

Study #5: Healthy New York and the Family Health Plus Employer Partnership

Please note to limit the duplication of content across the six study narratives and to appreciate the page limit on these sections, we have included supporting information in the Appendices noted throughout this section.

section HIGHLIGHTS

a) Why Deloitte?

The Deloitte Consulting, LLP (Deloitte) multidisciplinary team of seasoned professionals has been formed to enable the New York State (State) Department of Health (defined as Department, to include the public benefit corporation) to effectively analyze its healthcare marketplace and health benefits exchange landscape. This team includes nationally regarded actuarial consultants and health care policy consultants, with experience and knowledge of the New York healthcare market.

- Our team has consulted to states regarding their subsidized health insurance programs and how to best integrate them with the Exchange and Medicaid.
- We understand the New York health insurance marketplace – the products, carriers and markets – which will allow us to hit the ground running

Deloitte LLP has over 100 years of history and 165,000 global professionals across four world-class businesses – consulting, audit, tax, and financial advisory. Deloitte Consulting LLP is the company that will provide the consulting services sought after by the Department. We are the largest provider of global healthcare consulting services based on breadth of capabilities and by revenue (4/19/2011).

In Appendix 1, we provide more information on our organization and experience with supporting materials such as our qualifications (Appendix 2), sample relevant deliverables and discussion documents (Appendix 6), sample large scale health policy studies (Appendix 7), and our experience with the State of New York (Appendix 8).

Throughout this response, we focus on the experience the Department is requiring for this project – actuarial expertise, commercial health insurance experience, state health & federal government expertise;

all with a focus understanding the impacts of health care reform and how to develop the State's Health Benefit Exchange (Exchange). Our team will keep up to speed about recent Federal activity and associated impacts through Deloitte's Center for Health Solutions and Deloitte's Health Reform Central (described in Appendix 1).

Actuarial Practice, Approach and Tools

The foundation of our approach to providing actuarial consulting services includes using a variety of relevant and current data, tools to analyze the data, and the experience and judgment of our team. Our comprehensive set of industry-leading tools ensure our consulting services are of the highest quality, accurate, and cost-effective for our clients. Our team is committed to offering the Department value in actuarial and healthcare consulting services through our depth of expertise, national data sets, and leading-industry tools.

The table below summarizes the tools available to us. We also provide more detail about our data management tools, Incurred But Not Paid (IBNP) model, risk adjustment tools, Benefit Modeling tools, and our Health Reform Forecast Model following the table.

<i>Data and Tools</i>
<ul style="list-style-type: none"> • We have access to the largest, commercially available medical cost and enrollment database: <ul style="list-style-type: none"> ▪ Claims-level database with attached member information ▪ Represents more than 20 million members • We have developed tools to model: <ul style="list-style-type: none"> ▪ Impacts of Program/Policy changes ▪ Impacts of Benefit changes (including covered/non-covered benefits, limitations, cost sharing) ▪ Health reform impacts ▪ Medical and Administrative Trends ▪ Financial neutrality under ICD-10 • We provide product performance analysis and can produce new product projections that review: <ul style="list-style-type: none"> ▪ Network effectiveness ▪ Medical management effectiveness ▪ Relative pricing by age, geography, plan design ▪ Expected expense by condition, episode, etc. ▪ Financial information development such as reserves, risk based capital

Data management tools

For a variety of analytical and actuarial work, our professionals use a customized database developed and maintained by Deloitte. This database contains large volumes of claims information, including provider utilization and cost information from a variety of HMOs, PPOs, providers, and insurance companies. In addition, we purchase several national databases, including *Thomson Reuters MarketScan® Research Databases*, which provides claims level detail on several million members. This data is available to fill in gaps that we find in information available from the Department. We could also use this information to quickly provide preliminary estimates as needed.

In order to manage the large quantities of data used to assist our clients in plan pricing, data warehousing, risk management, and other information-driven services, we need a tool that allows for fast, efficient data processing. Currently the tool used to store and process healthcare claims data is a Standard Query Language (SQL) server, which is powered by the Microsoft SQL Server 2000 software package. This database server is perfectly designed to store the types of health claims datasets used in health care analysis. It also contains the appropriate security provisions to meet HIPAA requirements.

Incurred But Not Paid Claim Liabilities (IBNP) model

We use Deloitte Consulting's proprietary IBNP model for calculating the liability of health carriers including commercial, Medicaid, and Medicare providers. This is used for both traditional claims and managed care encounters. Our model uses the completion factor development method of calculating these liabilities, and allows the results to be varied for trends as well as manually adjusted for irregular payment or utilization patterns. These estimates are used for completing data sets so that accurate cost projections can be completed. We also calculate the amounts outstanding for GAAP and statutory reporting. Because of our relationship with an accounting firm, we calculate IBNR for numerous plans every year.

