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Options for Expanding Health Insurance in Texas – CHIP Full Cost Buy-In

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CHIP Full-Cost Buy In

- Goals, Advantages, Limitations
- Program Parameters
- How Much It Will Cost Under Various Combinations
- Trade-Offs



Goals

- ✓ Affordable Option for Low-Income Not Eligible for Medicaid or CHIP
- ✓ Additional Vehicle for Families to Obtain Coverage, Especially if Employer Coverage Not Available
- ✓ Should Not Compete With Private Insurance Programs



Advantages of CHIP as Coverage Vehicle

- ✓ Administrative Structure In Place
- ✓ Draw on CHIP Purchasing Power for Provider Reimbursement
- ✓ Bridge Between Public and Private Coverage
- ✓ All Family Members May Access Same System Even If Eligible for Different Program Levels



Limitations to Consider

- ✓ Healthcare Costs Money
- ✓ Still Requires Administrative Costs
- ✓ Not a Solution for “Uninsurable”
- ✓ Can’t Subsidize Risk with Current CHIP Enrollees
- ✓ Potential Administrative and Legal Issues With HMO Structure



Basic Program Structure Assumed

- ✓ Enrollment Process Similar to Medicaid and CHIP
- ✓ Participation by CHIP Health Plans (HMO/EPO Models)
- ✓ Premiums Negotiated With Health Plans (differ from CHIP rates)
- ✓ Program Features to Limit Adverse Selection are Required for Long-Term Viability – e.g. medical underwriting, waiting periods, pre-existing exclusions, low benefit levels
- ✓ Will Also Address Other Delivery System Models



Major Program Variables

✓ Eligibility

- Children, or Adults and Children
- Income Requirements
- Child Demographics Based on Uninsured Over 200% FPL (not eligible for CHIP)
- Adult Demographics Based on Uninsured at Less Than 250% FPL

✓ Covered Benefits

✓ Cost Sharing



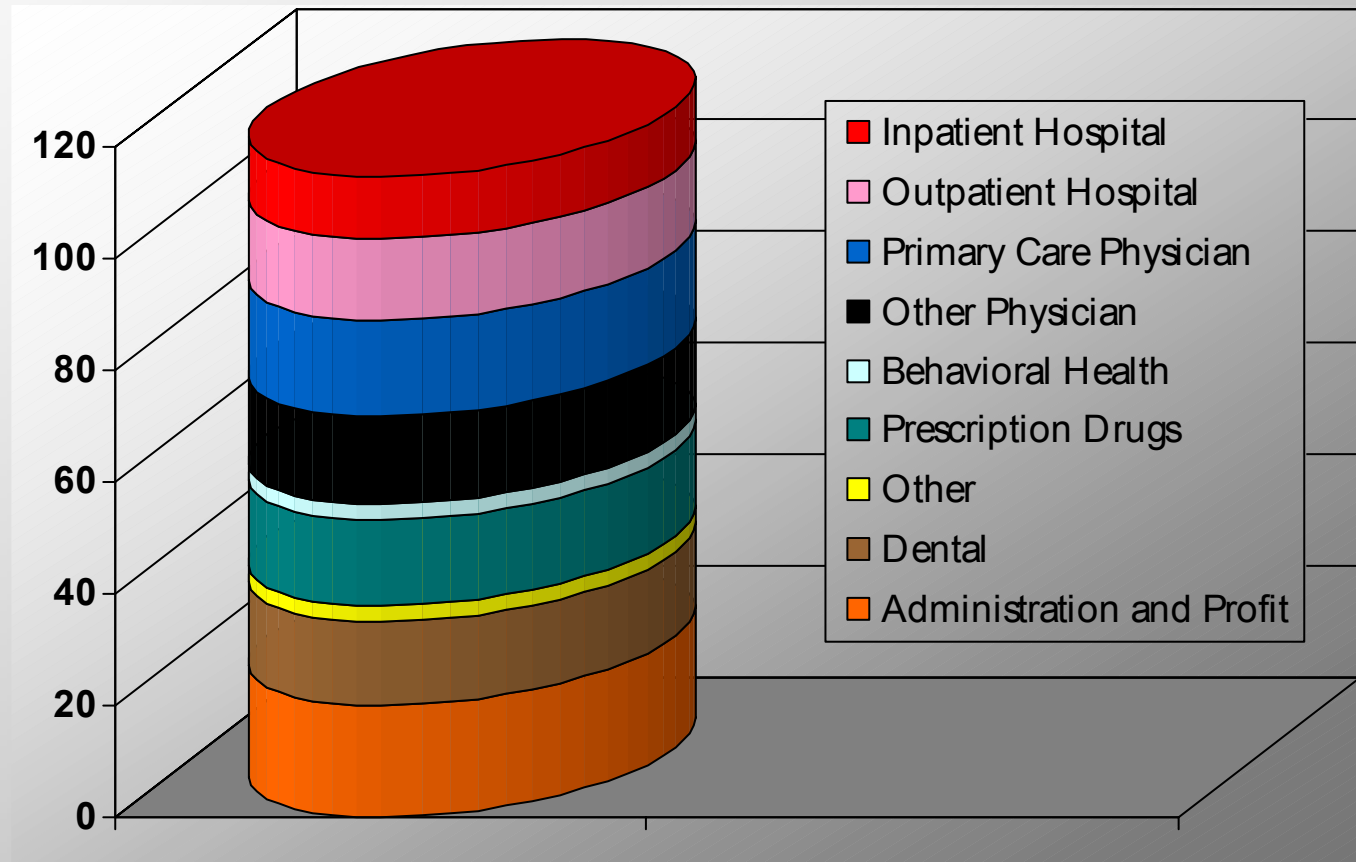
Cost Estimate Methodology and Assumptions

