

## Preliminary Health Insurance Landscape Analysis

Prior to addressing some of the issues listed under Section 3.1 – 3.5 of the HRSA State Planning Grant report template, here is some of the information available regarding the Michigan healthcare insurance landscape. Much of this information will be updated and clarified when the results of the household survey and the results of the employer survey are complete.

The sources of healthcare coverage for those with insurance in Michigan are indicated in the table below. The data are not from a single time period and individuals may be included in more than one category. For example, an individual may have coverage through both Medicare and Medicaid, or an individual on Medicare may also have group coverage through a retiree plan.

**Table 1: Michigan Healthcare Market<sup>1</sup>**

Healthcare Program	Enrollment
Traditional, PPO, Insured and Self Funded	4,259,000
HMO (Group Coverage only)	1,731,000
Medicaid (including Medicaid expansion SCHIP)	1,444,000
Medicare	1,187,000
Individual- Non Group	379,000
SCHIP - MI Child	34,000
County Health Plans – Third Share Programs	6,000
Total – (includes duplicate coverage)	9,040,000

Much of the information in Table 1 is from 2003. In 2003 Michigan’s total population was 9.9 million individuals of whom 1.1 million were uninsured.<sup>2</sup> Therefore we estimate that about 250,000 individuals are counted twice in Table 1. The uninsured would include individuals with some health care coverage, including those enrolled in Michigan’s Adult Benefits Waiver and in Plan B programs of County Health Plans.

As shown in Table 2, Michigan’s HMOs cover nearly 1 million individuals other than those covered through group coverage. Medicaid is the primary source of non-group HMO enrollment.

**Table 2: 2004 Enrollment in Michigan’s 29 HMO’s<sup>3</sup>**

Group	Enrollment Category					Total
	Medicare Comp.	Medicare	Medicaid	Indiv.	Other	
1,730,917	42,816	20,998	889,065	11,761	10,206	2,705,763

In Michigan the healthcare benefit market for group and individual traditional, Preferred Provider Organization (PPO), HMO and Medicare supplemental programs is dominated by Blue Cross Blue Shield of Michigan (BCBSM) as they cover over 4.7<sup>4</sup> of the 7.6 million individuals, or 61.8%, of these healthcare market segments.

### 3.1 How adequate are existing insurance products for persons of different income levels or persons with pre-existing conditions? How do you define adequate?

#### Group Coverage

Overall Michigan has adequate access to employment based healthcare programs. Those covered by employer healthcare programs, on average, have a high level of benefits and an employee contribution rate lower than the national average.

**Table 3: Average Cost of Employment Based Health Insurance<sup>5</sup>**

<b>Family Coverage</b>	<b>Michigan premium</b>	<b>Michigan percent</b>	<b>National premium</b>	<b>National percent</b>
Employee Contribution	\$1,661	18%	\$2,283	25%
Employer Contribution	\$7,788	82%	\$6,966	75%
Total	\$9,449	100%	\$9,249	100%

BCBSM has always been required under their enabling legislation (PA 350 of 1981) to offer health care benefit programs, as the insurer of last resort, to all employer groups and individuals. Within these market segments they historically had very little premium rating flexibility as opposed to the commercial carriers who had virtually no constraints on their rating methodology. (While this legislation guaranteed that all small businesses would have access to health care insurance through BCBSM, it did not prevent large premium increases from year to year in a given community, based on “community-rated” costs.)

The enactment of the Small Group Market Reform Act (PA 88 of 2003) may have a significant impact on products and choices available to small employers. This Act defines what characteristics may be considered in the pricing of small group premiums. Prior to the passage of this Act, BCBSM was at a competitive disadvantage in the small employer group market. The Reform Act provided a significant degree of flexibility to BCBS by allowing them to consider age and industry classification in their rating methodology for traditional and PPO programs. In addition, HMOs, including BCBS HMOs, can consider age, industry, and group size; commercial carriers can also consider age, industry, group size and health status. The Act also allows a health carrier to require a certain participation rate as a condition of covering the group. These provisions have opened the small market to BCBS by allowing them to be more competitive with commercial carriers and HMOs.