Risk Adjustment Tools

We license multiple risk adjustment tools. These tools are used to more accurately reflect payment with the risk of the populations incurred by the health plans. They are used to more accurately pay health plans. Our consultants have experience using the Medicaid-specific Chronic Illness and Disability Payment System (CDPS with and without pharmacy), Adjusted Clinical Groups (ACG), Diagnostic Cost Group (DCG and the pharmacy-only DxCG), Medical Episode Group (MEG), pharmacy (Rx)-based groupers, ETGs and ERGs, and CMS HCC/ Rx-HCC models.

Benefit Modeling Tools

Deloitte has developed flexible benefits models that use client specific data to calculate the total cost of coverage based on specific plan designs/benefit packages and splits the costs into the various payers (e.g., insured, insurer) and service categories (e.g., inpatient, outpatient, physician). These models can also be used to price benefit changes and assess mandated benefits and are expected to be utilized for several of the Department's projects.

In addition to the benefit modeling tools we have created for our state clients, we also have two national models that we typically will use to confirm the client specific data is providing reasonable results. One of our models uses a commercial database that contains data for large employers, health plans, government and public organizations, approximately 100 different insurance companies, Blue Cross Blue Shield plans, and third party administrators. This model categorizes information by service category split between members and families to analyze the impact of cost sharing provisions on the various benchmark plan designs. The other model was developed to apply more broad assumptions across various databases to estimate the impact of modifying existing benefit designs.

Health Reform Forecast Model

Deloitte Consulting has developed a Health Reform Impact Model to project the effects of these changes on population health coverage and costs. This provides scenario-based projections by state, by year, and by market segment. The model uses baseline demographic and cost data to project the enrollment and cost impacts of reform over future time periods using a range of assumptions developed within the context of ACA.

The model utilizes a variety of data sources e.g.:

- Centers for Medicare and Medicaid Services (CMS), including the Office of the Actuary;
- U.S. Census Bureau (Census); and
- Kaiser Family Foundation (KFF) research

Due to the subjective nature of the projections, we develop multiple scenarios of what the future may be, including:

- Economic Scenarios - changes in the economic environment (unemployment rates, real wage growth rates, medical trend, and CPI inflation) and the resulting impact on health plan coverage.
- Legislative Scenarios - changes in legislation and related regulation with respect to current provisions (e.g. changes in loss ratio requirements, changes in penalties and subsidy levels, changes in Medicaid/Medicare reimbursements, etc.).
- Behavioral Scenarios - changes in the reaction of market participants to the provisions in the ACA (e.g. employer reactions to pay-or-play rules, individual reactions to the coverage mandate).
- Strategy Scenarios - changes in Health Connector-specific strategies relative to the market (e.g. aggressive or less aggressive pricing, medical management/cost containment, administrative efficiencies, etc.).

We have used this model with numerous clients and are confident that a customized version of this model can be useful in providing useful input to help the Department analyze the impact of their policy decisions regarding the Exchange.