- ✓ Starting Point: FY 2002 CHIP Premium Rates (Average Amount Paid to Plans per Child per Month)
- ✓ Adjust for Differences Under FCBI
 - Demographics Based on Eligibility Levels
 - Benefits
 - Cost Sharing
- ✓ Cost Estimates Assume Same Relative Risk as CHIP Enrollment
- ✓ Estimates Do NOT Include State Costs to Administer



Starting Point: 2002 CHIP Premium Costs

Estimated Monthly Premium Per Child



Starting Point: Current CHIP Copayments

Service	<=100% FPL	101 – 150% FPL	151 – 185% FPL	186 – 200% FPL
Office Visit	\$0	\$2	\$5	\$10
Emergency Room	\$0	\$5	\$25	\$35
Prescription Drugs	\$0	\$1 - \$2	\$5/\$10	\$5/\$10
Deductible, Non-Institutional	\$0	\$0	\$0	\$50/family
Deductible, Institutional	\$0	\$0	\$0	\$200/family



FCBI Options - Copayments

Service	FCBI 1: Commercial HMO Plan	FCBI 2: High Copay With Exclusions	FCBI 3: High Deductible/Copay With Exclusions
Office Visit	\$15	\$20	\$20
Emergency Room	\$40	\$50	\$50
Prescription Drugs	\$8/\$15	N/A	N/A
Per Hospital Admit	\$150	\$500	N/A
Per Outpatient Surgery	\$0	\$300	
Deductible (Other Services)	N/A	N/A	\$5000

