Choosing a Health Insurance Plan for 2016

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BUSPH School Assembly

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This talk rests heavily on a report prepared for the BUSPH Faculty Senate. Alan Sager prepared that report, at the request of the BUSPH Faculty Senate, to help school employees choose between the two health insurance plans that the university is offering for 2016, and to provide background on changes in insurance options. As such, that report is not an official document of, nor endorsed by, the school.

You can find that report at http://www.bu.edu/sph/files/2010/10/Choosing-a-Boston-University-Health-Insurance-Plan-for-2016-Alan-Sager-20-Oct-15.pdf.

Two aims

Primary – Personal and immediate

- Who are you/your family?
- What do you seek from B.U. health insurance?
- What are main features of the two plans?
- Which best fits your/your family's needs?

Secondary – Policy, finance, and future

- Why the changes in the PPO?
- Will they work?
- What might happen in 2017 and subsequently?

Primary Aim – Personal and immediate

- Who are you? (Your spouse/family?)
- What do you seek from B.U. health insurance?
- What are main features of the two plans?
- Which best fits your/your family’s needs?

Who are you, medico-financially?

- Comfortable with financial risk
- Higher income or lots of savings
- Able and willing to regularly set aside money to pay for OOPs with cheaper before-tax dollars
  - Would divert money saved by paying lower B.U. health insurance premiums to tax-advantaged FSA or HSA

- Risk-averse
- Lower income, little savings
- Unwilling or unable to set aside $s to pay OOPs with cheaper before-tax $s
  - ***If you're > 65 and enrolled in Medicare Part A, you may not contribute to HSA***
- Likely to have to rely on credit card or debt, or might skip needed care
- Use BMC or would be willing to do so

Who are you, medically?

- Good health now and expected to continue
- Rarely need much care
- Will use care when convinced it's needed even if must pay high OOPs
  - Perhaps concerned about tendency to use care too aggressively
- Suffer chronic illness that predictably requires costly medical care ***AND*** costly meds each year

- Not so healthy now or worried about near-future
- Fairly substantial and regular health needs, costs
- Generally reluctant to seek health care
  - Concerned high OOPs would reinforce that tendency
- Use BMC or would be willing to do so
- Don't expect BOTH high hospital/doctor/imaging/ lab costs AND high med costs each year

What do you seek from your B.U. health insurance?

- Minimize your premium payments
- In exchange, accept insurance that kicks in later owing to high deductible
- Accept high out-of-pocket payments because
  - OK with risk or
  - to deter use of unneeded care or care of marginal value
- Focus on financial protection against very costly catastrophic illnesses

- Minimize total financial risk (premiums + OOPs)
- Insurance that kicks in early, via low deductible, so you're financially liberated to seek health care when you need it, without thinking too much about money each time you need care
- Seek help in paying both routine and catastrophic medical bills

Summary—Six things about you or your health might affect your plan choice

a. Is your health generally good or do you have reason to be concerned about it?
b. Are you generally cautious or a risk-taker?
c. Do you use health care aggressively or reluctantly?
d. What mix of insurance protection and out-of-pocket costs will allow or encourage you to get the care you need?
   – Will you use needed care even if you face high OOPs?
   – Or would you rather pay more OOP for needed care?
e. Are you willing and able to set aside money in your FSA or HSA so you can pay for OOPs with cheap before-tax dollars?
   – Including money saved through lower premiums
   – University contributions to FSAs or HSAs
   – And other sources
f. Are you able to pay OOPs through some combination of FSA/HSA, savings, or affordable debt?

Prominent changes for 2016

1. Eliminate HMO
2. PPO
   – ***Slash*** yearly family-paid premium by $2,902 (35%)
     • $8,347 → $5,445
   – *Offset by much higher risk of paying substantial OOPs* by substituting co-insurance for co-payments for most care
     • BMC 0% co-insurance in-network
     • Low-cost caregivers 10% co-insurance in-network
     • High-cost 20% co-insurance in-network
     • Out-of-network 30% co-insurance

