

AGENDA

Michigan Health Endowment Fund Special Board Meeting

Wednesday, June 29, 2016

Lansing Radisson
111 North Grand Avenue, Lansing, Michigan 48933
1-866-528-2256 | Access Code: 7102458#

The mission of the Michigan Health Endowment Fund is to improve the health of Michigan residents, with special emphasis on the health and wellness of children and seniors, while reducing the cost of health care.

- 9:30 a.m. – 9:35 a.m. **Opening: Rob Fowler**
- Call to order of Board Meeting
 - Roll call
- 9:35 a.m. – 9:40 a.m. **Public Comment**
Public Comment: Five-minute limitation for a single representative of an organization; three minutes for individuals representing themselves
- 9:40 a.m. – 9:45 a.m. **Resolution to approve Medicare supplemental insurance subsidy program.**
- 9:45 a.m. **Adjourn**

MEMORANDUM

DATE: June 20, 2016
TO: Michigan Health Endowment Fund Board
FROM: Terry Gardner
RE: Proposed Medigap Subsidy

Subsidy Proposal

As part of the Fund's enabling legislation, the Fund was charged with administering a subsidy program for qualified Medicare Supplemental Insurance (Medigap) customers in the state. The program must distribute \$120M in subsidies between August 1, 2016 and December 31, 2021.

In May 2015 Blue Cross Blue Shield of Michigan (BCBSM) representatives made a presentation to the Fund's Board regarding the mandate, the profile of their customer base, and alternatives the Fund could consider in the development of the subsidy plan. Similarly, a state agency working group was established, consisting of representatives from the Attorney General's office (AG), the Department of Insurance and Financial Services (DIFS), the State's Office on Services to the Aging (OSA) and the Fund. Using demographic data supplied by BCBSM about their membership, as well as total policy holder information filed with DIFS by other insurance carriers, DIFS estimated and stratified the total affected policy holder population of approximately 400,000.

The working group settled upon several key assumptions regarding the design of the subsidy plan:

1. It should focus on those who will most need help.
2. It should provide a pathway toward full market rates.
3. It should be meaningful, especially in the early years.
4. It must be transparent and include key stakeholder input.

As required, DIFS submitted to the AG, and the AG approved, an income-based means test for the subsidy in the range between 150% of the Federal Poverty Level (FPL) and 250% FPL. The Fund will have the ability to set the actual FPL level each year depending on the Fund's experience with the program. The primary factors which determine the means test threshold are total affected population, estimated participation rate, and the total budgeted subsidy dollars.

Given these parameters, we preliminarily designed a subsidy program that would span four years (2017 through 2020) on a sliding scale of \$40M, \$30M, \$30M and finally \$20M, respectively. A four-year program makes the subsidy amounts in each year more impactful, plus gives us the flexibility to extend into 2021, if necessary, to achieve the \$120 million target. Given these parameters, and with preliminary input from stakeholders, we developed a three-tier subsidy based upon age, and a 2017 means test of household income at or below 150% FPL.

Finally, we met with the following advocacy groups:

- Area Agency on Aging Association of Michigan (AAAAM)
- All 16 AAAAM regional directors
- Medicare/Medicaid Assistance Program (MMAP)
- AARP
- Olmstead Coalition (collection of more than 10 disability advocacy groups)
- Disability Network Association (represents all 15 Centers for Independent Living)
- Medical Services Administration - Long Term Care Division.

We described the overall program, and queried them regarding a three-tier subsidy plan and our proposed means test. The advocacy groups were unanimous in their support for a plan that helps those most in need, and in particular noted that age, while not the only factor, is one driver for costs.

Our recommended three-tier subsidy for eligible policy holders using a 150% FPL or less means test, which aims to offset approximately 50% of the difference between Blue Cross' current rates and other carriers in the market (based upon a healthy individual) follows:

	Rate Difference Plan C or F	Proposed Monthly Subsidy	% Subsidized
Ages 65-75	63	40	64%
Above age 75	127	65	51%
Under 65, disabled	277	125	45%

This would result in a total subsidy in 2017 of \$44 million to 59,000 people. This, of course, makes several assumptions about participation.

How the Program Will Work

Using our third party contractor, Maximus, the Fund will host an informational website, online application capability, and a call center. General subsidy information and the call center will be available beginning July 1, with application capabilities beginning October 1. People can apply on-line, by phone through our call center, or by paper. Maximus will validate the means test and then transmit information to the carriers for validation of qualifying policy information. The cost of administering the program was determined to be a Fund cost, and not part of the \$120M mandate. The estimated cost of administration is approximately \$2 million for development and \$200,000 per month for operations and support.

In addition, the MMAP program has offered to provide assistance. MMAP counselors will be available to answer questions and assist individuals with filling out the application. We are also providing training and scripting to several state agencies and their customer service personnel.

Proposed Resolution

At the June 29 Board Meeting, staff will be recommending to you the following resolution, based upon the due diligence we have described above:

Resolved, that for the purpose of administering the Fund's Medicare supplemental insurance subsidy program, a Medigap subsidy eligibility household income means test threshold of 150% of Federal Poverty Level be and it hereby is approved;

Resolved, that monthly premium subsidies to qualifying Medicare supplemental insurance policy holders be adopted as follows: under 65 years of age with disabilities: \$125; ages 65 to 75: \$40; ages above 75: \$65.

If you have any questions or concerns, please feel free to contact me. Thank you.