CALIFORNIA HEALTHCARE FOUNDATION

Addressing Affordability of Health Insurance at the Local Level: San Francisco's Public Benefit Program

CHCF Webinar

October 28, 2015

Agenda

10:00-10:05	Introductions	Chris Perrone, CHCF
10:05-10:15	Project Context	Aneeka Chaudhry and Colleen Chawla, SF Department of Public Health
10:15-10:35	Affordability Analysis	Laurel Lucia, UC Berkeley Center for Labor Research and Education
10:35-10:55	Program Design Options	Don Novo and Donna Laverdiere, Health Management Associates
10:55-11:00	Outcomes	Aneeka Chaudhry and Colleen Chawla
11:00-11:30	Q&A	Chris Perrone (moderator)

Project Context

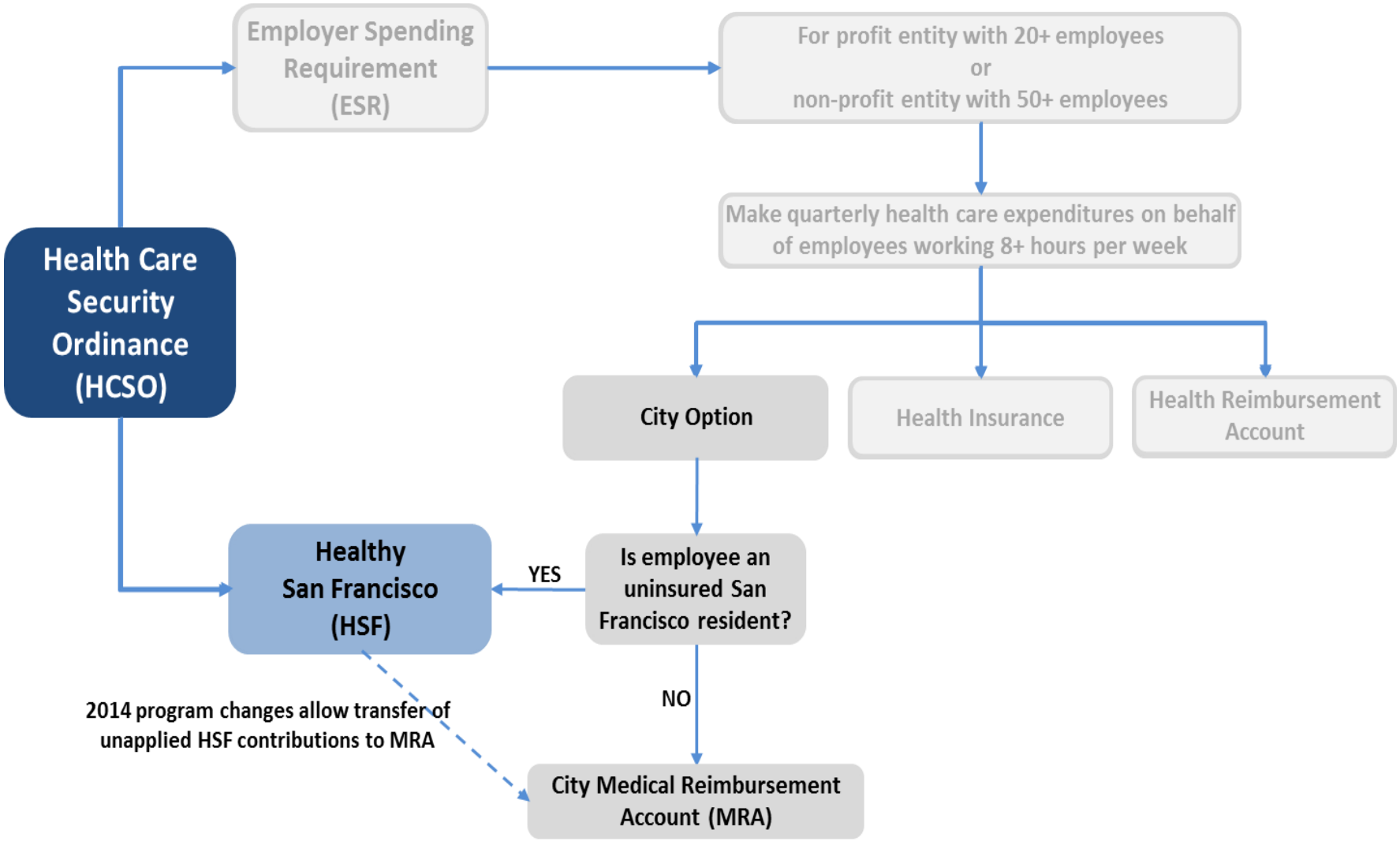
Aneeka Chaudhry & Colleen Chawla

San Francisco Department of Public Health

Commonly Used Terms

- **HCSO**: San Francisco's Health Care Security Ordinance
- **Healthy San Francisco (HSF):** SF's health access program for the uninsured; created by the HCSO in 2007
- **City Option:** one option for employers to comply with HCSO, by making payments to the City on behalf of employees. City enrolls employee in HSF or an MRA
- **City Option MRA:** medical reimbursement account available to employees receiving City Option contributions; reimburses for a variety of health expenses
- **Public Benefit Program:** project name during consultant engagement

SF Health Care Security Ordinance



Impetus for Affordability Project

- ACA implementation successful in SF
  - 97,000 San Franciscans enrolled in ACA coverage
  - Uninsured ~↓54%
  - Healthy San Francisco enrollment ↓71%
- Affordability and coverage challenges remain
- Citywide interest in addressing health insurance affordability
  - 2013 Universal Healthcare Council
  - 2014 amendments to the Health Care Security Ordinance

Project Goals

- Define affordability in the SF context
- Provide a meaningful benefit to address affordability challenges
  - Premium assistance
  - Cost-sharing assistance
- Maximize available federal subsidies
- Minimize administrative burden
- Leverage employer contributions to the HCSO City Option

Research and Consultant Engagement

- UC Berkeley Labor Center
  - Affordability measures
  - Program uptake, costs, and revenue projections
- Health Management Associates
  - Logistics of operationalizing a program
  - Financial, regulatory, and operational feasibility analyses
  - Administrative structure and benefit design
- Employer and employee focus groups

Affordability Analysis

Laurel Lucia

UC Berkeley Center for Labor Research and Education

Methods

- Affordability analysis
  - 3 San Francisco-specific analyses examine total health spending
  - 1 statewide analysis focuses on size of deductible
- Estimation of potential population and program revenues and costs (pp 64-82 of Final Report*)

*Full report, *Addressing Affordability of Health Insurance in San Francisco,* is available online at https://www.sfdph.org/dph/files/uhc/HMA-FinalReport-SFDPH-PublicBenefitProgram-June2015.pdf

