Overview of Health Plan Standardization

Presented by Colin Baillio and Sahar Hassanin
to the beWellnm Health Benefits Committee
October 20, 2022

Purpose of today's meeting

- **Review the committee's work from 2021**
- **Present information about the State Out-of-Pocket Assistance (SOPA) program**
- **Review proposed plan designs from last year**
- **Initiate stakeholder feedback process on standardized plan designs in the 2024 Plan Year**
- **Upcoming meetings, objectives, and opportunities for input**

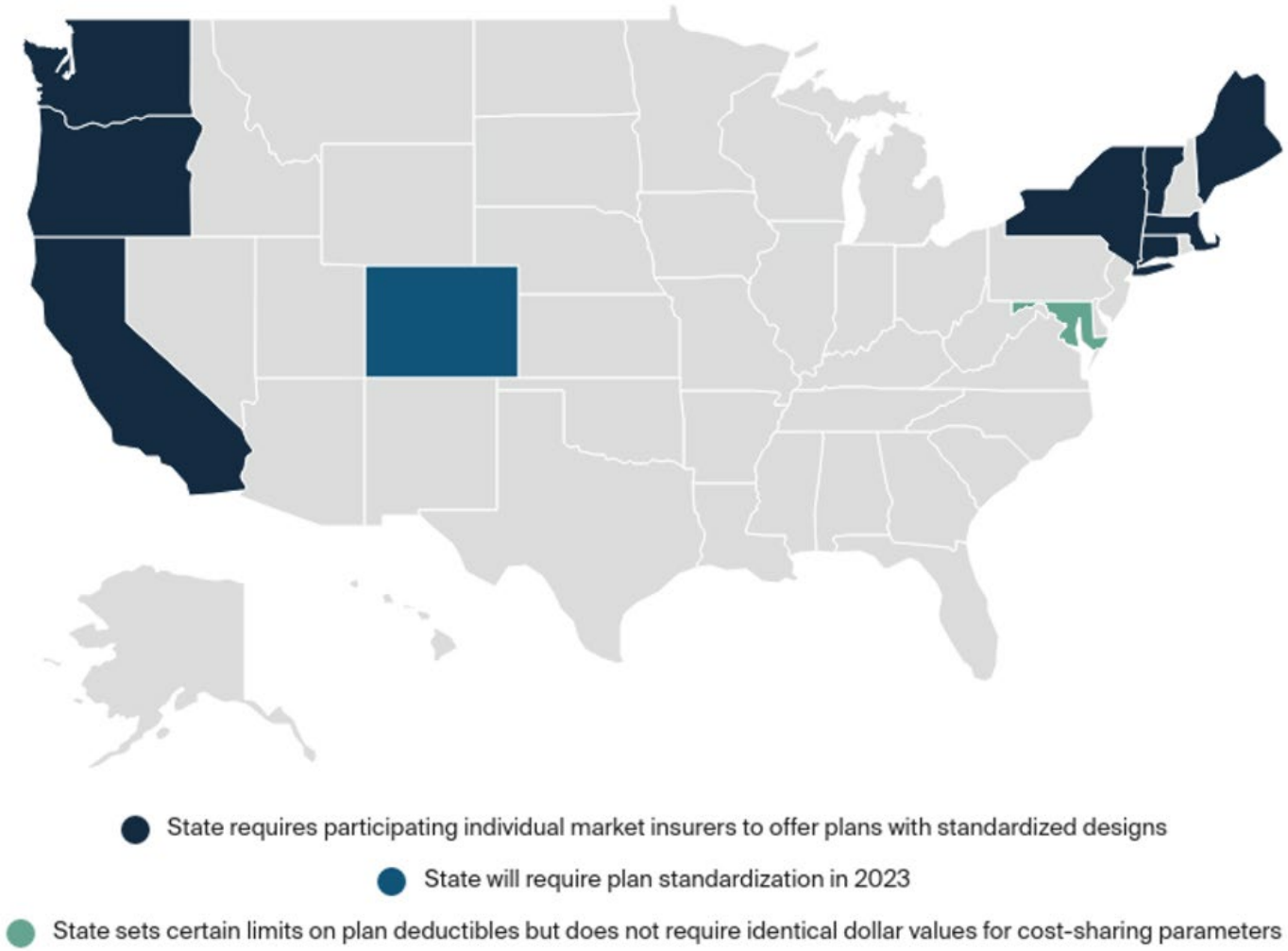
What are standardized health plans?

- **Standardized health plans** are plans offered by all insurers in a market that have the same out-of-pocket cost (AKA “cost sharing”) design.

- 8 states and Washington DC will require standardized plans in 2023.

- The New Mexico Legislature authorized the beWellnm Board of Directors to “establish no more than three standardized health plans for each of three levels of coverage with increasing benefits, designated bronze, silver and gold plans.”

States that Require Standardized Individual Market Health Plans (2022)



Source: https://www.commonwealthfund.org/blog/2021/state-efforts-standardize-marketplace-health-plans

How could standardized plans help patients?

