WSHIP Project Update

Medicare Cures Act Project and Reasonable Choice Definition Review

Board of Directors Meeting

May 13, 2020

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Project Summary: 21st Century Cures Act Project

Project Goal:

Evaluate the impact to WSHIP of the 21st Century Cures Act that amended the Social Security Act to allow Medicare-eligibles with ESRD to enroll in a Medicare Advantage (MA) plan beginning January 1, 2021

Project Approach:

- Analyze prevalence and cost of WSHIP ESRD patients
- Examine differences in cost sharing in WSHIP vs MA plans
- Estimate the impact on WSHIP enrollment and cost
- Research MA acceptance of third-party payment
- Consider broader impacts

Cures Project: Background

- To be eligible for WSHIP, Medicare-eligibles must be:
  - 1) enrolled in Medicare;
  - 2) unable to purchase a supplement due to health reasons;
  - AND 3) live in a county without reasonable choice of MA plans*
- Currently, persons under age 65 with ESRD are eligible to enroll in Medicare but (as with persons with ESRD 65 or older) are not allowed to enroll in MA plans. Most carriers do not sell supplements to persons under age 65
- WSHIP's eligibility requirement to live in a county without reasonable choice of MA plans has been waived for persons with ESRD since they could not enroll in a MA plan
- On January 1, 2021, persons with ESRD can enroll in a MA plan
- How will this impact WSHIP?

* The reasonable choice restriction does not apply if the enrollee became eligible for Medicare before August 1, 2009.

Cures Project: ESRD Prevalence and Cost

- **Prevalence:**
  - 68% of WSHIP Medicare enrollees had a diagnosis of ESRD during 2019
  - Of the approximately 300 *new* enrollees each year, 80% had an ESRD diagnosis
    - 70% of the new ESRD enrollees (or 56% of all new Medicare enrollees) were from Reasonable Choice counties
  - 64% are under age 65; average age is 54
  - 36% are over age 65; average age is 72
  - 66% are male
  - About 2/3 of WSHIP Medicare enrollees are sponsored by a third party
- **Cost (WSHIP pays secondary to Medicare):**
  - Claims in 2019 averaged $960 PMPM
  - 99% of the cost is medical, only 1% for drugs. Medicare enrollees purchase commercially available Part D plans and WSHIP does not supplement except for Basic Plus plan.

Cures Project: Cost Sharing and Premium (WSHIP)

WSHIP

- **Cost Sharing:**
  - Medical – $198 Part B deductible
  - Drug (PDP purchased separately) – Annual max $6,350 plus 5% of amounts over $9,038.75
- **Premium:**
  - Medical – Under 65 $4,320 per year, over 65 $3,432 per year
  - Drug (PDP purchased separately) – Range of $158 to $1,440 per year depending on plan
- **Combined Annual Cost Sharing and Premium***
  - Low: $10,138
  - High: $12,308

* Assumes all reach the Part D catastrophic level, includes $0 for catastrophic Rx claims

Cures Project: Cost Sharing and Premium (MA)

Medicare Advantage

- **Cost Sharing:**
  - Medical – Max out-of-pocket ranges from $2,000 to $6,700 depending on plan and county
  - Drug (included in MA plan) – Annual max $6,350 plus 5% of amounts over $9,038.75
- **Premium:**
  - Medical/drug combined annual – Ranges from $0 to $3,540 depending on plan and county
- **Combined Annual Cost Sharing and Premium***
  - Low: $10,734
  - High: $14,262

* Considered only counties without reasonable choice who have at least one MA plan offered, assumed all reach maximum out-of-pocket, did not include claims over catastrophic level

Cures Project: Estimated Impact to WSHIP

- **New enrollment in Medicare program will be reduced by 60% (180 enrollees) per year,** assuming:
  - 56% of applicants are ESRD patients who live in counties with reasonable choice
  - The remaining 4% are applicants with ESRD who live in counties with 1 or more MA carriers not defined as reasonable choice, assuming 20% take MA plans
- **Existing Medicare enrollment will be reduced by 6% (70 enrollees) in 2021,** assuming:
  - 10% of enrollees with ESRD who live in counties with reasonable choice move to a MA plan
  - 5% of enrollees with ESRD in counties with 1 or more MA carriers not defined as reasonable choice move to a MA plan
- **WSHIP financial losses in 2021 may be reduced by $1.2 million,** assuming:
  - Each enrollee costs WSHIP about $7,500 per year ($11,500 in claims less $4,000 in premium)
  - Current enrollee loss is for a whole year ($7,500 x 70 = $525,000)
  - New enrollee loss is for a half year ($7,500 x 180 x 0.5 = $675,000)
- **Projections assume MA carriers accept third-party premium payment** (no known barriers)

