

Arkansas' Private Option

Kansas Economic Policy Conference

Lawrence, Kansas

Thursday October 23, 2014

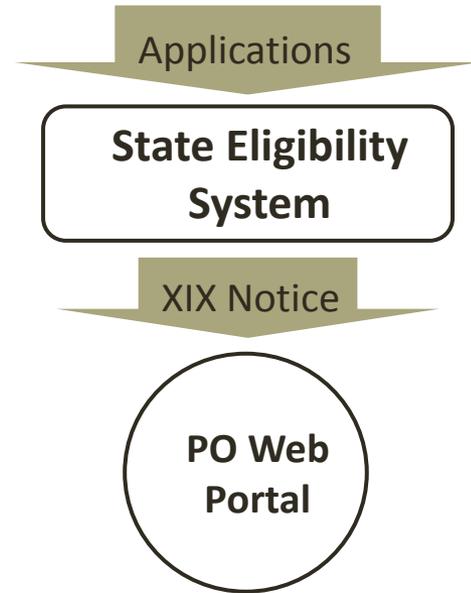
Private Option Goals

- **Improve access to quality health care**
- **Expand private coverage and downsize Medicaid**
- **Attract insurance carriers and enhance competition**
 - ❖ Default plan choices help establish minimum market shares
 - ❖ Foreshadowing of (relative) price targeting
 - ❖ Soft policy of state-wide coverage
- **Improve continuity of coverage**
- **Reduce state spending (captured by tax cuts)**
- **Accelerate broader health system improvement and efficiency**
- **Promote personal responsibility (beginning 2015)**
 - ❖ Limited transportation
 - ❖ Cost sharing
 - ❖ Independence accounts

