

# Medicaid Expansion

Market Perspective & Recommendation from  
**North Carolina Association of Health Underwriters**

David C. Smith, Vice Chair, Legislative Action Committee

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# Who We Are



- The North Carolina Association of Health Underwriters (NCAHU) represent thousands of agents, brokers and benefit consultants and their staff working with individuals and employers throughout North Carolina
- Our association's members are the first line of information, advice and assistance with those buying health insurance and related benefits for themselves & their family or for their employees and covered dependents.
- Because of our work, we best understand the perspective and interests of private sector buyers of health care in North Carolina

# Agents understand the market...

- Health insurance agents nationally write the vast majority of individual policies sold on and off marketplace, working with hundreds of thousands of families throughout North Carolina to pick the best plan and price for their needs
- Their work begins with explaining carrier and plan options, networks, plan designs, costs associated with hospital stays or office visits and the intricate rules required to be a good consumer and user of health insurance.

# **...and do the work year-round.**

- Our members help family members when circumstances change impacting who is covered (birth, marriage, divorce, death) or when their options change (eligible for employer coverage or household income changes impact the cost they pay each month for coverage)
- That includes when there's an unexpected bill from a doctor or an immediate need to walk through the process of prior approval or step therapy for a drug they've been prescribed.

# How Federal Marketplace works...

Households earning less than 100% of the Federal Poverty Level are not eligible for advanced tax credit premium subsidies through the Health Care Marketplace

100% or Below FPL Household Income

100-150% FPL Household Income

Households earning 100-150% of the Federal Poverty Level receive advanced tax credit premium subsidies that will cover most, if not all, of the cost of coverage for their family through the Health Care Marketplace

**Medicaid Expansion in North Carolina should target those who are not otherwise eligible for subsidized coverage through the Health Care Marketplace (healthcare.gov)**

# Why Uninsured: Lack of Knowledge

- Large percentage of uninsured (based on CA and other state data) is the lack of awareness of subsidy eligibility combined with a low willingness/ability to pay for coverage
- Patrick Woodie, NC Rural Center told this commission that about 665,000, or 65% of uninsured adults are employed.
  - *"This includes agriculture workers, construction workers, childcare workers, cashiers, restaurant workers, delivery drivers."*
- Translation: 65% are likely earning at or above the Federal Poverty Level, and therefore eligible for subsidized coverage through the Marketplace at no cost to the state

# Medicaid vs. Existing Marketplace

- Reasons for concern about adding to current Medicaid
  - Some providers are not participating in Medicaid in North Carolina under new managed care program due in large part to low reimbursement schedule
  - Adding over one million new lives to Medicaid may create issues and add complexity to the managed care transition already in place
  - The cost associated with adding to Medicaid (programming etc) may be better spent on providing those eligible for expanded Medicaid a higher subsidy to purchase their own coverage through the Marketplace
- Silver Plan Coverage already reduces the out-of-pocket costs of those making less than 250% of federal poverty level through “cost-sharing reductions” which dramatically lower out of pocket costs vs. other marketplace plans.
- There is already a solution that maximizes existing resources, can be implemented sooner and would allow North Carolina to expand eligibility and coverage: vouchers to buy coverage through Marketplace

# Vouchers vs. Medicaid:

## Creating better consumers and buyers of health care in North Carolina

- We encourage this Committee to look at states like Indiana and Arkansas for examples of where individuals and families purchase their own coverage through the Marketplace in lieu of expanding enrollment in the state's Medicaid system
- Those households earning less than 100% of the Federal Poverty Level would be given premium vouchers to buy the policy that best suits their family's needs with very low out of pocket costs
- If they earn 100-150% PFL or more, Marketplace options would cover most if not all of their premium costs with low out of pocket costs