Cures Project: Broader Impacts Review

IN PROGRESS - Input is being sought from the OIC and broader health community

Project Summary: Reasonable Choice Definition

Project Goal:

Review WSHIP's statutory definition of "Reasonable Choice" for potential updates

Project Approach:

- Review historic stability of Medicare Advantage plans
- Consider potential changes to Reasonable Choice definition

Reasonable Choice: Background

- In 2009, WSHIP's statute was amended to limit Medicare plan eligibility to Medicare-eligibles who live in counties without "Reasonable Choice" of MA plans
- The definition of reasonable choice was largely driven by OIC concerns about instability in the MA market, provider network adequacy and consumer complaints about MA plans that were prevalent at the time
- To administer the criteria, WSHIP's actuary conducts an MA plan analysis each year to determine the counties that meet the statute's definition of reasonable choice
- For 2020, the following 8 counties were determined to have reasonable choice:
  - Clark, Cowlitz, King, Pierce, Snohomish, Spokane, Thurston, and Yakima
- Changes to the definition of reasonable choice require legislative action; no changes have been made to-date

Reasonable Choice: Current Definition

Defined in RCW 48.41.100 (1)(c)

- A person does not have access to a reasonable choice of plans unless the person has a choice of health maintenance organization or preferred provider organization Medicare Part C plans offered by at least three different carriers that have had provider networks in the person's county of residence for at least five years.
- The plan options must include coverage at least as comprehensive as a Plan F Medicare Supplement plan combined with Medicare Parts A and B.
- The plan options must also provide access to adequate and stable provider networks that make up-to-date provider directories easily accessible on the carrier web site, and will provide them in hard copy, if requested.
- In addition, if no health maintenance organization or preferred provider organization plan includes the health care provider with whom the person has an established care relationship and from whom he or she has received treatment within the past twelve months, the person does not have reasonable access.

Reasonable Choice: MA Market Stability

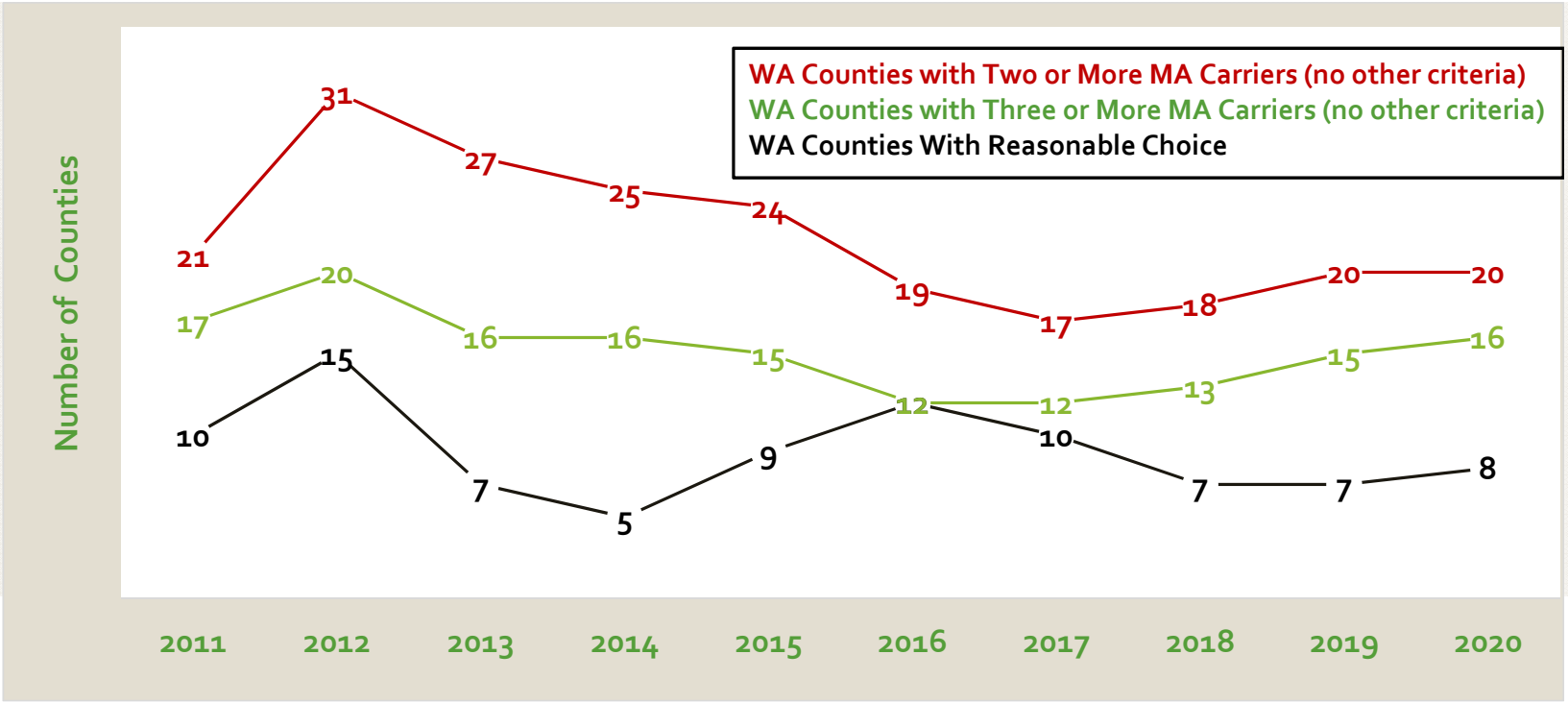
Has there been a recent pattern of instability among the carriers offering MA plans?