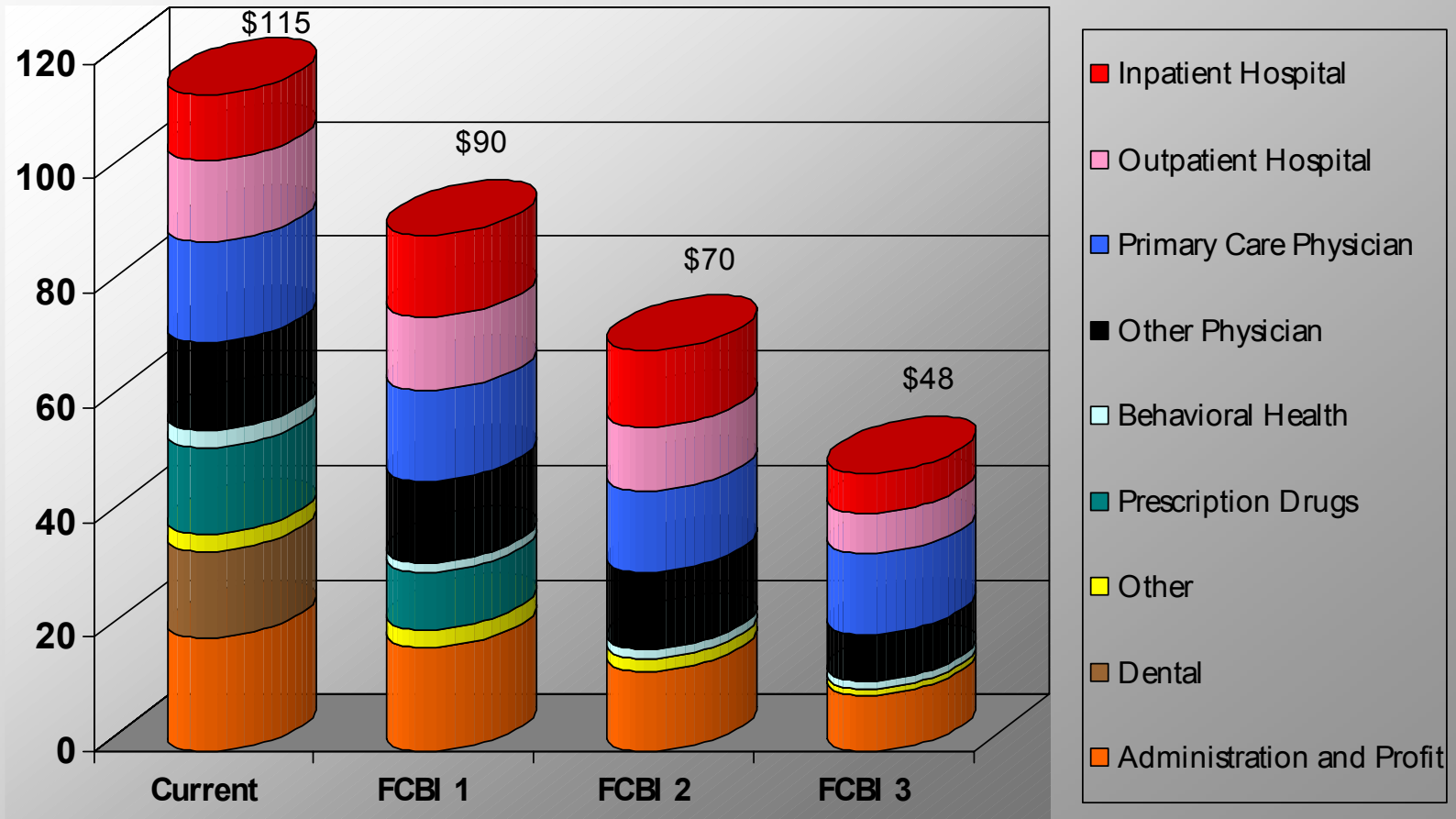


FCBI Options – Exclusions (Compared to CHIP)

