DEFICIENCIES OF HEALTH CARE MARKETS & INSURANCE EXCHANGES

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Health Economics Program

The Economics of Welfare Loss
Overview

• Health Care Coverage
• Health Care Costs
• Small Group & Individual Market
  • Benefits
  • Competition
  • Administrative Load
• Additional Thoughts on Deficiencies
• Delivery System Reform

HEALTH COVERAGE
Access to Insurance Coverage: Distribution of Primary Source of Coverage in MN (2011)

Uninsured, 9.1%
MA, MNCare, 13.9%
Medicare, 15.0%
MCHA/PCIP, 0.5%
Individual, 4.7%
Small Group, 6.4%
Large Group, 49.2%
TriCare, 1.2%

Source: MDH Health Economics Program; population estimates are from the U.S. Bureau of Census, June 2013
MA is Medical Assistance, MNCare is MinnesotaCare, MCHA is Minnesota Comprehensive Health Association, PCIP is Pre-Existing Condition Insurance Plan


Uninsured Point in Time
Uninsured at Year
Uninsured at Some Point in Year

7.2% 9.1% 9.1%
4.6% 6.2% 6.5%
11.3% 13.0% 12.6%

*Indicates statistically significant difference (95% level) from prior year shown.
Disparities in Rates of Coverage in 2011 Remain Largely Unchanged

- Disparities in coverage
  - Age & income
  - Race/Ethnicity
  - Education
- Differences in coverage also exist by
  - Region
  - Marital status & health status
  - Nativity
- In 2011, rates of uninsurance between Greater Minnesota and Twin Cities do not differ from each other (but metro rate rose)

***Minnesota Uninsurance Rates by Income, 2009 and 2011***

- 0% to 100%: 16.9%*, 16.4%^, 17.1%^, 15.8%^, 12.4%, 13.0%^, 7.2%, 2.9%*, 2.6%^, 9.0%, 9.1%
- 101% to 200%: 16.4%, 17.1%, 15.8%, 12.4%, 13.0%, 7.2%, 6.4%, 2.6%, 9.1%
- 201% to 300%: 12.4%, 13.0%, 7.2%, 6.4%, 2.6%, 9.1%
- 301% to 400%: 7.2%, 6.4%, 2.6%, 9.1%
- 401%+: 2.9%, 2.6%, 9.1%

^ Indicates statistically significant difference (95% level) from all incomes within year.

Source: Minnesota Health Access Surveys, 2009 and 2011
Potential Sources of Health Insurance Coverage for Minnesota Uninsured, 2011

Differences to previous years (not shown) are not statistically significant.
Source: Minnesota Health Access Survey, 2011

Main Reason For Not Enrolling in Public Health Care Programs, 2011

Category “other” includes among other responses: privacy concerns over government involvement, concerns over embarrassment, and that respondent is rarely sick.
Source: Minnesota Health Access Survey, 2011
HEALTH CARE COSTS FACED BY CONSUMERS

Main 4 Reasons for Lack of Coverage Among the Uninsured, 2011

<table>
<thead>
<tr>
<th>Reason for Loss of Coverage</th>
<th>Did not Take-up of ESI When Offered</th>
<th>Did Not Purchase Coverage Directly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too expensive/ could not afford</td>
<td>47.6%</td>
<td>73.6%</td>
</tr>
<tr>
<td>Too much hassle/ paperwork</td>
<td></td>
<td>3.6%</td>
</tr>
<tr>
<td>Not eligible for reason other than health</td>
<td>5.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Don’t like benefits package</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>Expect to be covered shortly</td>
<td></td>
<td>2.9%</td>
</tr>
<tr>
<td>18 or older so does not qualify as dependent</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>Job that provided coverage ended</td>
<td></td>
<td>32.7%</td>
</tr>
<tr>
<td>No longer eligible for public insurance</td>
<td></td>
<td>14.9%</td>
</tr>
<tr>
<td>Did not get information to stay on coverage</td>
<td></td>
<td>11.6%</td>
</tr>
<tr>
<td>Just moved to state, haven’t gotten coverage</td>
<td></td>
<td>8.1%</td>
</tr>
</tbody>
</table>
Barriers to Care Because of Costs, 2011
(Unmet Health Care Need)

Source: 2011 Minnesota Health Access Survey

Percent of Minnesotans with Unmet Health Care Need Related to Cost in 2011, by Type of Coverage

Source: 2011 Minnesota Health Access Survey
SMALL GROUP & INDIVIDUAL HEALTH INSURANCE MARKET

Access to Insurance Coverage: Distribution of Primary Source of Coverage in MN (2011)

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- Large Group, 49.2%
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- Medicare, 15.0%
- MCHA/PCIP, 6.5%
- Individual, 4.7%
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Source: MDH Health Economics Program; population estimates are from the U.S. Bureau of Census, June 2013
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Premium Increases in Minnesota's Individual Market, 2000 to 2012

Percent Change in Premium Per Member


Distribution of Deductibles in the Individual Market, 2005 to 2011

Source: MDH, Health Economics Program.
Deductible levels are per person. Distribution of deductibles only includes enrollment in plans with a deductible and excludes enrollment in plans with “per sickness” deductibles.
Per Person Out-of-Pocket Limits in the Individual Market, 2002 to 2011
(by share of total enrollment)

Source: MDH, Health Economics Program.
Median calculation and distribution excludes enrollees with no out-of-pocket limit. Out-of-pocket limit applies to covered services only.