The recent entry of two major national insurers in the marketplace should have a favorable impact on the types of healthcare programs offered in the state. Aetna recently purchased a comprehensive, quality and cost effective PPO network with the stated purpose of aggressively entering the large – mid size Michigan employer marketplace and Cigna recently affiliated with a major Southeast Michigan healthcare delivery system.

## **Individual Coverage**

Individuals have access to comprehensive individual non-group and individual group conversion healthcare programs and Medicare supplemental programs, through several commercial insurance carriers, and are guaranteed coverage through BCBS. The BCBS premiums illustrated below are age adjusted.

**Table 5: Illustrative Premiums for Individual Coverage<sup>6</sup>**

<b>Healthcare Benefit Program</b>	<b>Family Premium</b>
Individual Non-Group - Family	\$248 - \$993
Individual Group Conversion – Family	\$206 - \$854

Is this per month?

## **Medicaid**

Historically Michigan has expanded its Medicaid coverage to groups and income levels over and above those required by federal statute or regulation. Currently, the State provides support to over 30 categories of eligibility recognized by the federal government for Medicaid or SCHIP coverage, well in excess of the statutory requirements. The following groups who fall above the minimum federal requirements are eligible for Michigan Medicaid:

- Poverty level children under age one and pregnant women with incomes up to 185% of the federal poverty level (FPL).
- Poverty level children under age 19 with a family income up to 150% of FPL.
- Low income women diagnosed with breast and cervical cancer.
- Disabled individuals through the Ticket to Work initiative.
- Aged and disabled individuals with incomes up to 100% of FPL.
- “Medically Needy” families or aged and disabled individuals.

Michigan has also partnered with the federal government using SCHIP funds to provide health coverage to additional low-income individuals not qualifying for Medicaid. For example children with family incomes from 150% to 200% of FPL are covered by the MI Child Program.

Additionally, coverage is provided to 62,000 enrollees at or below 35% of FPL through the Adult Benefit Waiver, and County Health Plans provide coverage to 45,000 individuals between 35% and 150% of FPL.

## **Pre-existing Conditions**

With the passage of the Health Insurance Portability and Accountability Act (HIPAA) health insurance carriers were required to issue a “Certificate of Credible Coverage” (CCC) when a person is dis-enrolled from group or individual coverage regardless of the circumstances. The CCC would waive a pre-existing condition clause if the person enrolled in a health plan within six months of issuance of the CCC. Absent a CCC a healthcare insurer may, under certain circumstances, exclude or limit coverage for a maximum of 12 months for pre-existing conditions whose onset was within 6 months before the policy. Healthcare coverage provided by an employer through HMOs is not subject to a pre-existing condition waiting period. However, individuals purchasing

HMO coverage may be subject to a pre-existing condition coverage exclusion or limitation for a period not to exceed six months.

**Adequacy of Options for Low-Income Individuals**

While data from the household survey will be needed to answer this question, we can infer from existing data that low-income individuals are less likely to be able to afford health care coverage.

**Table 6: Income Status of Non-Elderly Insured & Uninsured<sup>7</sup>**

<i>Income status of Michigan non-elderly with employer-sponsored coverage</i>		
Less than 100% FPL	238,000	4%
100-199% FPL	702,000	12%
200% FPL or more	5,086,000	84%
<i>Income status of Michigan non-elderly uninsured:</i>		
Less than 100% FPL	412,000	37%
100-199% FPL	292,000	26%
200% FPL or more	409,000	37%

***NOTE: The HRSA State Planning Grant asks that we define adequacy of the products offered to persons of various income levels. This information will come from the household survey and to a lesser extent from the employer survey.***