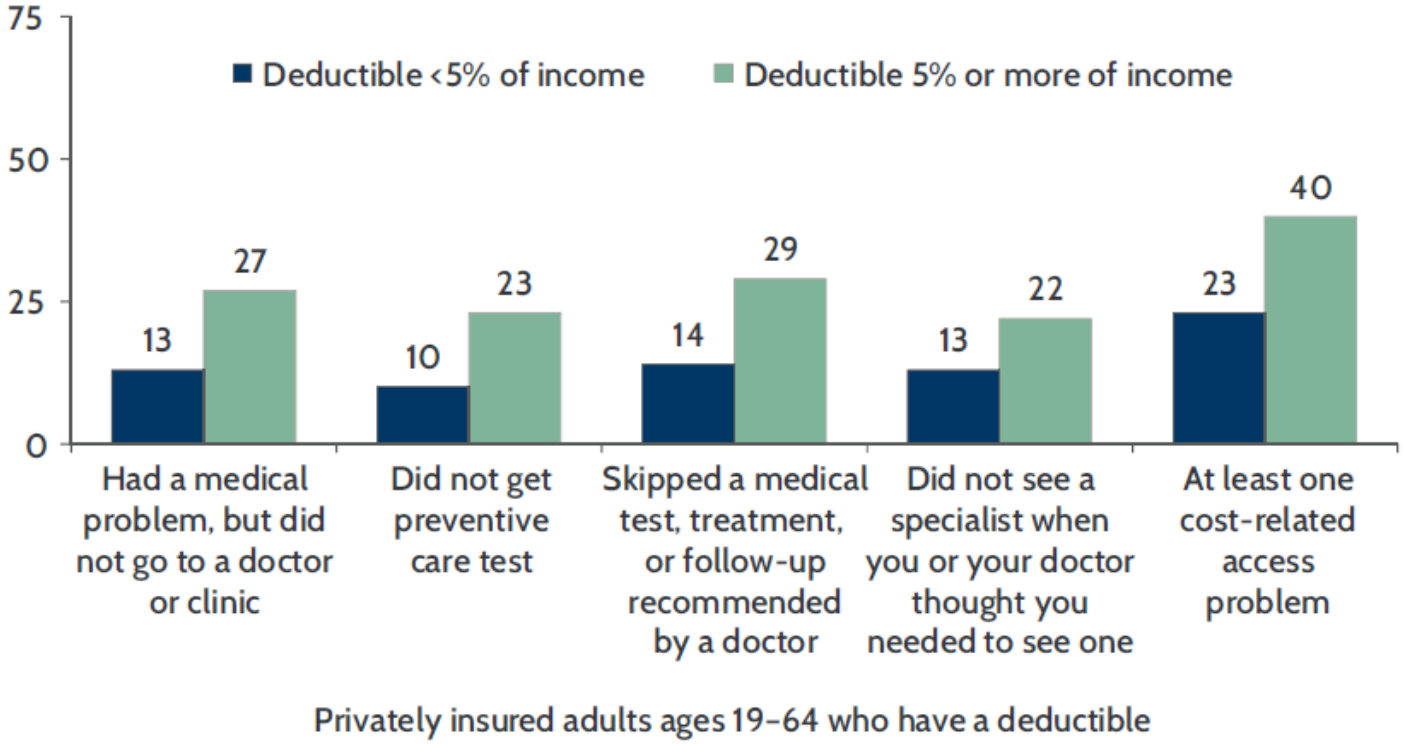
Affordability is a Barrier to Enrollment

- The most common reason for remaining uninsured in 2015 is not being able to afford insurance (44%)
- Affording health care is the top financial concern for Californians remaining uninsured (ranked higher than housing, gas, utilities, and food)