Loading Fee in the Individual Market

Note: Employer sponsored premium is based on single coverage.
Health Plan Market Shares: Individual Market, 2011

Total Premium Volume in 2011: $678 Million

- Blue Cross Blue Shield of MN: 67.1%
- Medica: 11.6%
- Healthpartners: 9.8%
- Time Ins. Co. (Assurant Health): 7.7%
- PreferredOne Insurance Co.: 1.5%
- American Family Mutual Ins. Co.: 1.1%
- World Ins. Co.: 0.7%
- Other 3 firms: 0.4%

Note: Companies with common ownership were treated as one entity. Market shares based on premium volume; fully insured market only.
Hospital Uncompensated Care and Components by Insurance Status, 2012

Uncompensated Care: 60.3% Insured Patients, 39.7% Uninsured Patients
Charity Care: 72.1% Insured Patients, 27.9% Uninsured Patients
Bad Debt: 50.3% Insured Patients, 49.7% Uninsured Patients

Source: MDH analysis of data from the Health Care Cost Information System.

Concordance of Health Coverage Within Families in Minnesota, 2012

Immediate Family Members Have Same Coverage

- Public: 70.9%
- Group: 92.0%
- Individual: 67.8%
- Uninsured: 73.5%
- Overall: 82.8%

MDH/Health Economics Program analysis of data from the Minnesota Health Access Survey 2011
Note: “Immediate Family” defined as target’s spouse, target’s parents (if target<26), target’s child (if child<26), and target’s sibling (if <26 and target lives with parents)
Mobility and Portability: “Job Lock” and Entrepreneurship

Estimates of Self Employment in Minnesota in 2014: With and Without Reform

Absent Reform: 258,000
Post-Reform: 292,000


Preliminary Thoughts on Premium Aggregation

One Job

- Uninsured, not eligible for ESI: 8.8%
- Uninsured, eligible for ESI: 2.5%
- Has ESI: 88.8%

Multiple Jobs

- Uninsured, not eligible for ESI: 17.2%
- Uninsured, eligible for ESI: 2.8%
- Has ESI: 80.0%

MDH/Health Economics Program analysis of data from the Minnesota Health Access Survey 2011
Choice & Transaction Costs of Search

Pathways for Exchanges to Address Market Shortfalls

- Increase number of sellers in the market – foster greater competition
- Broaden the risk pool – required insurance coverage & Medicaid expansion
- Reduce the costs to some of purchasing coverage and accessing costs – premium and cost sharing subsidies
- Create greater transparency in coverage options – exchanges that present QHPs along established standards
- Halt benefit deterioration – essential benefits & removal of life-time limits
THE NEXT CHALLENGE FOR EXCHANGES: COMPETITION ON VALUE

Optimal Diabetes Care, 2009 to 2012

MHCP is Minnesota Health Care Programs, which include Medicaid and MinnesotaCare.
Service year: January 1 through December 31.
Source: MDH Health Economics Program analysis of SQRMS data.
Health Care Costs and the Economy

Cumulative Percent Change in Key Minnesota Health Care Costs and Economic Indicators

![Graph showing cumulative percent change in key Minnesota health care costs and economic indicators.]

Note: Health care costs is MN privately insured spending on health care services per person, and does not include enrollee out of pocket spending for deductibles, copayments/coinsurance, and services not covered by insurance.


<table>
<thead>
<tr>
<th>Total Health Spending (Billions of dollars)</th>
<th>Fraud and Abuse</th>
<th>Pricing Failures</th>
<th>Administrative Complexity</th>
<th>Overtreatment</th>
<th>Failures of Care Coordination</th>
<th>Failures of Care Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>High, 47% Waste</td>
<td>$17.9</td>
<td></td>
<td></td>
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<tr>
<td>Medium, 30% Waste</td>
<td>$12.9</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Low, 21% Waste</td>
<td>$7.9</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Very Low*</td>
<td>$3.9</td>
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</tbody>
</table>


* Very low estimates represents alternative assumption that Minnesota experiences medical waste at half the rate of lowest national surveys.
Concentration in Health Care Expenditures in the U.S.

Source: National Institute for Health Care Management analysis of data from 2009 Medical Expenditure Panel Survey.

Additional Information from the Health Economics Program Available Online

• Health Economics Program Home Page
  • www.health.state.mn.us/divs/hpsc/hep/index.html

• Publications
  • www.health.state.mn.us/divs/hpsc/hep/publications/yearly/2010.html

• Health Care Market Statistics (Presentation Slide Decks)
  • www.health.state.mn.us/divs/hpsc/hep/chartbook/index.html

• Interactive Health Insurance Statistics
  • https://pqc.health.state.mn.us/mnha/Welcome.action