MINUTES

# HOUSE HEALTH & WELFARE COMMITTEE

**DATE:** Wednesday, January 24, 2018

**TIME:** 9:00 A.M.

**PLACE:** Lincoln Auditorium

**MEMBERS:** Chairman Wood, Vice Chairman Packer, Representatives Perry, Vander Woude, Redman, Blanksma, Hanks, Kingsley, Zollinger, Wagoner, Chew, Rubel

**ABSENT/ EXCUSED:** None

**GUESTS:** The sign-in sheet will be retained in the committee secretary's office until the end of the session. Following the end of the session, the sign in sheet will be filed with the minutes in the Legislative Library.

**Chairman Wood** called the meeting to order at 9:00 a.m.

**Russ Barron**, Director, Department of Health and Welfare (DHW), presented information on the Idaho Health Care Plan Dual Waiver Strategy, a collaborative plan between the DHW and the Department of Insurance (DOI) resulting in the 1115 Medicaid Waiver and the 1332 Insurance Waiver. The two waivers address high insurance premiums and health care coverage for citizens who are below the 100% Federal Poverty Limit (FPL).

**Dean Cameron**, Director, Idaho DOI, presented additional information. A sustainable insurance market is a mix of healthy and unhealthy participants. Prior to the Affordable Care Act (ACA) claims totaling $173M were paid by $216M in collected premiums. Today $542M of collected premiums pay over $600M in claims. The ACA concept of the healthy offsetting the unhealthy, without management tools, proved inaccurate as those with health conditions came in large numbers and many without health conditions left. This cycle continues due to subsequent rate increases.

This legislation addresses individuals with high-cost claims and provides a subsidy for persons who fall below 100% FPL. It is separate from Executive Order 2018-2.

Due to the ACA and Supreme Court ruling, states have been forced to either implement Medicaid expansion (costing $42M) or do nothing, which allows rates to rise at unsustainable levels and deplete pool participation until the market collapses.

**Lori Wolff**, Deputy Director, DHW, provided additional details. Medicaid covers children (up to 185% FPL) and parents (up to 26% FPL). Tax credits (APTC) are paid for children, after Medicaid, (185% to 400% FPL) and adults (100% to 400% FPL). Legal non-citizens receive APTC (up to 100% FPL) because they are not eligible for Medicaid. The other groups receiving Medicaid are the aged/disabled (up to 83% FPL), pregnant women (up to 138% FPL), and persons with breast & cervical cancer diagnoses (up to 200% FPL). Non-disabled adult U.S. citizens under 100% FPL do not qualify for Medicaid or APTC coverage.

The 1332 Waiver provides APTC access for individuals under 100% FPL. It also waives the APTC ban on U.S. citizens, covers working/taxed citizens with APTC, and stipulates individuals up to 100% FPL are not Medicaid eligible. Applicants must file a federal income tax return. The waiver impacts persons under sixty-five years of age, excluding those eligible for Medicaid programs or with employer supported coverage.

The 1115 DHW Medicaid Waiver identifies individuals with high-cost complex medical needs and provides a new group covered by Medicaid. The up to 400% FPL covers the span of individuals receiving APTC on the exchange. It includes persons under 65 years of age who are ineligible for the full Medicaid program and without employer sponsored plans. The customers could be identified through health care providers or carriers and referred to the DHW for eligibility determination. Participants with higher income levels will have a cost share for their premiums.

The 1115 Waiver helps balance the risk pool by identifying high-cost conditions. Those listed are hemophilia, bone marrow disorders, cystic fibrosis, paralytic syndromes, select severe cancers, and multiple sclerosis. Also on the list are blood, liver, and selected nervous system diseases. These conditions represent 2% of the population and 40% of the claim costs. Pulling these individuals into Medicaid provides a payment split of 70% federal and 30% state. After moving these individuals to Medicaid, the market is expected to normalize and decrease insurance rates by 20%.

Both waivers have to go together. In order to be approved for the 1332 Waiver, Idaho must prove budget neutrality. APTC currently pays $550M to 80,000 individuals. By reducing insurance costs through the 1115 Waiver, the cost savings of $135M to $150M is reinvested to cover 35,000 additional individuals now eligible for private coverage through the 1332 Waiver, while maintaining the APTC federal cost of $550M.

**Director Cameron** shared the plan for the next steps. Although their federal partners continue to make changes, the DHW will apply to the Department of Health and Human Services (CMS) for the 1115 Waiver this month. The DOI hopes to apply for the 1332 Waiver in February. Contingent on legislative approval during this session and prior to federal approval, both waivers will proceed. The 1115 Waiver CMS approval is anticipated by March or April. The 1332 Waiver approval from the Center for Consumer Information and Insurance Oversight and the Treasury Department is expected by June or July. This is at the same time the insurance companies are submitting their plans and rates for the coming year. Implementation of the waivers is planned for the DHW on July 1 and October 1 for the DOI.

The legislation including both waivers has been carefully crafted and balanced to meet both state and federal needs. Inclusion of the Executive Order could mean it would not be approved, as was experienced by Iowa.

Answering questions, **Director Cameron** said the recognized expense, when compared to the Medicaid expansion cost, results in a lower taxpayer cost and keeps the marketplace from collapsing, which has happened in other states. The DOI directs carrier rates based on actuarial numbers. The addition of customers provides an incentive to carriers. Both waivers must go through, although they are filed with separate federal agencies.

Responding to a question, **Lori Wolff** stated the listed conditions were chosen based on high medical, hospitalization, or pharmaceutical expenses.

Answering further, **Director Cameron** stated the projections were calculated using both inside and outside actuary assistance, which is part of the waiver application. Actual two-year insurance industry data was used for determining the conditions. Because their market is more balanced, small businesses experienced only a 5% insurance rate increase.

Responding further, **Director Barron** said the 1115 Waiver aligns with Medicaid's original design to assist persons with serious health conditions. Waivers are typically five-year plans. Anyone Medicaid eligible, without a subsidy, can still get marketplace insurance. This provides an incentivized, not forced, optional move to Medicaid.

Continuing to answer questions, **Director Cameron** emphasized this is not an insurance industry bail out and is not recognized by the federal government as Medicaid expansion. This approach provides a route to lower insurance rates and better coverage access.

**Sara Stover**, Health and Human Services Budget Analyst, Governor's Office, was invited to answer a question. She said because the Millennium Fund committee did not accept annual distribution applications this year, $11.4M is available to help offset the General Fund impact.

**Director Cameron** stated the annual providers network update can result in changing providers. The Medicaid network is just as or more robust than private insurance carriers. Those who are unhealthy have figured out ways to get across the line to qualify for a subsidy or Medicaid. The hope is to eliminate this basic unfairness so everyone's rates can be lower. The DOI would be the only entity receiving insurance company data, which has no individual or illness information. State-based plans, which will be 30% to 50% less expensive, do not require federal government waiver or permission.

Answering questions, **Ms. Wolff** said the information received from the carriers follows the Health Insurance Portability and Accountability Act (HIPAA).

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 10:34 a.m.

Representative Wood
Chair

Irene Moore
Secretary