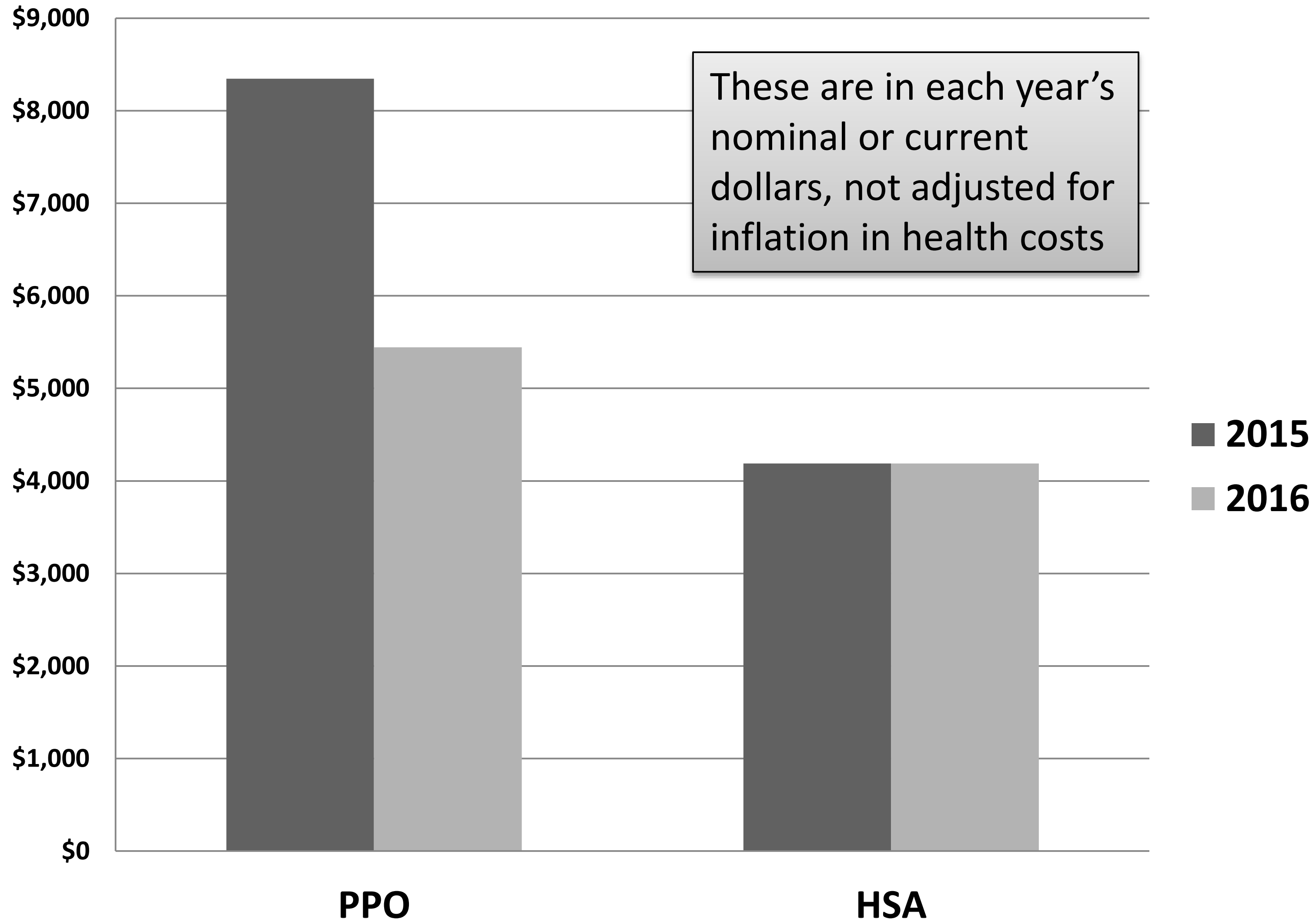
3. No changes in HSP

PPO + HSP 2015 and 2016 premiums

Premiums for families, university, and total, 2015 and 2016							
	2015				2016		
	family	university	total		family	university	total
PPO	$8,347	$16,203	$24,549		$5,445	$16,335	$21,780
HSA	$4,189	$17,622	$21,811		$4,189	$16,335	$20,524

Percentage share of premiums, 2015 and 2016							
	2015				2016		
	family	university	total		family	university	total
PPO	34.0%	66.0%	100.0%		25.0%	75.0%	100.0%
HSA	19.2%	80.8%	100.0%		20.4%	79.6%	100.0%

Annual Premiums Paid by Families for Health Insurance, PPO and HSA Plans, 2015 and 2016