Source: Kaiser Family Foundation, *California's Previously Uninsured After the ACA's Second Open Enrollment Period*, Wave 3 of the California Longitudinal Panel Survey, July 2015

Affordability is also a Barrier to Timely and Appropriate Use of Care

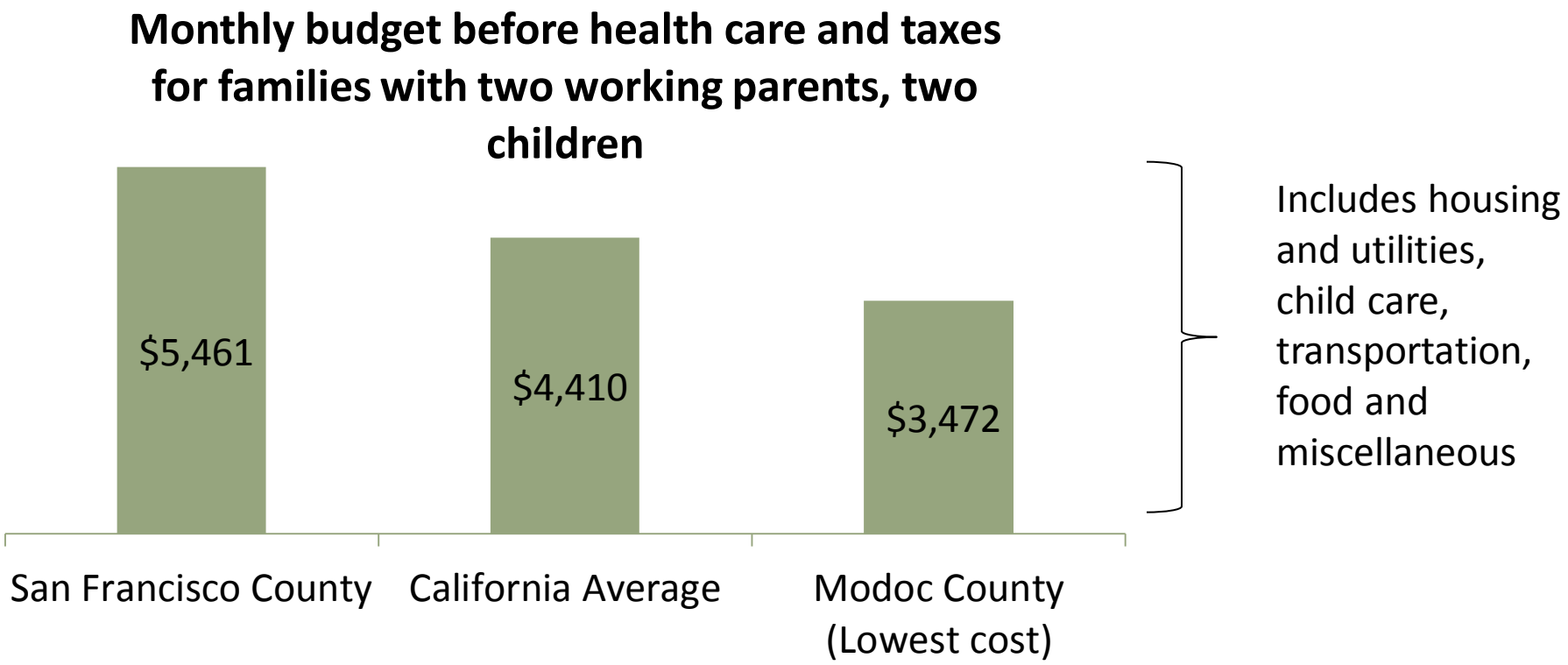
Share of Privately Insured Adults in U.S. that Reported Delaying or Avoiding Needed Care Because of Their Deductible (surveyed in Fall 2014)