**3.2 What is the variation in benefits among non-group, small group, large group and self-insured.**

There is significant variation in the benefits offered to workers across these different market segments. This is irrespective of the funding method - premium based or self funded, or carrier – BCBS, commercial insurer or an HMO. In Michigan, over 75% of the non-elderly population, or over 5.9 million individuals, are covered by an employer sponsored healthcare program. Large groups, 1,000 + employees, and a significant number of smaller groups, 250 + employees are in the auto related industry and represented by organized labor. These groups have historically enjoyed an extremely high level of healthcare benefits with modest, if any co-payment or deductibles. Also, employees of the State and all school systems- regardless of size, enjoy a high level of benefits similar to those in the auto industry. Within the smaller group market (groups of fewer than 250), those that are related to the auto industry provide a relatively high level of benefits while others have premium sharing or substantial co-payments and/or deductibles. The later is the fastest growing segment of the Michigan healthcare marketplace.

In Michigan, as in most states, larger employers are more likely to offer health insurance to their employees than are smaller employers. However, as shown in Table 5, in 2003

Michigan had a higher percentage of small employers offering health insurance than the national average. This may in part be attributable to the statutory requirement noted above that BCBSM must offer coverage to all groups. Staff in the State’s Office of Financial and Insurance Services (OFIS) estimate that about 55% of the small group market is covered through BCBSM, 15% by Blue Care Network - the BCBSM HMO, 20% are concentrated in 4 or 5 non-BCBSM HMOs, and the remaining 10% are spread across other carriers, primarily commercial insurance companies.

**Table 7: Health Insurance Offered<sup>8</sup>**

	Percent of Private Sector Establishments that Offered Health Insurance to Employees in 2003	
	Michigan	US
Fewer than 10 employees	41.6%	35.6%
10 to 24 employees	75.7%	66.2%
25 to 99 employees	73.9%	81.0%
100-999 employees	88.4%	93.5%
1000 or more employees	99.9%	98.6%
All firms	61.1%	56.2%

The non-group segment of Michigan’s health insurance marketplace represents four percent, or over 378,000 covered lives. The benefit design for this segment has significant variations with respect to co-payments, deductibles and coverage limits.

All healthcare policies issued in Michigan are subject to the mandated coverage requirements indicated in Table 8.

**Table 8: Michigan Mandated Benefits<sup>9</sup>**

<b>Category</b>	<b>Mandated Coverage</b>
<b>Traditional Insurance &amp; HMOs</b>	
Diabetes	Must establish a program to prevent the onset of clinical diabetes.
	Must provide coverage for specified equipment, supplies and educational training.
Breast Cancer	Diagnostic services, out patient treatment, and rehabilitative services.
Mastectomy	Prosthetic devices
Hospice	Hospice inpatient hospital care must be included as an inpatient hospital benefit.
Chemotherapy	Must cover all FDA approved drugs.
Emergency Services	If covered must include all services
Ambulance	If emergency services are covered must include ambulance.
Substance abuse	Must provide a minimum dollar amount of coverage to include intermediate and outpatient care.
<b>HMOs</b>	
Physician services	Primary care and specialty physician.
Ambulance	In conjunction with an emergency
Inpatient hospital	As required by the medical condition.
Emergency services	Medically necessary
Home health	Medically necessary
Preventative health services	All members

*Note: As a follow up there could be a survey of the healthcare benefit marketplace to document variations among the various market segments. This would include communication with insured groups and a review of current active healthcare policies on file with the Office of Financial and Insurance Services. OFIS has detailed data on file from the HMOs and BCBSM. The small group carriers must file form FIS 322 which documents enrollment data. The large commercial carriers that have offered coverage in Michigan for many years have no annual filing requirements.*

**3.3 How prevalent are self-insured firms in your state? What impact does that have in the State’s market place?**

Due to the dominance of the auto industry in Michigan and its administrative services arrangement with BCBS the vast majority of employees covered by employer sponsored healthcare coverage are self-funded. Other purchasing segments determine the funding method, premium based or self-funded, based on their individual circumstances and tolerance to risk. Michigan does not currently collect this data. Therefore specific information relative to this issue will be available upon completion of the Michigan

Employer Health Insurance Survey to be conducted by The Center for Collaborative Research in Health Outcomes & Policy (CRHOP).