- Allow consumers to do “apples-to-apples” plan comparisons
- Improve cost predictability
  - Use fixed co-pays instead of coinsurance
  - Minimize services subject to deductible
- Reduce out-of-pocket costs for high value services, like primary care

Assessment and Empirical Evidence Related to Cost Sharing Design and Standardization

Review of Literature

The Effect of Cost-Sharing Design Characteristics on Use of Health Care Recommended by the Treating Physician; a Discrete Choice Experiment, 2018

A questionnaire was completed by close to 8,000 members of a patient organization. The study looked at 1) type of cost sharing, 2) rate of cost sharing payments, and 3) annual caps on cost sharing - Services analyzed: ordered medication, ordered diagnostic tests, and referral to a specialist. Also, moment of payment for the service was assessed (at time of service or billed later)

Those who did not seek care:

- ✓ **Said they would have been more likely to get the service with a copay vs. coinsurance**
- ✓ **Likely utilization of referral: 80% (medication) , 73% (diagnostic tests), 75% (specialist care)**

Source: Benjamin H. Salampessy1* , Maaike M. Alblas1,2, France R. M. Portrait1 , Xander Koolman1 and Eric J. E. van der Hijden1, The effect of cost-sharing design characteristics on use of health care recommended by the treating physician; a discrete choice experiment (biomedcentral.com) 2018

Assessment and Empirical Evidence Related to Cost Sharing Design and Standardization

Review of Literature

The Health Costs of Cost-Sharing - Uses Medicare's prescription drug benefit program to demonstrate facts about the health consequences of cost-sharing, 2021

Selected Results

- A 33.6% increase in out-of-pocket price: → **23% drop in drug consumption**

  → **33% increase in monthly mortality.**

- Cutbacks in medicines like statins and antihypertensives → **reduction in demand that is higher for those at the highest risk of heart attack and stroke.**

- Faced with complex, high-dimensional choice problems, patients respond in simple, perverse ways: **price increases cause more patients to fill no drugs), regardless of how many drugs they had been on previously, or their health risks.**

Source: Amitabh Chandra Evan Flack Ziad Obermeyer, The Health Costs of Cost-Sharing, https://www.nber.org/system/files/working_papers/w28439/w28439.pdf , 2021

Assessment and Empirical Evidence Related to Cost Sharing Design and Standardization

Review of Literature

Do Individuals Make Sensible Health Insurance Decisions? Evidence from a Menu With Dominated Options (nber.org), 2015

Studies health insurance decisions of over 50,000 employees at a large U.S. firm where a new plan menu included a large share of financially dominated options

Selected Results

- With a lot of choices, employees choose plans that are less financially beneficial to them.
- The average employee could have saved 2% of mean employee annual income, 42% of annual employee-paid premium, had they made "better" choices
- Employees in the lower salary bands are disproportionately likely to choose financially-dominated plans
- Female employees, older employees, and employees with chronic health conditions were all significantly more likely to select dominated contracts.

Source: Saurabh Bhargava George Loewenstein Justin Sydnor, Do Individuals Make Sensible Health Insurance Decisions? Evidence from a Menu with Dominated Options (nber.org) 2015

Assessment and Empirical Evidence Related to Cost Sharing Design and Standardization

Review of Literature

Urban Institute Study, Missed Opportunities: State-Based Marketplaces Fail to Meet Stated Policy Goals of Standardized Benefit Designs, 2016 - A study of four state-based marketplaces (SMBs): Connecticut, Massachusetts, New York and Oregon. Focusing on stakeholders' perspectives on their states' standardization efforts, their stated goals, strengths and weaknesses, and challenges. Here are some quotes:

Study takeaways:

- It is all about 'apples-to-apples' comparison capabilities…and taking as much mystery out of the game as possible."
- [I]t's about the consumer understanding their choices,"
- Insurers pushed hard to ensure that they could market non-standardized plans alongside the standardized options.
- Other state officials believe insurers are generally in the best position to design plan benefits and cost-sharing.
- "The carriers can innovate and react to changes in the market and medicine much quicker than we can," one official said.

Source: . Missed Opportunities: State-Based Marketplaces Fail to Meet Stated Policy Goals of Standardized Benefit Designs, at: 2000862-Missed-Opportunities-State-Based-Marketplaces-Fail-to-Meet-Stated-Policy-Goals-of-Standarized-Benefit-Designs.pdf (urban.org), 2016

State Out-of-Pocket Assistance (SOPA)

- **Who is eligible?**
  - Individuals and families up to 300% FPL who qualify for federal premium tax credits on beWellnm
- **What does it do?**
  - Reduces deductibles, maximum out-of-pocket limits, co-pays, and coinsurance for certain plans
- **When does it start?**
  - January 1, 2023

- To benefit from SOPA, consumers must select a **Turquoise Plan**.