Note: Privately insured includes job-based coverage, a marketplace plan, or other individual market plan

Source: Collins SR, Rasmussen PW, Doty MM & Beutel S (Commonwealth Fund), Too High A Price: Out-of-Pocket Health Care Costs in the United States, November 2014

San Francisco Monthly Family Expenses $1k More than CA Average

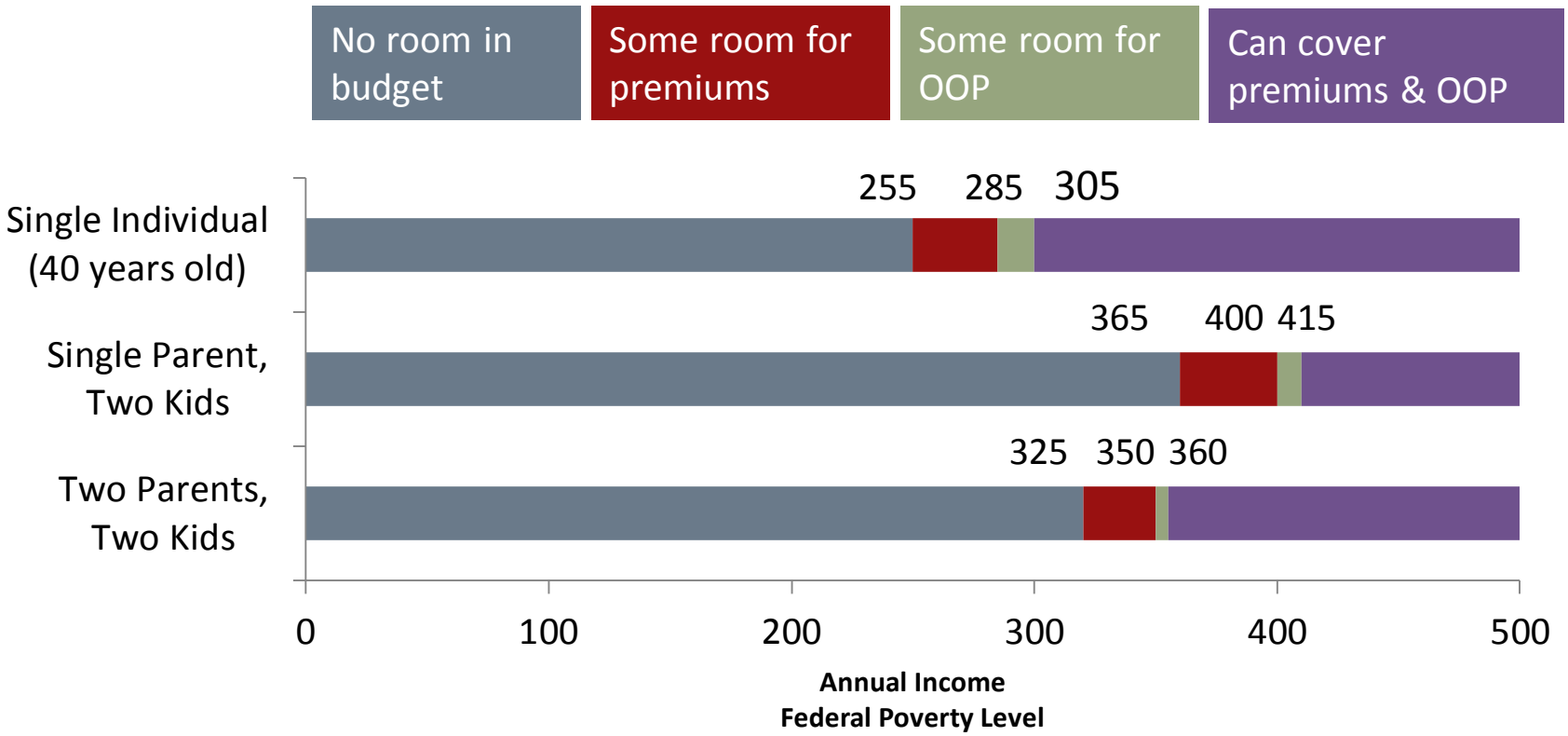


Source: California Budget Project (CBP) Making Ends Meet 2013, updated housing cost for HUD Fair Market Rent FY2015

