

2017 QHPs and the Drug Regulations Background

- Vermont's drug regulation (drug specific minimum deductibles and maximum out of pocket amounts) impacts the plan design process
 - Intent was to protect members from high drug out of pocket spend but since ability to change the drug deductible/MOOP annually is based on the minimum HDHP deductible, the medical deductible or other cost sharing features have to change significantly to offset no or minimal drug changes (see bronze HDHPs)
 - IRS deductible limits are not released until after the plan designs have been approved and form filings submitted, potentially requiring resubmission and making timely legislative action almost impossible
 - In future years it may be difficult to get a bronze plan to pass the federal AV requirements given the richness of the drug benefit
- Recognize that this is a legislative requirement but suggest steps should be taken to consider alternatives for protecting members that is less complex and allows for more flexibility in the plan design process.

2017 QHPs and the Drug Regulations Federal Actuarial Value Calculator

- The federal AV calculator is updated every year for claim cost trends
- The AV calculator has medical and drug cost increasing at similar rates even though drug costs are increasing significantly more than medical costs for most issuers
- This creates a situation where medical out of pocket costs must increase even more to maintain both the AV and the Rx MOOP
 - For the Bronze HDHP, the drug deductible and MOOP is regulated by Vermont law and the overall MOOP is regulated by the IRS. As a result, these have increased less than 2% on average from 2014 to 2017. The medical deductible has had to make up the difference and has increased on average around 35% a year.
- In 2018 it is expected that the data underlying the federal actuarial value calculator will be updated. How this will impact 2018 actuarial values is unknown but more disruption compared to historical changes is expected.

2017 QHPs and the Drug Regulations Plan Design Impact

- Because the drug deductibles and maximum out of pockets are limited in how much they can change, the changes must occur on the medical side.
- Given the restrictions on the plan designs, such as the limit on maximum out of pocket, it is possible that it will not be possible to have a bronze plan in future years.
 - HDHP regulations further restrict the plan design changes since the medical MOOP is lower for HDHPs.
- The following tables show the plan design changes for the bronze HDHP from 2014 to 2017. The changes are then extrapolated to future years.
 - By 2019, the deductible needed to keep the AV similar to the prior year is expected to be higher than the MOOP.
 - By 2020, it is expected that if nothing changes, it may not be feasible to have a bronze HDHP.
 - The same pattern exists for the Bronze deductible plan, but takes longer before the plan becomes infeasible.

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Plan Design Impact – Bronze HDHP

Deductible/OOP Max	2014 Plan Design	2015 Plan Design	2016 Plan Design	2017 Plan Design
Type of Plan	HSA Q/HDHP	HSA Q/HDHP	HSA Q/HDHP	HSA Q/HDHP
Medical Ded	\$2,000	\$2,000	\$4,100	\$5,000
Rx Ded	\$1,250	\$1,300	\$1,300	\$1,300
Integrated Ded	Yes	Yes	Yes	Yes
Medical OOPM	\$6,250	\$6,250	\$6,500	\$6,600
Rx OOPM	\$1,250	\$1,300	\$1,300	\$1,300
Integrated OOPM	Rx -No, Medical - Yes	Rx -No, Medical - Yes	Rx -No, Medical - Yes	Rx -No, Medical - Yes
Family Deductible / OOP	Aggregate, 2x Individual	Aggregate, 2x Individual	Aggregate with Combined Medical/Rx embedded \$6,850 Single MOOP; 2x Individual	Aggregate with Combined Medical/Rx embedded \$7,150 Single MOOP; 2x Individual
Medical Deductible waived for:	Preventive	Preventive	Preventive	Preventive
Drug Deductible waived for:	Wellness scripts	Wellness scripts	Wellness scripts	Wellness scripts
Service Category	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance
Inpatient	50%	50%	50%	50%
Outpatient	50%	50%	50%	50%
ER	50%	50%	50%	50%
Radiology (MRI, CT, PET)	50%	50%	50%	50%
Preventive	0%	0%	0%	0%
PCP Office Visit	50%	50%	50%	50%
MH/SA Office Visit	50%	50%	50%	50%
Specialist Office Visit	50%	50%	50%	50%
Urgent Care	50%	50%	50%	50%
Ambulance	50%	50%	50%	50%
Rx Generic	\$12	\$12	\$12	\$12
Rx Preferred Brand	40%	40%	40%	40%
Rx Non-Preferred Brand	60%	60%	60%	60%
Rx Specialty	60%	60%	60%	60%

