

From: Standard Plan Design Team
To: Advisory Committees
Subj: Standard Plan Design

January 9, 2013

Introduction:

The eight of us have been working, as directed by our co-chairs, to determine standard plan designs to fulfill the direction of the Board of Directors to have a common benefit plan for consumers to compare. We are guided by three basic principles:

Simplicity – Standard plans should be simple to understand and to administer

Consumer Focused – Enable consumers to get the basic care they need with the minimum cash expense.

Primary Care – Enable people to maintain their health

We must act to define standard plan designs soon. The carriers need that information to develop, price and file their plans. The Connecticut Insurance Department needs time to review and approve all filings and rates. Finally, the Health Insurance Exchange needs approved rate filings and products to start testing in the early spring to be ready for the go-live date of October 1, 2013.

Methodology

In 2014, health benefit plans offered through the Exchange will be classified into four product categories, Platinum, Gold, Silver, and Bronze, with corresponding metal tier actuarial values of 0.90, 0.80, 0.70, and 0.60.

We met last night and worked many scenarios. Some on the team were able to weigh in on the clinical implications, others on the probable consumer concerns, several on the marketing attractiveness, and still others on the carrier's perspective on the plans. We developed a baseline plan for the Silver tier.

We are using the Actuarial Value Calculator as provided by the Federal government to guide our plan design. By choosing different benefits, e.g. copay, deductible, coinsurance for specific services, we must get within 2 points of the metal tier actuarial value. The team agreed to focus on developing a Silver plan first, the one with an AV of 70%. Our view is that we can come together on that level plan, the one on which subsidies and cost sharing is based, we can use that foundation to build Bronze, Gold and Platinum standard plan designs.

The major determinants of actuarial value are the deductible amount and coinsurance level. In our deliberations we worked to honor our principles listed above. We also must incorporate all Federal and state regulations. The ACA requires that member cost sharing (i.e. out of pocket expense) be limited to \$6,250 per individual policy and \$12,500 family coverage. In addition, the plan deductible cannot exceed \$2,000 for single coverage and \$4,000 for family coverage. On the state level, for example, we cannot exceed maximum copay for primary care and specialist visits.

For reference, included as Appendix A is a “screen shot” of the AV calculator with our baseline Silver plan.

Baseline

Our baseline plan utilizes deductibles and coinsurance, as well as copays on several services. Recognizing the need to motivate people to see their doctor, we applied copays only for primary care, specialty and mental health visits, and also generic drugs but did not make these services subject to the deductible or coinsurance. As per the ACA direction, preventive care has no out-of-pocket expense to consumers.

Plan Design	Copay Amount	Subject to Deductible and Coinsurance?
Deductible: \$2,000 Individual/\$4,000 Family		
Coinsurance Level – Plan pays 75%, Enrollee pays 25% after deductible		
Maximum Out of Pocket Expense: \$6,250 Individual/\$12,500 Family		
Primary Care Visit to Treat an Injury or Illness (exc. Well Baby, Preventive, and X-rays)	\$35	No
Specialist Visit	\$45	No
Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services	\$35	No
Emergency Room Services		Yes
All Inpatient Hospital Services (inc. MHSA)		Yes
Imaging (CT/PET Scans, MRIs)		Yes
Rehabilitative Speech Therapy		Yes
Rehabilitative Occupational and Rehabilitative Physical Therapy		Yes
Preventive Care/Screening/Immunization		Yes
Laboratory Outpatient and Professional Services		Yes
X-rays and Diagnostic Imaging		Yes
Skilled Nursing Facility		Yes
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)		Yes
Outpatient Surgery Physician/Surgical Services		Yes
Drugs		
Generics	\$15	No
Preferred Brand Drugs		Yes
Non-Preferred Brand Drugs		Yes
Specialty High-Cost Drugs		Yes

Sensitivities and Alternatives:

We recognize that the Deductible is greater than may be desired, but we balanced that out with the use of copays on primary care and specialists, and excluding them from the deductible and coinsurance. We also realized that the deductible is often reached with any quantity of inpatient care. For instance, an overnight stay in a hospital, or potentially even an emergency room visit, will likely expose an individual to responsibility for the full deductible as well as co-insurance costs above the deductible up to the maximum of \$6,250. Appendix B lists some potential scenarios for an individual, and how they would fare with our baseline plan.

We found that by decreasing the deductible or increasing the coinsurance percent paid by the health plan, any plan would have an AV of greater than allowed, i.e. greater than 72%.

We are limited on increasing the copays by the amounts allowed by Connecticut regulation.