b) Proposed Study Method

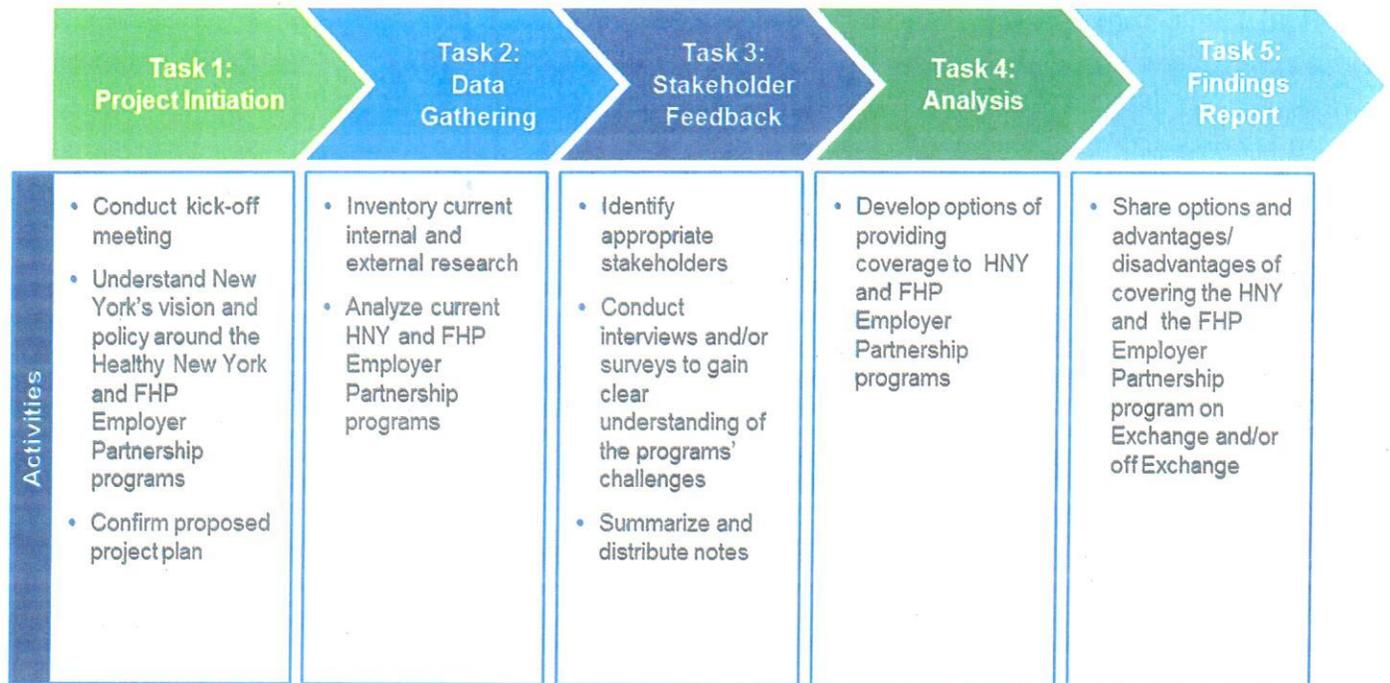
The Healthy New York (HNY) and Family Health Plus (FHP) Employer Partnership offer small business owners and lower income individuals health insurance options that have rates generally more competitive than what is offered in the market. These programs have been a critical component of New York's dedication to the lower the number of New York's uninsured.

The Affordable Care Act (ACA)⁵ requires New York to establish a health insurance exchange where small groups and individuals will have access to compare policies and premiums in an open marketplace (if the State does not provide the Exchange, the Federal government will provide the Exchange). One of the main goals of the ACA is to lower the uninsured population, which coincides directly with the goals of HNY and FHP Employer Partnership programs. Deloitte will assist the State and make recommendations regarding how the Exchange can coordinate best with these programs.

Deloitte will work closely with the Department to conduct a study exploring the options associated with the Exchange and how they will impact the HNY and FHP Employer Partnership programs. Deloitte will focus on the State's goals of providing insurance coverage to its people.

⁵ Affordable Care Act (ACA) includes the Patient Protection and Affordable Care Act (PPACA or Public Law 111-148), as amended by the federal Healthcare and Education Reconciliation Act of 2010 (HCERA or Public Law 111-152).

We have identified 5 core tasks which will be conducted in collaboration with the Department. We look forward to working with the Department to balance the goals of the study, across the various tasks, while meeting the timeline and funding constraints.



Task 1: Project Initiation

The starting point to our engagement will be to review and align defined activities with the Department's priorities, policy decisions and overall Exchange vision. Through the kick-off meeting we will review the proposed project plan, validate our assumptions and ensure the targeted outcomes are clearly shared across all participants. The kick-off meeting serves to gain consensus on the scope of the study, including roles and responsibilities and timelines. The collective team will also need to establish a communication strategy and governance model which should include identifying the points of contacts for Deloitte and the Department. Key Task 1 objectives, as well as a sample workplan are included in Appendix 3.

Task 2: Data Gathering

Deloitte has access to both public and proprietary data sources which may be leveraged throughout the study. The work effort will focus on gathering the appropriate data to support the stakeholder outreach activities as well as to formulate and validate the study's findings and recommendations. We will identify and document issues, questions and options to be assessed by the Department. The data gathering process may consist of the following:

- i. Current HNY regulations, benefits, enrollment, and reports
- ii. Current FHP Employer Partnership program regulations, benefits, expected enrollment, and reports
- iii. Review other publicly available studies performed by the State and outside organizations
- iv. Review & request additional data from the Department, as appropriate and available
- v. Leverage Deloitte internal tools and resources, samples shown in Appendix 9.

Task 3: Stakeholder Feedback

Our approach is to work closely with the Department to define the most efficient and effective stakeholder outreach approach while remaining in alignment with the deadlines. We will coordinate with the Department to identify the appropriate internal (e.g., Department of Insurance) stakeholders to solicit feedback to include as part of the study. Our team will also coordinate the final input deadlines and the number of interviews with Department members in order to stay in alignment with overall deadlines and budget.