2017 QHPs and the Drug Regulations Plan Design Impact – Bronze HDHP Forecast

Deductible/OOP Max	2017 Plan Design	2018 Plan Design	2019 Plan Design
Type of Plan	HSA Q/HDHP	Deductible	Deductible
Medical Ded	\$5,000	\$6,000	\$7,000
Rx Ded	\$1,300	\$1,350	\$1,350
Integrated Ded	Yes	No	No
Medical OOPM	\$6,600	\$6,750	\$6,850
Rx OOPM	\$1,300	\$1,350	\$1,350
Integrated OOPM	Rx -No, Medical - Yes	Rx -No, Medical - Yes	Rx -No, Medical - Yes
Family Deductible / OOP	Aggregate with Combined Medical/Rx embedded \$7,150 Single MOOP; 2x Individual	Stacked, 2x Individual	Stacked, 2x Individual
Medical Deductible waived for:	Preventive	Preventive	Preventive
Drug Deductible waived for:	Wellness scripts	Applies to all scripts	Applies to all scripts
Service Category	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance
Inpatient	50%	50%	50%
Outpatient	50%	50%	50%
ER	50%	50%	50%
Radiology (MRI, CT, PET)	50%	50%	50%
Preventive	0%	0%	0%
PCP Office Visit	50%	50%	50%
MH/SA Office Visit	50%	50%	50%
Specialist Office Visit	50%	50%	50%
Urgent Care	50%	50%	50%
Ambulance	50%	50%	50%
Rx Generic	\$12	\$12	\$12
Rx Preferred Brand	40%	40%	40%
Rx Non-Preferred Brand	60%	60%	60%
Rx Specialty	60%	60%	60%

2017 QHPs and the Drug Regulations Plan Design Impact

- There are still other ways to potentially limit exposure to high cost drugs, such as limiting the copay in instances where there is coinsurance
- The following two slides show alternative bronze plan designs that might be possible if the drug limitations did not exist. These plan designs are high level examples and should be considered illustrative. More refined modeling would be needed to determine actual plan design alternatives.

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Plan Design Impact – Alternative Bronze HDHPs

Deductible/OOP Max	2017 Plan Design	2017 Plan Design - Alt	2017 Plan Design - Alt
Type of Plan	HSA Q/HDHP	HSA Q/HDHP	HSA Q/HDHP
Medical Ded	\$5,000	\$4,000	\$5,000
Rx Ded	\$1,300	N/A	N/A
Integrated Ded	Yes	Yes	Yes
Medical OOPM	\$6,600	\$6,600	\$6,600
Rx OOPM	\$1,300	N/A	N/A
Integrated OOPM	Rx -No, Medical - Yes	Yes	Yes
Family Deductible / OOP	Aggregate with Combined Medical/Rx embedded \$7,150 Single MOOP; 2x Individual	Aggregate with Combined Medical/Rx embedded \$7,150 Single MOOP; 2x Individual	Aggregate with Combined Medical/Rx embedded \$7,150 Single MOOP; 2x Individual
Medical Deductible waived for:	Preventive	Preventive	Preventive
Drug Deductible waived for:	Wellness scripts	Wellness scripts	Wellness scripts
Service Category	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance
Inpatient	50%	50%	10%
Outpatient	50%	50%	10%
ER	50%	50%	10%
Radiology (MRI, CT, PET)	50%	50%	10%
Preventive	0%	0%	0%
PCP Office Visit	50%	50%	10%
MH/SA Office Visit	50%	50%	10%
Specialist Office Visit	50%	50%	10%
Urgent Care	50%	50%	10%
Ambulance	50%	50%	10%
Rx Generic	\$12	\$12	\$12
Rx Preferred Brand	40%	40%	20%
Rx Non-Preferred Brand	60%	60%	60%
Rx Specialty	60%	60% up to \$100 copay	60% up to \$100 copay

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Plan Design Impact – Alternative Bronze Ded Plans