Note: does not include CalFresh or child care subsidies

Analysis 1: Budget-Based Approach

Federal poverty thresholds at which workers with CBP "Making Ends Meet" budget have room in budget for health care expenses



Analysis 2: Adjusting FPL

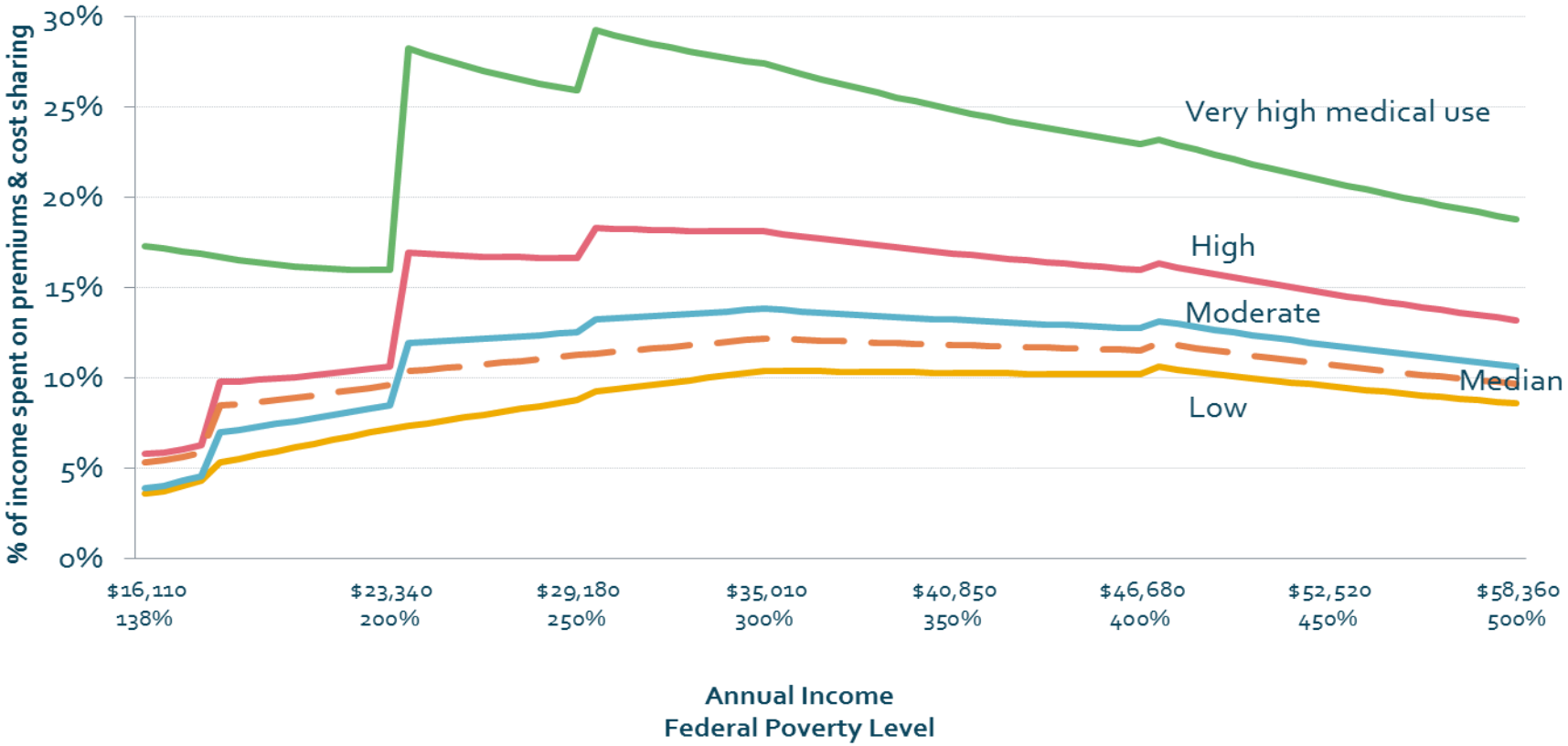
ACA affordability thresholds for San Francisco calculated using a California-specific poverty level developed by PPIC and Stanford, further adjusted for county-specific housing costs.

