OF AMERICA

Accessibility

- **Accessibility Issues:**
  - Availability of Health Plan or Health Insurance in the Geographic Area
  - Availability of Providers

- **Geographic Areas Have Their Own Problems**
  - Clark County/Washoe County
    - Emergency Room Overcrowding
    - Inappropriate use of Emergency Rooms
    - Limited Number of Mental Health Beds
    - Limited Number of Specialty Providers
  - Rural Counties
    - Limited Choices of Health Plan/Health Insurers
    - Limited Number of Providers
Regulatory Challenges - ERISA

- **ERISA**
  - Generally apply to all private employer-sponsored health coverage regardless of the size of the business or whether the coverage is through a health insurance policy or a self-funded plan.
  - Preempts employer-sponsored health coverage from direct state regulation, except when regulating insurance.
  - Entities not typically governed by ERISA include health benefit plans established or maintained for government employee of the United States (FEHBP), government employees at the state and local level, church plans established or maintained for their employees and any plan of an international organization which is exempt from taxation.

- **State Regulation of Health Care**
  - Health insurers and health plans have to comply with both state and federal requirements.
  - States are prohibited from regulating self-funded plans.
# State v Federal Requirements

<table>
<thead>
<tr>
<th>State Regulated Plans (State Requirements)</th>
<th>Federal Regulated ERISA Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Tax – 3.5% Gross Receipts Tax</td>
<td>General Business Taxes</td>
</tr>
<tr>
<td>Fraud Assessment</td>
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<tr>
<td>Various Other Assessments</td>
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<tr>
<td>General Business Taxes</td>
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<table>
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<th>Provider Contract Requirements</th>
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<tr>
<td>Network Adequacy Requirements to be licensed as HMO</td>
<td></td>
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<td>Prompt Pay Requirements</td>
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<tr>
<td>Provider Contract Requirements</td>
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<tr>
<td>Standardized Credentialing Application</td>
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<td>Standardized Prior Authorization Form</td>
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<th>Solvency/Oversight</th>
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<tr>
<td>Minimum net worth requirements</td>
<td></td>
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<tr>
<td>Risk Based Capital requirements</td>
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<tr>
<td>Rating requirements for small groups</td>
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<tr>
<td>Evidence of Coverage must be approved by the DOI</td>
<td></td>
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<tr>
<td>Market Conduct Examinations</td>
<td></td>
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<tr>
<td>Division of Insurance, Dept. of Labor</td>
<td></td>
</tr>
<tr>
<td>ERISA contains a general provision regarding fiduciary duty to act prudently in the interest of the covered individual</td>
<td></td>
</tr>
<tr>
<td>No specific financial solvency requirements</td>
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<tr>
<td>Dept. of Labor</td>
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</tr>
</tbody>
</table>
State v Federal Requirements

State Regulated Plans
(State Requirements)
- Adoption/Birth Mother Coverage
- Alcoholism
- Cancer Drugs/Treatment
- Clinical Trials (Cancer, CFS)
- Colorectal Cancer Screenings
- Congenital Birth Defect
- Contraceptive Coverage
- Hormone Replacement Therapy
- Hospice
- Mammography
- Mastectomy – Breast Reconstruction
- Maternity Length of Stay
- Mental Health Benefits
- Metabolic Disease Coverage
- Off Label Drug use
- Pap Smear Coverage
- Pregnancy Complication
- Prescription Drug Coverage Provisions
- Substance Abuse/Drug Treatments
- TMJ
- Continuity of Care

Federal Regulated
ERISA Plans
- Pregnancy Discrimination Act
- New Born & Mother Health Act
- Mental Health Parity
- Women Health and Cancer Rights Act
State v Federal Requirements

State Regulated Plans (State Requirements)
- Marriage Therapist
- Nurses
- Psychologist
- Community Health Centers
- Dental Anesthesia for Children
- UPPL prohibitions

Federal Regulated ERISA Plans
- DOL Claims regulations
- State Appeals and Grievance Procedures
- External Review
- COBRA
- USERRA (Uniform Services Employment and Reemployment Rights Act)
- HIPAA Privacy

Benefit:
Coverage & Provider Mandates

Patient Protection

Employer Requirements

Small Group Rating Restrictions
- Employee Leasing Organization member requirements
- Cancellation/Renewal Notice Requirements

DOL Claims regulation on appeals
- COBRA continuation of Coverage
- USERRA
- HIPAA Privacy

Federal requirements do not address how premiums are determined, but rather HIPAA nondiscrimination provision prohibits business from establishing premiums from differing for similarly situated individuals on the basis of health-related factors.
Expanding Coverage – Challenges

- Defining the uninsured and why they don’t have coverage
  - Insurance not available
  - Premiums are too high
  - Group insurance not offered by the employer
  - Medically uninsurable
  - “Invincibles”
  - Undocumented aliens

- How to fund coverage for the uninsured
  - Tax increase
  - Assessments
  - Reallocation of General Fund
Methods to Expanding Coverage

- **Product Flexibility**
  - This allows a health plan/health insurer to create a plan that meets the price point for employers so that they continue to cover their employees

- **Expansion of Medicaid**
  - Allow small groups to enroll in Medicaid

- **Premium Subsidy**
  - At least 4 states considering legislation similar to AB 493 (HIFA Waiver)
    - Difference: general funds are used to fund the subsidy

- **High Risk Pools**
  - Typically used to cover the medically uninsurable
  - Premiums never cover the losses; assessments or general fund needed to cover losses
  - HIFA technical committee estimated that a 500 person high risk pool would need at least $6,500,000 to cover its cost
    - (Premiums - $2,700,000; General Fund $3,850,000)
Methods to Expanding Coverage

- **“Wal-Mart” Bills**
  - Requires large employers to provide coverage or pay a penalty
  - Typically applies to employers with at least 10,000 employees
  - 17 states are considering, 1 state adopted

- **Employer Mandate/ Individual Mandate**
  - Requires the employer have coverage or pay a specific amount into a fund to make coverage available
  - Requires individuals to purchase coverage
Pharmaceutical Coverage

- **Nevada**
  - Majority of health plans/health insurance includes pharmaceutical coverage
  - State-wide effort between Sierra Health Services, Clark County Medical Society, and Allscripts to provide funding to bring e-prescribing to all Nevada physicians

- **Medicare Drug Coverage**
  - There are approximately 300,000 Nevada Medicare beneficiaries
  - Prior to enactment of Medicare Part D, pharmacy benefits were available to Medicare seniors in the two Medicare Advantage Plans and through the Senior Rx Program
  - Medicare Part D plans available in all 17 counties in Nevada
    - Choice of 19 insurers offering 44 different Part D plans
  - Medicare Part D challenges have centered around data transfer from CMS to the insurer