Rural Issues in Implementing ACA Coverage and Insurance Reform Strategies

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Outline

- Background: Rural insurance coverage 101 (nature and scope of the problem)
- Focus on selected ACA strategies and issues: Consumer Operated and Operated (CO-OP) plans, geographic rating of insurance premiums, and “access standards”

Nature and Scope of the Problem: Insurance Coverage and Underinsurance

Rural Insurance Coverage: Key Facts

- Rural residents are more likely to be uninsured or covered through public sources
- Those living in rural, not adjacent areas are at higher risk of being uninsured compared to persons living in rural, adjacent and urban areas
- Rural residents are more likely to be underinsured.

Rural Insurance Coverage: Key Facts

- Rural children have made large gains in health insurance coverage since 1997, due to expanded public coverage
- Uninsured rates among rural adults remain unchanged and higher than urban

Rural Insurance Coverage: Key Facts

- Rural areas and residents more likely to have demographic and economic characteristics commonly associated with uninsurance (e.g., lower income, employment patterns)
- Rural adults are more likely to be not employed or to work for employers that do not sponsor health insurance coverage

Rural Insurance Coverage: Key Facts

- The rural uninsured often work for small firms and are paid low wages
- Self-employed and part-time workers are more likely to be uninsured in remote rural areas.

Expanding Rural Coverage: The Policy Challenges

- Expanding public coverage an essential strategy but challenging in face of budget realities
- Affordable individual and small group (private) coverage key but challenging in rural areas, where employment characteristics make it difficult to sustain viable insurance pools

CAN INSURANCE EXCHANGES AND THE CO-OP PLAN OVERCOME THESE CHALLENGES?

ACA Strategy

- Expand Medicaid coverage and subsidies for individual and small group insurance
- National insurance rating standards
- ***Health insurance exchanges: create a functional insurance market for individuals and small groups***
- ***Expand insurance plan options in the market***

Policy Question: How will insurance premiums be determined in the exchanges and will prices vary from rural to urban areas?

HIEs and Insurance Rating

- ACA limits ability of health plans to vary rates but continues to allow those selling in the HIEs to geographically rate premiums
- *Rationale: adjust for price differences across geographic areas.*

HIEs and Insurance Rating

States shall establish one or more rating areas subject to review by the Secretary of HHS. If upon review the rating areas are deemed inadequate, the Secretary may establish rating areas for that State *(Patient Protection and Affordable Care Act. (2010, May). Title I, Subtitle C, Part 1, Section 1201-2701)*

State Regulatory Environments Vary

Small Group Market	Individual Market
4 - No rating restrictions	32 - No rating restrictions
37 - Rating bands	11 - Rating bands
9 - Adjusted community rating	6 - Adjusted community rating
1 - “Pure” community rating	2 - “Pure" community rating

Small Group Area Factors in Two States

Geographic rating may not uniformly favor rural or urban areas

Maine Counties	Small Group Area Factors
Urban	0.90 - 1.30
Rural (More than 20,000)	0.95 - 1.05
Rural (Less than 20,000)	0.90 - 1.50

Minnesota Counties	Small Group Area Factors
Urban	0.92 - 1.24
Rural (More than 20,000)	0.95 - 1.24
Rural (Less than 20,000)	0.92 - 1.24

Rural Issues

- What are the appropriate factors that should be allowed for adjusting premiums?
- Who will or should subsidize whom: urban to rural, rural to urban?
- Implications of subsidy patterns for premium costs and coverage.

Access Standards

- Trend has been toward purchasers and health plans selectively contacting with providers or tiering providers based on performance (i.e. efficiency and/or quality)
- 1990s: with managed care, many states passed patient protection laws and any willing provider (AWP) statutes that established access standards

Access Standards: Example

"A carrier offering or renewing a managed care plan shall provide to its members reasonable access to health care services in accordance with standards developed by rule by the superintendent. These standards must consider the geographical and transportational problems in rural areas."

Access Standards and Qualified Health Plans Under ACA

- Health plans required to meet specific standards for network adequacy.
- Will these establish appropriate standards for geographic access to primary care, hospital and/or other services?
- Will HIEs allow plans to “steer” plan participants? Based on what criteria?
- Rules will need to balance access, efficiency/cost, and quality considerations

CO-OP Plans

- ACA includes the development of qualified, non-profit, co-operatively governed health insurance plans to be offered in the individual and small group market
- Current insurance plans ineligible
- Start-up funding of $6B, reduced to $2.2B in 2011 budget compromise
- Private purchasing councils: HIT, claims administration, actuarial services

Background on CO-OP Plan

- Political compromise: “public option” debate
- Models: (1) purchasing cooperatives such as Minnesota Association of Health Care Purchasers (MAHCP) and (2) co-operative health insurance plans: Farmers Health Co-operative and Eau Claire Co-op in Wisconsin, Group Health of Puget Sound (WA), and HealthPartners (MN)

Rural Interest in CO-OPs

- History of rural co-operatives: depression-era health insurance (Farm Security Administration), rural electrification, farm, banks
- Introduce greater competition by lowering price through direct purchaser-provider contracting
- Promotion of greater care integration
- Local control: cost savings passed onto consumers

Rural Issues and Barriers

- Rural plans not likely to be able to secure and achieve sufficient capital and reserves
- Membership levels of local rural plans too low to support sustainable, stable financial and operational performance.
- Private Purchasing Councils unable to negotiate payment rates with providers: can CO-OP plans be competitive with existing plans?
- Administrative infrastructure

Final Thoughts

- Coverage expansions (Medicaid) and premium subsidies helpful in improving “demand-side” affordability
- Fixing the “supply-side” problems in the insurance market more challenging

Final Thoughts

- HIEs could address market problems but the devil(s) will be in the detail(s)
- Geographic rating and whether access standard requirements are imposed on qualified health plans offered through the HIEs are two areas where the details will be important.

Final Thoughts

- Likewise, the prospects of using the CO-OP plan program to create rural insurance options (and potentially contribute to rural health system development) depend on how this program will be structured.