San Francisco renter equivalent FPL Threshold	National FPL Threshold	ACA Maximum Premium Percentages as a Share of Income	ACA Cost Sharing Subsidy
0% - 219%	0% - 138%	0% - Medicaid	Medicaid
220% - 237%	138% - 149%	3.31% - 4.02%	Enhanced Silver 94
238% - 317%	150% - 199%	4.02% - 6.34%	Enhanced Silver 87
318% - 396%	200% - 249%	6.34% - 8.10%	Enhanced Silver 73
397% - 476%	250% - 299%	8.10% - 9.56%	NA
477% - 635%	300% - 399%	9.56%	NA

Source: UCB analysis using Sarah Bohn, Caroline Danielson, Matt Levin, Marybeth Mattingly, and Christopher Wimer. "The California Poverty Measure: A New Look at the Social Safety Net." Public Policy Institute of California, October 2013.

Analysis 3: Total Expected Health Spending

Single Adult



Source: UCB analysis

Note: Graph reflects premium and cost sharing after subsidies for 40 year old San Franciscans purchasing the second lowest cost Silver plan through Covered California.

Analysis 4: Underinsurance

Commonwealth Fund defines underinsured as:

Out-of-pocket costs excluding premiums are at least 5% of household income under 200% FPL or 10% for those over 200% FPL

or

Deductible is at least 5% of household income

Source: Commonwealth Fund Biennial Health Insurance Survey

Underinsurance in Silver Plan Deductibles

Single Individual

Income as % of FPL	Health Plan	Medical + Drug Deductible	% of Income
144%	Enhanced Silver 94	-	0.0%
175%	Enhanced Silver 87	550	2.7%
225%	Enhanced Silver 73	1,850	**7.0%**
275%	Silver 70	2,250	**7.0%**
325%	Silver 70	2,250	**5.9%**
375%	Silver 70	2,250	**5.1%**
425%	Silver 70	2,250	4.5%
475%	Silver 70	2,250	4.1%

Summary of Findings

- Assuming a “Making Ends Meet” household budget, additional assistance is especially needed below 415% FPL, with the exact threshold depending on family structure
- If ACA premium subsidies were tied to local cost of living, subsidies would be offered to families with income as high as 635% FPL in San Francisco
- Individuals with higher levels of medical use could be at risk for especially high health spending as a share of income
- Covered California silver plan deductibles for single individuals with income of approximately 200-400% FPL meet Commonwealth Fund definition of underinsurance

Program Design Options

Don Novo and Donna Laverdiere

Health Management Associates

HMA Analysis: Methods

- Review of existing programs
- Health plan and Covered California interviews
- Focus group findings
- Evaluation of options against defined criteria
- Consideration of existing programs, structures, and funding sources