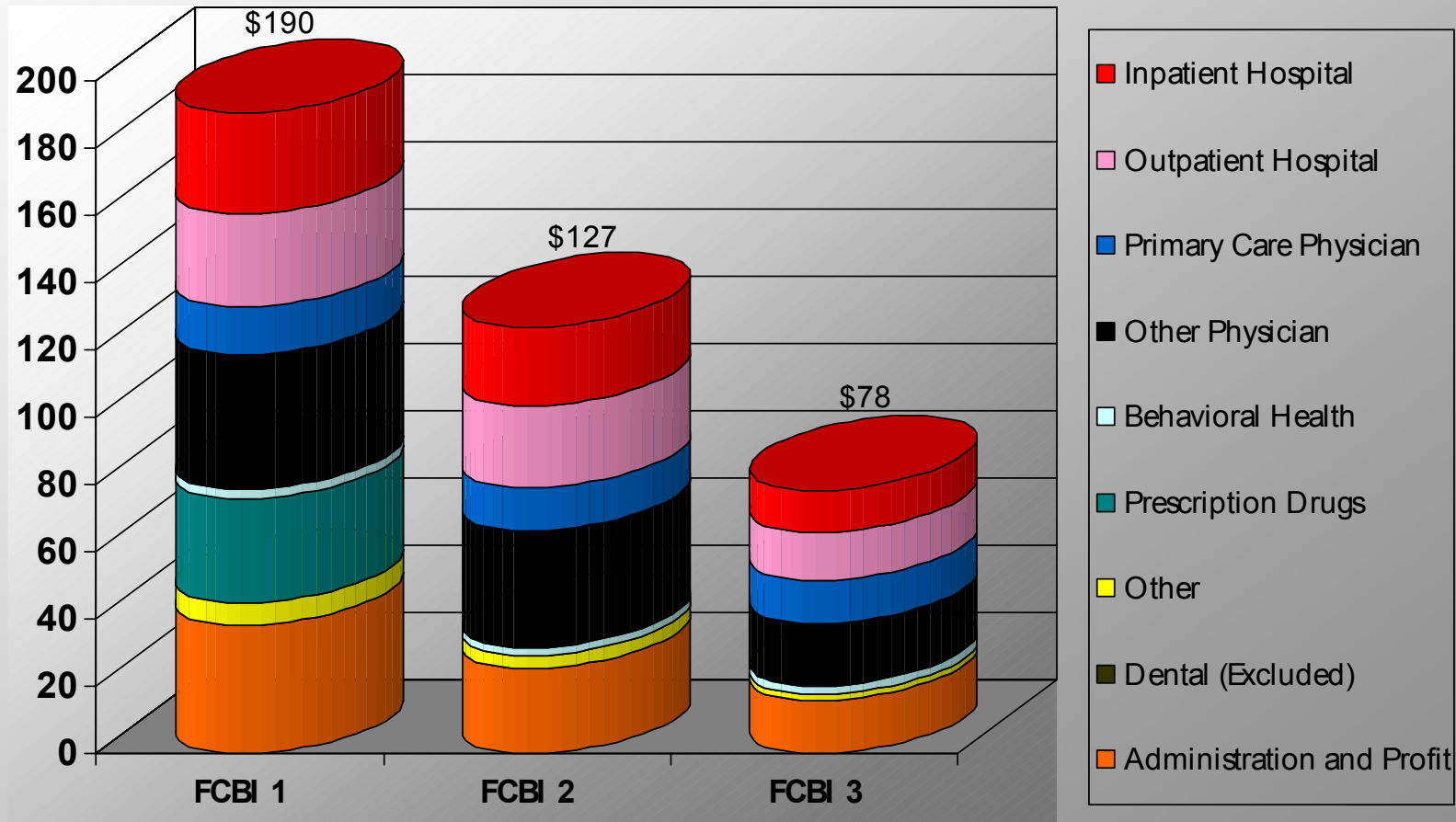
- ✓ FCBI Option 1 Excludes Dental Coverage
- ✓ FCBI Options 2 and 3 Exclude
 - Dental
 - Prescription Drugs
 - Maternity
 - Vision
 - Chiropractic Care



Comparison of FCBI Plan Options – Estimated Monthly Premium Per Child



Comparison of FCBI Plan Options – Estimated Monthly Premium Per Adult



Trade-Offs

- ✓ Comprehensive Plan Similar to CHIP Coverage Not Affordable for Target Population
- ✓ Higher Copays and Reduced Benefits Help Lower Costs
- ✓ Difficult to Substantially Lower Costs With HMO-Style Benefit Plan and Cost Sharing
- ✓ High Deductibles May Not Be Affordable for Lower Income Families Either
- ✓ Still Need to Exclude Uninsurable



Additional Options - EPO

- ✓ Fewer Legislative/Administrative Barriers
- ✓ Doesn't Use All of Existing Program Structure
- ✓ Different Health Plan for Different Family Members



Additional Options - PPO

- ✓ More Traditional Deductible/Coinsurance Structure
- ✓ More Flexibility in Plan Design to Get to Lower Costs
- ✓ Doesn't Build on Existing Program Structure



Additional Options – Hospital Indemnity Plan

- ✓ E.g., Pays \$500 Per Day in Hospital, \$30 Per Physician Visit
- ✓ Insured Pays the Remainder
- ✓ Can Design a Low Cost Benefit Plan to Defray Healthcare Costs
- ✓ Disadvantage: Doesn't Build On Existing Program Structure or Network
- ✓ Disadvantage: Limited Insurance Protection From Large Claims



Conclusions

- ✓ CHIP FCBI Can Take Advantage of CHIP Purchasing Power and Administrative Structure
- ✓ Can Provide a Coverage Vehicle for Lower Income Uninsured
- ✓ Need to Make Trade-Offs for Affordable Program
- ✓ May Be Obstacles to Achieving Significantly Lower Costs With Current CHIP Structure



CHIP Full-Cost Buy-In – Discussion Questions

- ✓ What is “Affordable Premium Level”?
- ✓ Focus on Children Only, or Adults as Well?
- ✓ What Concessions Are Acceptable to Get to Lower Premium and Viable Program?
- ✓ Other Program, Benefit Design Ideas?