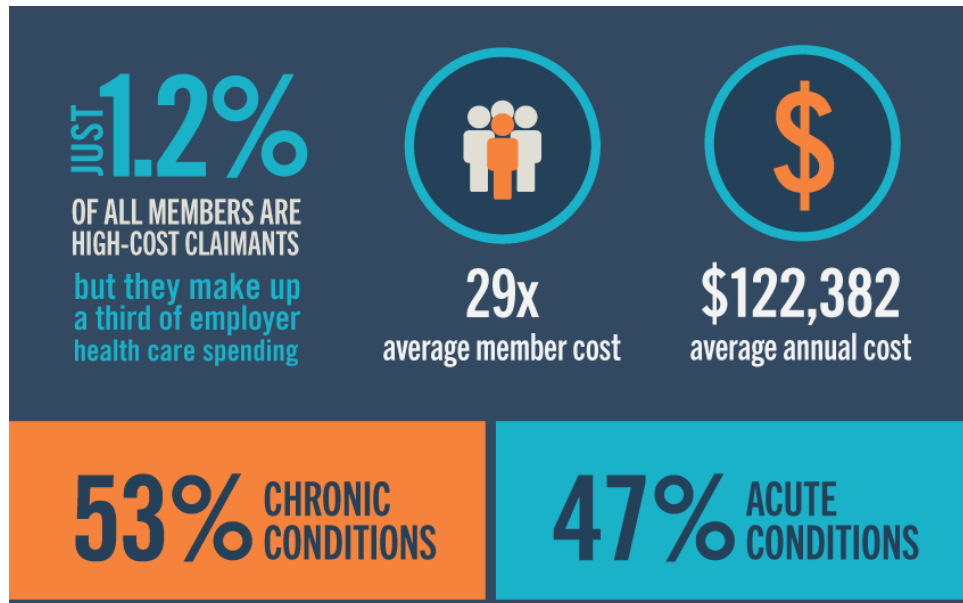




# Agents as traffic control

- Understanding the Marketplace rules, agents can help direct those who seek coverage to the best option:
  - If income is below 100% FPL, then the steps to be eligible for and use a voucher to pick their own coverage through the Marketplace
  - If income is more than 100% FPL, help them enroll in subsidized coverage through the Marketplace at no additional cost to North Carolina

# Managing Risk



We know from the testimony the committee has heard from Ohio and other states that there will be high costs for the first couple years of Medicaid expansion due to untreated conditions or lack of coverage resulting in failure to identify ongoing medical issues

Under Section 1332 of the ACA, states have set up reinsurance pools to offset the cost of those with the highest cost conditions on participating carriers, paid with federal money, to minimize their impact on the cost of premiums in the Marketplace. This solution would mitigate the impact of a voucher program in North Carolina



# How Reinsurance Pools work...



Sam is diagnosed with a high-cost medical condition that results in \$300,000 in medical bills that are paid during 2022

Carrier pays entire \$70,000

Carrier purchases reinsurance for amounts that exceed \$250,000

First \$70,000 in claims on any participant

\$70-\$250,000 in claims on same participant

\$250,000

This cost is split between the carrier and the reinsurance pool, who reimburses carrier 50% of the cost in this range.

Molina Marketplace	
ID#	
Member:	
DOB:	Plan:
Subscriber Name:	
Subscriber ID:	
Provider:	
Provider Phone:	
Provider Group:	
Medical Cost Share	
Primary Care:	Specialty Care:
Specialist Visits:	Urgent Care:
ED Visit:	
Molina Healthcare	PA ID#
No POC:	No Group:

# State Reinsurance Pools

- Under 1332 Waiver Program, the total claims paid for those with the highest cost conditions are reduced, which helps stabilize the carriers and costs within the marketplace

	Without 1332 Waiver	With 1332 Reins Pool
Carrier	\$250,000	\$70,000 + \$90,000
Reinsurance Pool	none	\$90,000
Carrier Reinsurance	\$50,000	\$50,000
Net Paid by Carrier	\$250,000	\$160,000

*36% savings for carrier, which ultimately helps consumers who don't bear the full cost of Sam's expenses*

# Conclusion

- Expanding Medicaid by taking advantage of Marketplace through voucher program will:
  - Maximize the existing premium subsidies within the ACA
  - Teach those enrolled on this program to better shop for coverage



# Questions?

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