Deductible/OOP Max	2017 Plan Design	2017 Plan Design - Alt	2017 Plan Design - Alt	2017 Plan Design - Alt
Type of Plan	Deductible	Deductible	Deductible	Deductible
Medical Ded	\$4,600	\$3,800	\$4,400	\$4,600
Rx Ded	\$700	\$500	\$700	\$700
Integrated Ded	No	No	No	No
Medical OOPM	\$7,150	\$7,150	\$7,150	\$7,150
Rx OOPM	\$1,300	N/A	N/A	N/A
Integrated OOPM	Rx -No, Medical - Yes	Rx -No, Medical - Yes	Rx -No, Medical - Yes	Rx -No, Medical - Yes
Family Deductible / OOP	Stacked, 2x Individual	Stacked, 2x Individual	Stacked, 2x Individual	Stacked, 2x Individual
Medical Deductible waived for:	Preventive	Preventive	Preventive	Preventive, 1 PCP/MH/SA office visit
Drug Deductible waived for:	Applies to all scripts	Applies to all scripts	Applies to all scripts	Applies to all scripts
Service Category	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance
Inpatient	50%	50%	50%	50%
Outpatient	50%	50%	50%	50%
ER	50%	50%	50%	50%
Radiology (MRI, CT, PET)	50%	50%	50%	50%
Preventive	\$0	\$0	\$0	\$0
PCP Office Visit	\$35	\$35	\$25	\$35
MH/SA Office Visit	\$35	\$35	\$25	\$35
Specialist Office Visit	\$90	\$90	\$75	\$90
Urgent Care	\$100	\$100	\$100	\$100
Ambulance	\$100	\$100	\$100	\$100
Rx Generic	\$20	\$20	\$10	\$20
Rx Preferred Brand	\$85	\$85	\$70	\$85
Rx Non-Preferred Brand	60%	60%	60%	60%
Rx Specialty	60%	60% up to \$100 copay	60% up to \$100 copay	60% up to \$100 copay

2017 QHPs and the Drug Regulations Reference - 2017 Bronze Plan Designs

➤ 2017 Bronze Plan Designs

Deductible/OOP Max	Federal	VT HDHP - Deductible	VT HDHP - Embedded	VT HDHP - Aggregate
Type of Plan	Deductible	Deductible	HSA Q/HDHP	HSA Q/HDHP
Medical Ded	\$6,650	\$4,600	\$5,000	\$5,250
Rx Ded	N/A	\$700	\$1,300	\$1,300
Integrated Ded	Yes	No	Yes	Yes
Medical OOPM	\$7,150	\$7,150	\$6,600	\$6,600
Rx OOPM	N/A	\$1,300	\$1,300	\$1,300
Integrated OOPM	Yes	Rx -No, Medical - Yes	Rx -No, Medical - Yes	Rx -No, Medical - Yes
Family Deductible / OOP	Stacked, 2x Individual	Stacked, 2x Individual	Aggregate with Combined Medical/Rx embedded \$7,150 Single MOOP; 2x Individual	Ded and Rx MOOP-Aggregate, Combined Medical/Rx MOOP - Stacked; 2x Individual
Medical Deductible waived for:	Preventive, MH/SA OV	Preventive	Preventive	Preventive
Drug Deductible waived for:	Generic scripts	Applies to all scripts	Wellness scripts	Wellness scripts
Service Category	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance	Copay / Coinsurance
Inpatient ¹	50%	50%	50%	50%
Outpatient ²	50%	50%	50%	50%
ER ³	50%	50%	50%	50%
Radiology (MRI, CT, PET)	50%	50%	50%	50%
Preventive	0%	0%	0%	0%
PCP Office Visit	\$45 first 3 visits, then subject to ded and coinsurance	\$35	50%	50%
MH/SA Office Visit	4500%	\$35	50%	50%
Specialist Office Visit ⁴	50%	\$90	50%	50%
Urgent Care	50%	\$100	50%	50%
Ambulance	Unknown	\$100	50%	50%
Rx Generic	\$35	\$20	\$12	\$12
Rx Preferred Brand	50%	\$85	40%	40%
Rx Non-Preferred Brand	50%	60%	60%	60%
Rx Specialty	\$1	N/A	N/A	N/A
Actuarial Value				
Federal AVC, Unadjusted	61.9%	60.4%	61.7%	61.5%
Final Federal AVC, Unadjusted	61.9%	61.3%	60.9%	61.0%