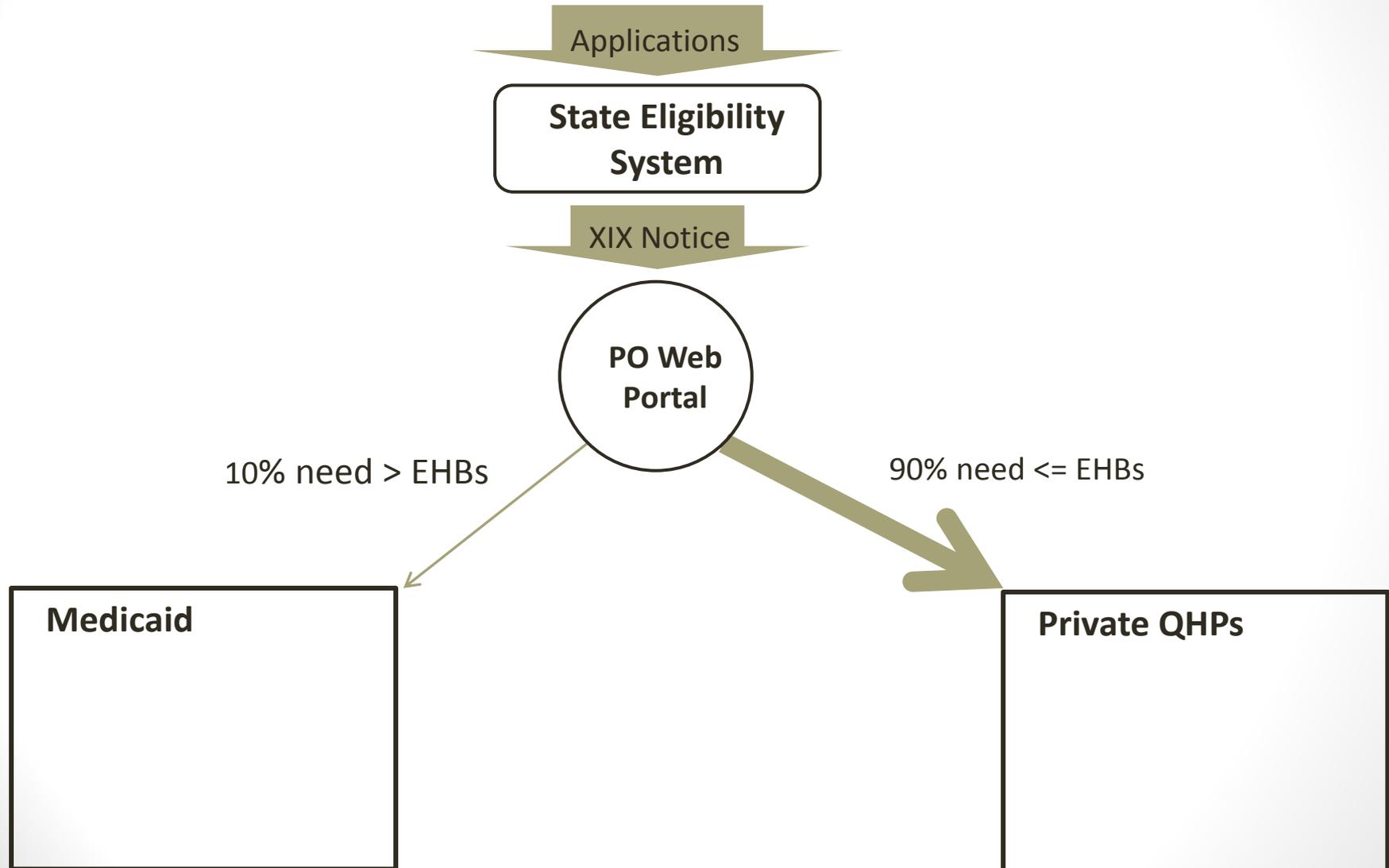
Private Option *at-a-glance*



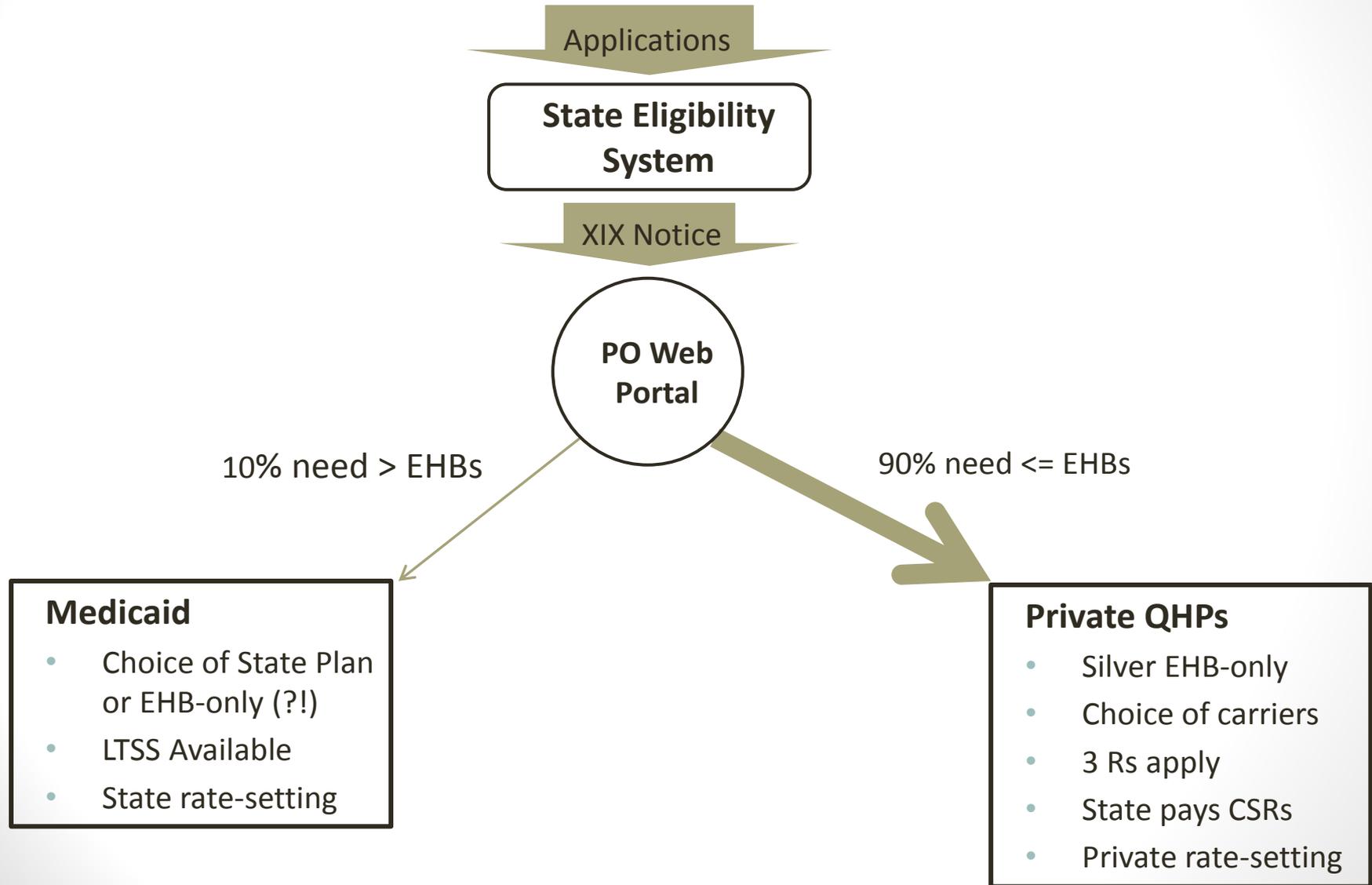
Private Option *at-a-glance*



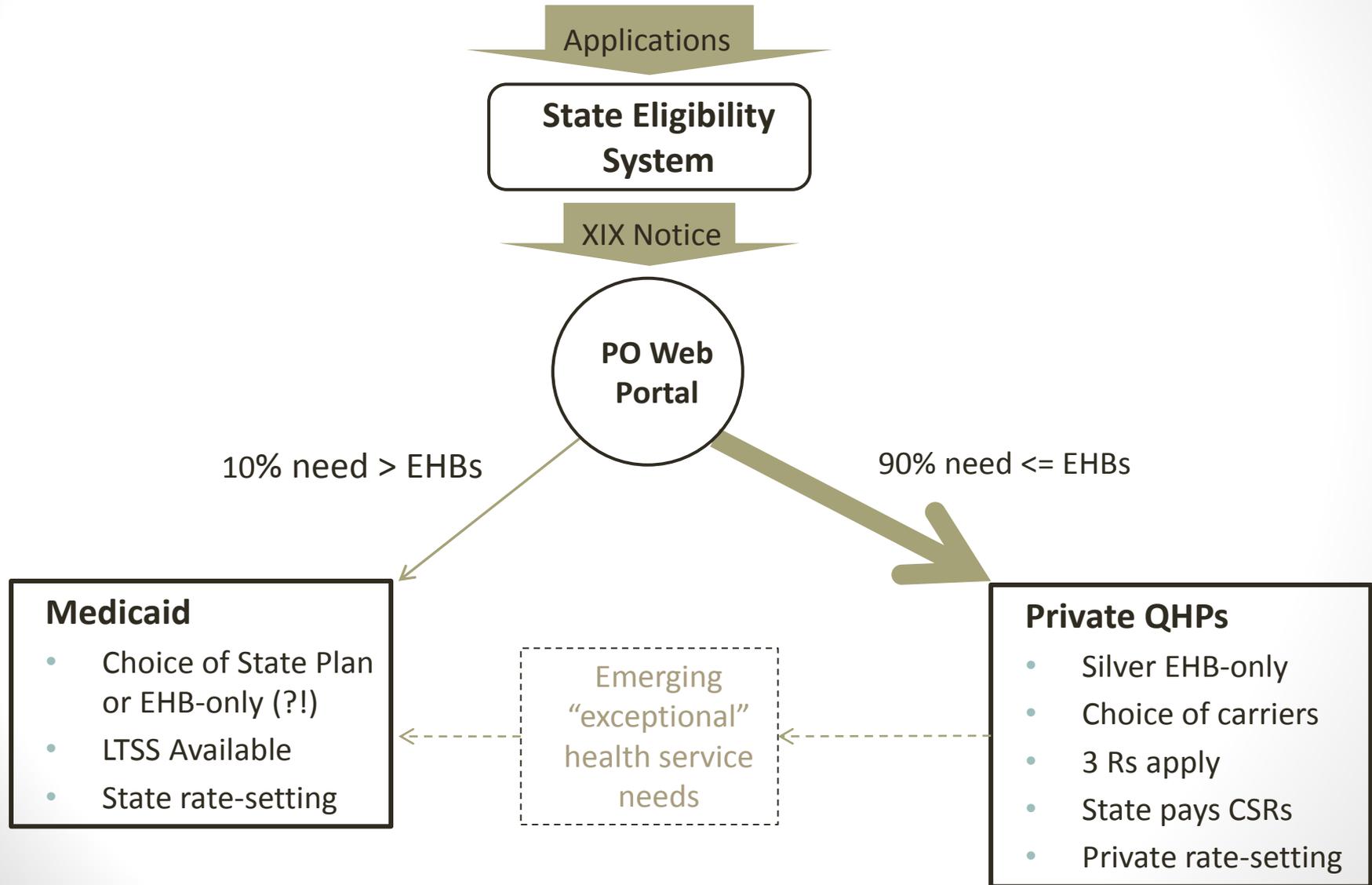
Private Option *at-a-glance*



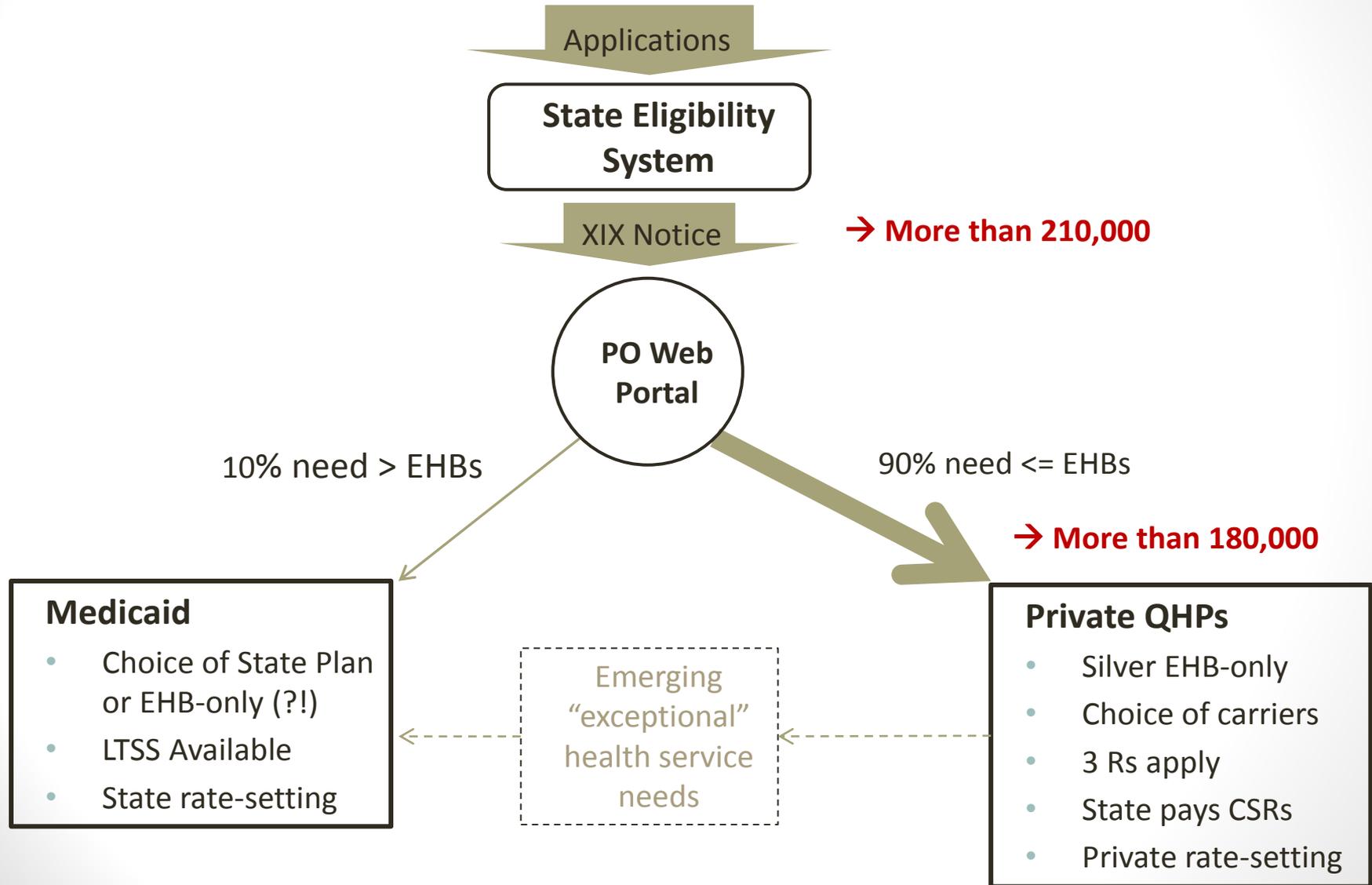
Private Option *at-a-glance*



Private Option *at-a-glance*



Private Option *at-a-glance*



Market Impact

- **Much larger individual insurance market**
 - 5x larger now (~180,000 PO v. ~38,000 non-PO)
 - 2x larger in long run (225,000 PO v. 225,000+ non-PO)
- **Much improved risk profile**
 - XIX-eligibles are poorer → therefore younger
 - PO participants are *positively* risk-selected by policy
- **Significantly greater competition statewide**
 - Guaranteed “starter” enrollment
 - 3 carriers statewide in 2015 -- a gain of 2
 - Price competition will require
 - state to become a price-sensitive purchaser for PO and/or
 - piggybacking other Marketplace consumers
 - Average QHP premiums ***will decline*** 2% in 2015

Government Accounting Options

- **Budget neutrality for Arkansas' 1115 waiver**
 - Private Option predicts **reduction** in commercial provider rates
 - Blended market → blended premiums → blended provider rates
 - Rates end up where they need to be for private insurance, and where they would have to be if Medicaid were expanded
 - Demonstration depends on competitive insurance and provider markets
 - Counter argument suggests that competition won't work and that Medicaid can force providers to accept 250,000 additional Medicaid patients *as if they were privately insured* despite lower reimbursements
 - Private rate-payers realize net reduction in premiums, saving federal treasury in form of reduced tax subsidies
- **Early experience**
 - Slight under-estimate of PO ages in Arkansas' waiver budget led to slight under-estimate of 2014 premiums
 - But PO ages are gradually falling, *as are premiums*
 - State expects to be *under* the original waiver budget in 2015

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