Turquoise Plans

- Turquoise Plans are plans that have extra savings on out-of-pocket costs that are provided by the State of New Mexico.
- When consumers shop for plans, they will see a “Turquoise Plan” marker to let them know which plans qualify for extra savings.
- There are 4 levels of Turquoise Plans, based on household FPL.
- Enrollees under 200% FPL must pick a Silver plan to get SOPA and enrollees between 200-300% FPL must pick a Gold plan to get SOPA. During the shopping process, these plans will be labeled as “Turquoise Plans.”

The Four Turquoise Plan Types

Plan Number	Turquoise 1	Turquoise 2	Turquoise 3	Turquoise 4
FPL Range	Up to 150%	>150-200%	>200-250%	>250-300%
Actuarial Value	99% AV	95% AV	90% AV	85% AV
SOPA Metal Level	Silver	Silver	Gold	Gold

- **Actuarial Value (AV):** The percentage of total average costs for covered benefits that a plan will cover.
- **Silver Plans:** Plans with a 70% actuarial value
- **Gold Plans:** Plans with an 80% actuarial value

Priorities adopted by the committee in 2021

- Provide apples-to-apples plan comparisons for consumers
- Improve cost predictability by only using co-pays (fixed dollar amounts) instead of coinsurance (a percentage of the service cost)
- Categorize co-pay levels by lower, medium, and higher amounts, with high value services like primary care and generic medications having the lowest out-of-pocket costs
- Minimize deductibles and out-of-pocket maximum limits
- Minimize the number of services subject to a deductible
- Ensure reasonable costs for hospital visits so that rural residents who have limited access to services in their area aren't priced out of care
- Lower out-of-pocket costs for specialty medications, which are typically used to treat complex, chronic conditions like cancer, multiple sclerosis, and rheumatoid arthritis
- Focus on income-based out-of-pocket designs as part of the state's new out-of-pocket assistance programs

Proposed Plan Designs (Developed in 2021)

Table 1: Proposed Cost Sharing Reductions (CSR) Variants with Healthcare Affordability Fund (HCAF) Assistance

Standard Plans with Cost Sharing Reductions Applied					Metal Tier Comparison	
Plan	**Turquoise 1**	**Turquoise 2**	**Turquoise 3**	**Turquoise 4**	**Gold 80**	**Silver 70**
FPL	100-150%	150-200%	200-250%	250-300%	Benchmarks	
Deductible	$0	$50	$750	$1,500	$3,000	$4,500
Max Out of Pocket	$200	$1,500	$2,000	$3,000	$4,500	$8,000
Actuarial Value	99% AV	95% AV	90% AV	85% AV	80% AV	70% AV
Max Income Spent on OOP	1%	7%	7%	8%		
Medical					**Medical**	
Low Co-Pay Medical Services					**Low Co-Pay Medical Services**	
Preventive Care/Screening/Immunization	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Mental/Behavioral Health and Substance Use Disorder Outpatient Services	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Primary Care Visit to Treat an Injury or Illness (exc. Preventive, and X-rays)	$0.00	$3.00	$5.00	$10.00	$15.00	$30.00
Mid Co-Pay Medical Services					**Mid Co-Pay Medical Services**	
Specialist Visit	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
Imaging (CT/PET Scans, MRIs)	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
Speech Therapy	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
Occupational and Physical Therapy	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
Laboratory Outpatient and Professional Services	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
X-rays and Diagnostic Imaging	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
Skilled Nursing Facility	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
Urgent Care Facility	$3.00	$10.00	$20.00	$30.00	$50.00	$70.00
Higher Co-Pay Medical Services					**High Co-Pay Medical Services**	
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	$5.00	$25.00	$50.00	$80.00	$100.00	$200.00
Outpatient Surgery Physician/Surgical Services	$5.00	$25.00	$50.00	$80.00	$100.00	$200.00
Emergency Room Services	$25.00	$30.00	$50.00	$100.00	$150.00	$300.00
All Inpatient Hospital Services (inc. MH/SUD)	$25.00	$30.00	$50.00	$100.00	$150.00	$300.00
Prescription Medications					**Prescription Medications**	
Generics	$0.00	$3.00	$5.00	$10.00	$20.00	$35.00
Preferred Brand Drugs	$3.00	$10.00	$10.00	$20.00	$30.00	$50.00
Non-Preferred Brand Drugs	$15.00	$50.00	$100.00	$100.00	$100.00	$250.00
Specialty Drugs (i.e. high-cost)	$10.00	$25.00	$50.00	$50.00	$50.00	$100.00

Services Highlighted in Blue are Subject to Deductible

Upcoming Meetings, Proposed Objectives, and Requests for Input

November 14, 2022 from 11:30 AM - 12:30 PM

- Proposed Deadline for Written Comments/ Proposed Changes: November 7, 2022
- Submit to Colin.Baillio@state.nm.us with the header "Comments: Standardized Health Plans (Round 1)"

December 2022 (Time and Date TBD)

- Proposed Deadline for Additional Written Comments: November 28, 2022
- Submit to Colin.Baillio@state.nm.us with the header "Comments: Standardized Health Plans (Round 2)"

January 2023 beWellnm Board Meeting