Existing Health Benefit Programs

Premium Assistance Programs

- Medicaid Health Insurance Premium Payment (HIPP) Programs:
  - Assists enrollees with purchase of employer sponsored insurance when cost-effective
- Oregon Home Care Workers Program:
  - Provides premium and cost sharing assistance to Oregon SEIU home care and personal support workers with purchase of health insurance through the Oregon Health Plan

Interviews

- Met with Covered CA staff to discuss concept of a Public Benefit Program (PBP) and ability to operationalize
- Interviewed 4 of the 5 QHPs in San Francisco Region to evaluate strengths and weakness of various PBP options

Benefit Design Options

In each option, assistance benchmarked to premium of second lowest cost silver plan after federal subsidies

1. Tiered premium assistance:
   - Incomes up to 400% FPL: 100% of premiums
   - Income of 400-500% FPL: 40% of premiums
2. Flat premium assistance of 80% of premium for individuals with incomes up to 635% FPL
3. Flat premium assistance of 60% of premium plus cost-sharing assistance to reduce the plan deductible to 5% of income for individuals with incomes up to 500% FPL

Benefit Design Options

Evaluation Criteria

- Maximize the number of participants covered
- Maximize affordability of health care coverage:
  - Total health spending as a % of income
  - Premiums and out-of-pocket costs compared to household budget
  - Underinsurance: deductible exceeds 5% of household income or out-of-pocket expenses exceed 5% of income under 200% FPL and 10% above 200% FPL
- Minimize complexity for public understanding and administration

Benefit Design Options

Estimated Participation and Assistance Amounts

	Option 1	Option 2	Option 3
Assistance Type	Tiered premium assistance	Flat premium assistance	Premium and cost sharing assistance
Take-up	3,680	3,770	3,750
Total subsidy	$7,472,000	$10,960,000	$9,184,000
Remaining cost as % of income	3.7% - 10.5%	3.2% - 6.4%	4.2%-8.6%

Premium Assistance Administrative Options

Premium Assistance Administrative Structure	Description
1. Premium payments to all QHP issuers serving San Francisco, via a TPA	Utilize a TPA to provide direct premium assistance payments to Covered California QHP issuers that were selected by program participants
2. Contract with a single QHP issuer to offer a designated plan	Contract with one QHP issuer to offer a designated plan established specifically for program participants, i.e. the San Francisco Public Benefit Plan, or to offer a selection of all of its Covered California plans
3. Medical reimbursement account (MRA)	Leverage the existing City MRA to administer the new public benefit program. Participants would submit receipts for reimbursement of eligible premium expenses
4. Debit Card for 100% Premium Assistance and MRA for Lower Assistance Amounts	Implement a debit card program under the City Option program to provide program participants with a debit card as a vehicle for providing premium assistance. The debit card account could have a set credit limit for the amount of premium assistance provided

Cost Sharing Assistance Administrative Options

Cost Sharing Assistance Administrative Structure	Description
1. Supplemental payments to QHP issuers for out-of-pocket liability	Utilize a TPA to pay claims for program participants' out-of-pocket deductibles and coinsurance costs, up to a cap per participant. Payments would be made to QHP issuers
2. Debit Card	Utilize a TPA to provide debit cards to program participants to pay for their out-of-pocket expenditures
3. Medical reimbursement account (MRA)	Leverage the existing City MRA to provide cost-sharing assistance to program participants. Eligible expenses could be limited to cost-sharing payments at provider offices to ensure that program funds are used to pay only for appropriate services.

Evaluation Criteria

- Maximize Program Participant Take-up/Ease of use
- Minimize Legal Barriers
- Minimize Time for Implementation
- Maximize QHP Issuer Operational Feasibility
- Minimize Administrative Cost Burden

Administrative Structure Recommendations

- Premium Assistance
  - Debit card/Medical Reimbursement Account (MRA) or MRA alone
- Cost Sharing Assistance
  - Debit card or MRA
- Implementation
  - Recommended to SFDPH to implement the program within their existing TPA structure to maximize operational efficiency and speed to implementation

Application to Other Local Entities

- Entities considering the development of a Public Benefit Program should review existing programs to:
  - Evaluate cost of living and the affordability of health insurance in your area
  - Identify existing administrative functions that can reduce new program development and implementation costs
  - Identify structures that can be used to determine new program eligibility
  - Identify existing funding streams that can be used to finance subsidies provided to new program enrollees or possible new sources of funds