- The 19 MA carriers available in 2020 have been marketing in WA for:
  - At least 10 years – 8 plans
  - 5 to 9 years – 5 plans
  - 1 to 4 years – 6 plans
- An additional 10 plans have come and gone in the past 10 years
- Conclusion: There is some instability, but many carriers are consistently available

Do smaller counties have consistent access to MA plans?

- 15 counties had no MA carrier at some point in the last 10 years
- An additional 11 counties had only 1 MA carrier at some point in the last 10 years
- Conclusion: No. Two-thirds of WA counties (26 out of 39) have had no access or access to only one MA carrier at some point in the last 10 years

Reasonable Choice: Historical Pattern



Reasonable Choice: Policy Issues

Should the five-year requirement be reduced?

- For 2020, six carriers did not meet the 5-year requirement.
  - 2 had three years
  - 2 had two years
  - 2 were new in 2020

Should the three-carrier requirement be reduced?

- For 2020, 4 counties had 2 carriers that met the 5-year requirement
  - Island, Kitsap, Wahkiakum, Walla Walla

Reasonable Choice: Policy Issues (continued)

Should the actuarial equivalence requirement be eliminated or changed?

- Is it needed?
  - For 2020, all plans tested were actuarially equivalent
  - Plan designs have remained relatively consistent from year to year
- If kept, should the benchmark be changed from Medicare Plan F to Medicare Plan G, since Plan F can no longer be sold?
  - Making this change would reduce the value of the benchmark by about 2%

Reasonable Choice: Policy Issues (continued)

Should inclusion of the person's health care provider in at least one of the available MA plans be eliminated or changed?

Are there any unique needs of the ESRD population that should be considered?

WSHIP's plan policy does not provide for termination of an enrollee because the county they live in develops or has reasonable choice. Should a change to the plan policy be considered?

- Four counties have had reasonable choice every year for the last 10 years
  - Clark, King, Pierce, Thurston
  - 523 (45% of total) WSHIP Medicare enrollees live in those four counties
- Twelve counties have had three or more carriers every year for the last 10 years
  - Four above plus Cowlitz, Island, Kitsap, Lewis, Snohomish, Spokane, Whatcom, Yakima
  - 864 (75% of total) WSHIP Medicare enrollees live in those twelve counties

Reasonable Choice: Preliminary Findings & Recommendations

Preliminary Findings:

- The conditions that existed in 2009, for the most part, no longer exist; however, input from the OIC and others is still pending
- Increasing the number of counties with reasonable choice will reduce new enrollment in WSHIP

Preliminary Recommendation:

Consider the following potential updates to the definition of Reasonable Choice*:

- Reduce the number of carriers required for reasonable choice from three to two (only counties with zero or one MA carrier would be eligible for WSHIP)
- Reduce the five-year requirement to three years (carriers in the market for three or more years would be considered a reasonable choice)
- Eliminate the actuarial equivalence requirement

*If applied to 2020, this definition would have resulted in 18 counties with reasonable choice instead of 8

Reasonable Choice: Next Steps

Next Steps:

- Continue gathering input from the OIC and broader health community
- Present findings and final recommendations to Planning Committee and Board
- Upon Board approval, begin dialogue with the OIC and legislators regarding updates to the definition of reasonable choice