**3.4 What impact does your state have as a purchaser of health care (e.g., Medicaid, SCHIP and State Employees?)**

The State of Michigan purchases health care for over 1,700,000 persons representing 21.6% of the insured (less Medicare) healthcare market in Michigan.

The State purchases healthcare for over 54,000 active employees and over 45,000 retirees representing over 195,000 individuals. State Medicaid covers over 1,443,000 enrollees, including over 912,000 who receive services in one of the 15 Medicaid Health Maintenance Organizations (HMOs). The separate State SCHIP - MI Child enrolls over 34,000 participants in BCBSM or one of 6 participating HMOs.

The State also provides benefits to 62,000 individuals through the Adult Benefit Waiver (ABW).

Over the past several years the State has had a tremendous impact on government funded programs. Through competitive bidding of the Medicaid program it has been able to improve access to beneficiaries in a demonstrated cost effective and high quality health care system. In fiscal year 2004 alone without the HMOs the State would have spent an additional \$400 million to cover this population in the Fee for Service system.

**Table 9: State of Michigan Healthcare Purchasing<sup>10</sup>**

<b>Program</b>	<b>Enrollment</b>
State Active Employees & Dependents	127,000
State Retirees & Beneficiaries	68,000
Medicaid Managed Care	913,000
Medicaid Fee For Service	531,000
MI Child	34,000
Adult Benefit Waiver	62,000
Total	1,735,000

**3.5 What impact would current market trends and the current regulatory environment have on the various models for universal coverage? What changes would need to be made in current regulations.**

As noted in section 3.1, The Michigan healthcare market has changed dramatically with the passage of the Small Employer Group Reform Act (PA 88 of 2003). In the short term, small employers experienced large premium increases due to rating adjustments made by BCBSM. This has caused numerous employers to reduce benefits or significantly increase employee premium sharing, co-payments and/or deductibles. The full impact of market reform is yet to be seen.

*This section cannot be completed until the Models Workgroup identifies the models of interest.*

## **Endnotes: Data Sources**

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<sup>1</sup> Healthcare Program Enrollment Data Sources:

-Traditional, PPO, Insured and Self Funded: Kaiser Family Foundation- State Health Care Facts Population Distribution by Insurance Status, state data 2002-03, U.S. 2003 – (Employer less OFIS HMO)  
- HMO: State of Michigan Office of Financial and Insurance Services: 2004 HMO Enrollment Information  
- Medicaid: State of Michigan Medicaid Eligibility Table 12 Enrollment Report – June 2005  
- Medicare and Individual Non-Group: Kaiser Family Foundation- State Health Care Facts 2003  
- SCHIP (MI Child) – State of Michigan – July 2005  
- County Health Plans: State of Michigan ABW waiver projection and County Health Plan projections 2005.

<sup>2</sup> Kaiser Family Foundation – State Health Care Facts.

<sup>3</sup> State of Michigan Office of Financial and Insurance Services: 2004 HMO Enrollment Information

<sup>4</sup> Blue Cross Blue Shield of Michigan Fact Book – page 2 Enrollment 2004.

<sup>5</sup> Kaiser Family Foundation- State Health Care Facts: Annual Cost of Employment-based Health insurance For Family Coverage, 2003.

<sup>6</sup> Blue Cross Blue Shield of Michigan Individual Care Blue hospital, surgical and medical plan premiums – August 2005.

<sup>7</sup> Source: Estimates b Kaiser Foundation and Urban Institute based on 2003 and 2004 Current Population Survey.

<sup>8</sup> Source: 2003 Medical Expenditure Panel Survey (MEPS)

<sup>9</sup> State of Michigan –Office of Financial and Insurance Services web site

<sup>10</sup> Data on State Employees and State Retirees are 2004 data from the State of Michigan, Office of the State Employer, HMA estimates active employee contract size at 2.3 member/contract and retiree contract size at 1.5 members/contract.