Specific Plan Elements Bearing on Choice

	PPO	HSP
Covered services	No differences	
Covered caregivers	No differences	
Family premiums	***$5,445 yearly***	***$4,189 yearly***
Family OOP payments in-network	***$250 individual deductible/ $500 family*** ***<u>BMC Network</u>*** $15/visit co-payment to doctor $100 co-payment for ER ***0% co-insurance for other care*** <u>Other PPO</u> $30/visit co-payment for doctors $100 co-payment for ER ***10% co-insurance for most other services, after paying deductible*** 20% co-insurance at high-cost hospitals	***$1,500/$3,000 deductible*** ***10% co-insurance*** after deductible

	PPO	HSP
OOP payments out-of-network	$500 individual/$1,000 family deductibles 30% co-insurance after deductible But $500 co-payment for ER These are essentially uncapped owing to balance billing by out-of-network caregivers→	$3,000/$6,000 deductibles 30% co-insurance after deductible → Same
Payment for meds, monthly	$8 co-payment generics 20% co-insur. preferred brand-name ($40-60) 30% co-insurance non-preferred ($60-80)	10% co-insurance after deductible
OOP maximum	In-network ***$2,500 individual/$5,000 family*** Out-of-network $5,000/$10,000 + **separate $2,000/$4,000 OOP maximum for meds**	 ***$3,000/$6,000*** $6,000/$12,000 Meds included in general OOP maximum
Maximum financial exposure	$14,145 in-network (includes Rx OOP max.) $15,145+ out-of-network → All net of university payments to FSA, HSA	$9,189 in-network $15,189+ out-of-network → Same

Other Elements Bearing on Plan Choice

	PPO	HSP
Use of FSA/HSA	University pays $500 if income under $70 K, $250 if $70-100K Maximum contribution = $2,550 in 2015 (includes University $s)	University pays $1,000 Maximum total contribution = $6,650 in 2015 (includes University $s)
FSA/HSA mechanics	Are you likely to face OOP costs? Will you use your full FSA contribution? You forfeit any money not used by 15 March of following year.	Are you willing and able to allow your HSA contributions to accumulate, knowing you can use them only for health care expenses? (You'll face income taxation + a 20% penalty if withdraw for non-medical use.)
Able/willing to contribute to FSA/HSA?	Can you afford to contribute to your FSA? Are you willing to lock up that money? Once you sign up, you're obligated to make future monthly payments unless family jobs or other circumstances change	Can you afford to contribute to your HSA? Are you willing to set aside those contributions? ***If you are over 65 and enrolled in Medicare Part A, you may not contribute to an HSA.***

	PPO	HSP
Health status	If a family member has costly hospital/doctor/ other bills ***OR*** is taking a costly long-term medication, the PPO plan may offer you more comprehensive financial protection while holding down your exposure to OOP costs. If you have ***BOTH*** costly medical bills AND take costly meds, PPO could expose you high OOPs AND a higher premium.	If your family members are generally younger and healthier, or if no one is taking one or more very costly long-term medications, the HSA plan may be financially advantageous to you, ***especially*** if you are able to afford to fund your HSA and thereby pay OOP costs with cheaper pre-tax dollars.
Risk aversion	If you'd like to minimize financial risk, the PPO offers most—not all—families greater insurance coverage and less OOP exposure. That stems from PPO's much lower deductible, which means insurance starts paying for care much sooner	If you're comfortable with greater financial risk or expect you can afford to pay OOPs either from savings, credit card debt, or your HSA, the HSP plan may work better for you financially.
Effects of OOPs on care-seeking	Will you seek needed health care, even knowing you will face higher OOPs in the 2016 PPO than you did in the 2015 PPO—unless you use the BMC network?	If you switched into the HSP for 2016 from the HMO or PPO plan, would you seek needed health care, knowing that you will face much higher OOPs than in 2015?

	PPO	HSP
The BMC network	Do you now see physicians or other caregivers who are in the BMC network? Or would you be willing to do so? If you needed hospital care, would you be admitted to BMC? If so, you would pay much lower OOPs than other PPO members.	Not applicable
Attitude toward using health care	Are you fairly quick to use health care and don't want to change that? The PPO's lower OOPs might be better for you.	Are you slow to use health care and unlikely to change? The HSP's higher OOPs may be less important to you.
Access to trustworthy medical information	Advocates for higher OOPs say they will induce you to cut unneeded care. But what is that? Are you a physician, nurse, or other clinician? Or do you have a clinically trained family member or friend—or access to a competent PCP? If so, you may be able to avoid unneeded care and costly OOPs. If not, are there steps you can take to obtain trustworthy information about what care is actually needed to diagnose and treat medical problems?	

