



Indiana Comprehensive Health Insurance Association

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Budget Committee Presentation
Indiana Comprehensive Health Insurance Association
Presented by Douglas Stratton, Executive Director

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Final Program Budget Submission

Director Horst:

Program Overview:

The Indiana Comprehensive Health Insurance Association (ICHIA) was created by the Indiana General Assembly in 1981 as a not for profit association to provide health insurance for Indiana citizens who were unable to obtain medical coverage in the open commercial market. The ICHIA Program operates as a safety net for our State's medical uninsurable by providing health insurance to all designated as eligible under the law.

This program was enacted to address the increasing number of uninsured, and was designed in accordance with the model recommended by the National Association of Insurance Commissioners. These programs, now in 35 States, are referred to as High Risk Programs. They are an alternative to Guaranteed Issue, Assigned Risk, or other mandated health insurance coverage.

There are currently approximately 7,400 participants in the ICHIA Program. Enrollment occurs throughout the year, and the premium rates are reviewed and actuarially determined on an annual basis. The statute designates that the rates are to be set at one hundred fifty percent (150%) of the average premium rate charged by the five (5) carriers with the largest premium volume in the state during the preceding calendar year. Even though these rates are quite high, they are not sufficient to cover all the medical expenses of the participants.

ICHIA also manages the care of patients in four (4) other State/Federal programs:

- It serves as the State Alternative Mechanism for those citizens with portability rights under the Health Insurance Portability and Accountability Act (HIPAA), and manages those eligible under the Act's provisions. There are currently approximately 3,000 covered under this program.
- It manages the enrollees in the Healthy Indiana Program that are high risk and high cost patients. The Enhanced Services Plan is the name of this specialized program. There are currently approximately 1,200 covered under this program.
- It is an option for persons enrolled in the Health Care Tax Credit tax incentive federal program enacted as part of the Trade Adjustment Assistance Act. There are currently approximately 30 individuals covered under this program.
- It is an option for people in Medicare that are under age 65, due to severe disabilities. ICHIA serves a function that is similar to Medigap coverage. Individuals under age 65 are not eligible for a traditional Medigap policy. There are approximately 580 that have Medicare as their primary coverage and ICHIA as their secondary.

Sunset of the Program:

As a result of the Affordable Care Act, and its elimination of pre-existing conditions exclusions, limitation of annual/ lifetime caps, and the inability to reject applicants due to health conditions; the ICHIA Program is no longer necessary. Legislation will be needed to terminate the Program effective the later of 1/1/2014 or as soon as the Health Insurance Exchange is operational in Indiana.

A Plan of Termination and Transition has been approved by the Board of Directors, and all activities will be coordinated with the General Assembly, the Department of Insurance, and all agencies and regulatory entities involved in operations of the ICHIA Program. This includes coordination with the other programs managed by ICHIA described above.

The vision of the legislature in establishing this health insurance safety net has proven to be a great success and of enormous benefit to tens of thousands of Hoosiers over its 30 plus years of operation. It has been a "God Send" for people of all walks of life, and has literally saved the lives of many of the participants. The number of letters of appreciation expressed by the participants would fill a file box.

Equally important is the tens of millions of dollars saved as a result of legislative actions that have contributed significantly to structuring a responsible and respected program. Simply stated, ICHIA provided comprehensive health insurance for those otherwise uninsurable, and did so with quality care at a much reduced cost. It has been a genuine Win – Win result.

The ICHIA program was recognized as a leader and innovator by the Department of Health and Human Services in its annual report to Congress on 2 different occasions. Indiana can be proud of the program it designed to care for those that were our medically challenged.

ICHIA Program Description

Program Governance:

ICHIA is overseen by a Board of Directors designated in the Enabling Statute (I.C. 27 -8 10). The nine (9) members include the Commissioner of Insurance, the State Budget Director, representatives of four (4) state licensed health insurers, two (2) consumer representatives, and one (1) provider representative. It manages the Program under a Plan of Operation that is also designated in the Statute.

All coverage issues, premium rate actions, and operations are subject to and overseen by the Indiana Department of Insurance.

Funding:

ICHIA is funded by three entities. The participants pay a premium that is approximately 50% of the total cost of the program. The remaining cost, referred to as Net Losses, are shared by the health insurance companies operating in Indiana, and the State. The carriers' share of the Net Losses is 25%, and the State pays the remaining 75%. Tax credits previously granted to carriers have been eliminated for assessments paid after January 1, 2005.

Summary of the Program's History:

ICHIA became operational in 1981 and was a small and stable Program well into the mid 1990's. The membership grew slowly and steadily as did the Net Losses. However, beginning in the period from 1997 through 2002, the program grew drastically in membership and Net Losses. Several severe medical cost disease conditions, such as AIDS/ HIV patients, Hemophilia patients, and Kidney patients who were allowed to be subsidized by State agencies and private foundations became participants in ICHIA. The inclusion of these participants caused the Association's losses to increase dramatically. The Net Losses in the ICHIA program rose from approximately \$17 million in 1997 to \$67 million in 2002.

Aggressive medical management initiatives were undertaken, and those combined with the legislative actions taken in 2003 and 2004, brought the Net Loss down from \$67 million in 2002 to \$29 million in 2004. A reduction of \$38million in 2 years.

Medical costs then stabilized for several years due to added disease management programs that were specifically designed for the ICHIA highest cost conditions. Programs included HIV+, Hemophilia, complex co-morbidity conditions, excessive emergency room patients, chronic lower back pain, and end of life/hospice facilitation. Two of these programs were recognized as Best Practices, and some of the most innovative in the High Risk Programs by the Centers for Medicare and Medicaid Services. These disease management programs were designed and developed in collaboration with highly regarded physicians and clinical experts to create protocols that promoted the best outcome and eliminated all unnecessary costs.

Legislative changes that further added to the stability and cost reductions included revising the funding mechanism, revising the eligibility requirements, increasing the residency requirement from 90 days to 1 year, and most significant, adding mandatory participation in the disease management programs.

Beginning in the 2nd quarter of 2009, the State Department of Health began increasing the number of HIV positive patients it placed in the ICHIA program from approximately 1,400 to over 2,100 today. This increase in exceptionally high cost patients, and in particular the drug expense, caused the overall medical cost of the program to increase to a current level of approximately \$145 million in 2012.

Appropriation Request:

Based on the analysis of the Milliman actuary firm, the State's portion of the Net Losses of the ICHIA program during the period of the FY2014-2015 budget cycle is estimated to be \$38,250,000.

Summary

With the expected advent of the Health Insurance Exchange to begin on January 1, 2014, the mission of the ICHIA program will have been met and will no longer be necessary. The remaining work is to manage the Program through the termination and assist in the transition of the participants to the Exchange. This will be a challenging period as there will be numerous operational issues, increased demand for services in anticipation of the change in coverage, and increased participant assistance required.

The Board of Directors and our operations team remain committed to managing the Association to effectively and efficiently serve the needs of the program, and assure the program meets the directives of the Legislature through this process. The Board has been very responsive and effective in addressing the challenges in the Program thus far, and it will continue to guide the Association in meeting its mission until dissolved.

However, the benefit changes that are scheduled to take place as a result of the Affordable Care Act and the increases expected in medical costs, will produce significant cost demands in this program and problems yet to solve. I am confident that the Termination and Transition Plan and the wrap up process will address those issues quickly and appropriately, and the Association will be dissolved in a timely and professional manner.

It has been a privilege and a source of great pride to serve this Program, the participants, and the Great State of Indiana.

Respectfully submitted



Douglas Stratton

Executive Director