Project Outcomes

Aneeka Chaudhry and Colleen Chawla

SF Department of Public Health

Key Findings

- **San Franciscans at risk for uninsurance & underinsurance**
  - Cost of living estimated 59% higher than national average
  - Cost-sharing trends and high deductibles leave some underinsured
  - Those earning 250-500% FPL most vulnerable
- **San Francisco's existing City Option provides the strongest foundation for addressing affordability**
  - Leverages existing infrastructure
  - Lower administrative costs
  - Potentially eligible population familiar with City Option
  - MRA flexibility to administer premium assistance and cost-sharing

SFDPH Proposal

A multi-part approach to address affordability of health care for San Franciscans:

1. New **Bridge to Coverage** component under City Option to increase affordability of health insurance

2. **Healthy San Francisco Affordability Extension** for those unable to access affordable coverage

3. Stakeholder process to study feasibility of an **Employee Wellness Fund** to encourage employer investments in workplace wellness programs

Bridge to Coverage

Eligibility

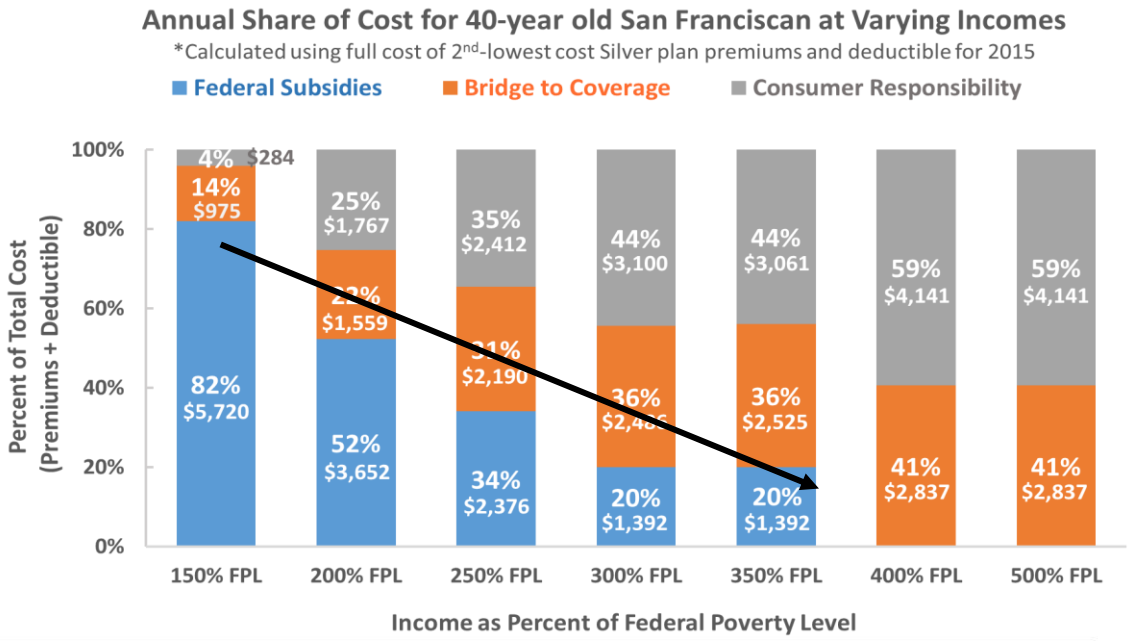
- San Francisco resident
- Employer contributes to City Option
- Eligible to purchase insurance on Covered California
- Annual income between 139-500% FPL

Individually-Calculated Benefit

- **Premium assistance:** 60% of cost of 2nd lowest cost Silver plan after federal subsidies

+

- **Cost-sharing assistance:** keeping plan deductible <5% of income



Implementation and Expected Benefits

Access to affordable health care for all low- and middle-income San Franciscans

- Bridge to Coverage (anticipated launch Summer 2016)
  - Increased affordability for ~3,000 residents
  - Increased access to affordable health insurance for low-wage or part-time employees
  - Funded through employer contributions
- Healthy San Francisco Affordability Extension (Jan 2016)
  - Retains safety net for those without options
  - Provides coordinated care to avoid costly charity care

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