If we put more services on a copay level, we would increase the actuarial value of the plan beyond the level allowed for the Silver tier.

Request:

We share this with you to update you on where the team is in our process. We also solicit your input on this baseline Silver plan.

Next Steps:

Our team is meeting this Friday afternoon, January 11, 2013 at 3PM to work to finalize the Silver Baseline.

Appendix A – Screen shot from AV Calculator

User Inputs for Plan Parameters

Use Integrated Medical and Drug Deductible?

Apply Inpatient Copay per Day?

Apply Skilled Nursing Facility Copay per Day?

Use Separate OOP Maximum for Medical and Drug Spending?

Indicate if Plan Meets CSR Standard?

Desired Metal Tier: Silver

HSA/HRA Options

HSA/HRA Employer Contribution?

Annual Contribution Amount:

Tier 1 Plan Benefit Design		
Medical	Drug	Combined
Deductible (\$)		\$2,000.00
Coinsurance (% , Insurer's Cost Share)		75.00%
OOP Maximum (\$)		\$6,250.00
OOP Maximum if Separate (\$)		

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Tier 1				
Type of Benefit	Subject to Deductible?	Subject to Coinsurance?	Coinsurance, if different	Copay, if separate
Medical	<input checked="" type="checkbox"/> All	<input checked="" type="checkbox"/> All		
Emergency Room Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
All Inpatient Hospital Services (inc. MHSA)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Primary Care Visit to Treat an Injury or Illness (exc. Well Baby, Preventive, and X-rays)	<input type="checkbox"/>	<input type="checkbox"/>		\$35.00
Specialist Visit	<input type="checkbox"/>	<input type="checkbox"/>		\$45.00
Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services	<input type="checkbox"/>	<input type="checkbox"/>		\$35.00
Imaging (CT/PET Scans, MRIs)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Rehabilitative Speech Therapy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Rehabilitative Occupational and Rehabilitative Physical Therapy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Preventive Care/Screening/Immunization	<input type="checkbox"/>	<input type="checkbox"/>	100%	\$0.00
Laboratory Outpatient and Professional Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
X-rays and Diagnostic Imaging	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Skilled Nursing Facility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Outpatient Surgery Physician/Surgical Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Drugs	<input checked="" type="checkbox"/> All	<input checked="" type="checkbox"/> All		
Generics	<input type="checkbox"/>	<input type="checkbox"/>		\$15.00
Preferred Brand Drugs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Non-Preferred Brand Drugs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Specialty High-Cost Drugs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Options for Additional Benefit Design Limits:

Do Not Allow Copays to Exceed Service Unit Cost?	<input checked="" type="checkbox"/>
Set a Maximum on Specialty Rx Coinsurance Payments?	<input type="checkbox"/>
Specialty Rx Coinsurance Maximum:	
Set a Maximum Number of Days for Charging an IP Copay?	<input type="checkbox"/>
# Days (1-10):	
Begin Primary Care Cost-Sharing After a Set Number of Visits?	<input type="checkbox"/>
# Visits (1-10):	
Begin Primary Care Deductible/Coinsurance After a Set Number of Copays?	<input type="checkbox"/>
# Copays (1-10):	

Please note – the Silver level requires an AV of 70%, but the Fed's will accept an AV within two points of that level.

Output

Calculate

Status/Error Messages: Error: Result is outside of +/- 2 percent de minimus variation HHS int

Actuarial Value: 72.0%

Appendix B – Examples of how potential health events would be paid and by whom.

	Potential Health Events for an Individual			
	Four Primary Care Visits	One Overnight Stay	Outpatient Surgery / Event	Catastrophic Event
Copays	(35 X 4)=\$140			
Total Charges(estimate)		\$4,000	\$19,000	\$200,000
Amount of deductible paid by enrollee		\$2,000	\$2,000	\$2,000
Coinsurance paid by enrollee ((total charges less deductible) times 25%)		(4,000 – 2,000)X 25%= \$500	(19,000 – 2,000)X 25%= \$4,250	(19,000 – 2,000)X 25%= \$4,250
Coinsurance paid by Health Plan ((total charges less deductible) times 75%)		(4,000 – 2,000)X 75%= \$1,500	(19,000 – 2,000)X 75%= \$12,750	(19,000 – 2,000)X 75%= \$12,750
Expenses greater than Out of Pocket Maximum paid by Health plan				\$200,000 - \$19,000= \$181,000
Total Paid by Enrollee(copay, deductible, coinsurance) n.b. does not include premium	\$140	\$2,500	\$6,250	\$6,250
Total Paid by Health Plan		\$1,500	\$12,750	\$192,750