Secondary aim – Policy, finance, and future

- Why the changes in the PPO?
- Will they work as hoped?
- What might happen in 2017 and subsequently?

Probable motives for raising OOPs in the PPO

- University's desire to hold down cost of health benefits to avoid paying 40% Cadillac tax in 2018
  - Mass. has world's most expensive health care
    - Making us especially vulnerable to Cadillac tax
- Belief that higher OOPs are <u>best available</u> tool to try to hold down costs
  - Legitimized by "moral hazard" belief
  - "Make competitive market work in health care"
  - Who will feel higher OOPs?
- Stay in line with other employers to deter more couples/families from using B.U.'s health insurance
- Slow rise in health benefits to help finance more equitable retirement benefits

Will higher OOPs work as designers hoped?

1. Will higher OOPs help university avoid 40% Cadillac tax on otherwise untaxed premiums/FSAs/HSAs/other?
2. If not, we face risk of sliding down slippery slope to loss of PPO entirely – everyone in high-deductible HSP
3. Even if higher OOPs slow cost rise, they mean less medical or financial security, and greater unfairness

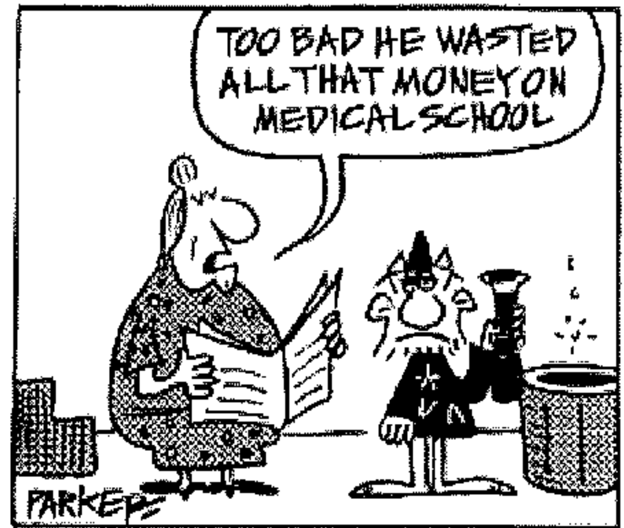
Higher OOPs mean

a. Less risk-sharing through premiums
    - OOPs are tax on being sick + using care

b. Across-the-board cuts in use of care, regardless of need

c. People with lower-income or serious health problems are
    - More vulnerable to higher medical debt and
    - Face greater risk of failure to use needed care

d. Veteran employees, when younger, paid above their cost so older workers could pay below; reciprocity might vanish



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How was it possible to slash total premiums, 2015-2016?

a. PPO total premium falls from $24,549 to $21,780

- Drops $2,769 (11.3%--or about 16% adjusted for inflation)

- Higher real-world OOPs in PPO plan are a major factor
- Are many PPO participants expected to use BMC?
  - With low/no BMC OOPs
    - Are those low/no OOPs made possible by low prices offered by BMC to the University?
    - If so, can BMC sustain them?

b. HSP total premium falls from $21,811 to $20,524

- Drops $1,287 (5.9%--or about 11% adjusted for inflation)

- But no apparent changes in HSP plan's provisions
- Was this made possible by an anticipated shift of younger, healthier employees/families into the HSP plan from the PPO plan?
  - If so, how do the PPO's premiums fall so much?

It will be important to monitor actual health care costs of the two plans during 2016 to anticipate pressure to boost premiums or OOPs in 2017 and subsequently.

Worth monitoring

A. With higher OOPs in the PPO plan designed to cut use of care
   1. Will participants generally cut care across-the-board or particularly cut less-needed care?
   2. Will participants with lower incomes cut use of care substantially more than those with higher incomes, 2015 to 2016?

B. On what detailed actuarial assumptions do the lower 2016 premiums for both PPO and HSA plans rest?
   - Will these assumptions bear out in practice during 2016?
   - If not, what further changes in the PPO are contemplated for 2017?