

# NEW YORK HEALTH PLAN ASSOCIATION

## MYTHS VS. FACTS: PRIOR APPROVAL OF HEALTH INSURANCE RATES

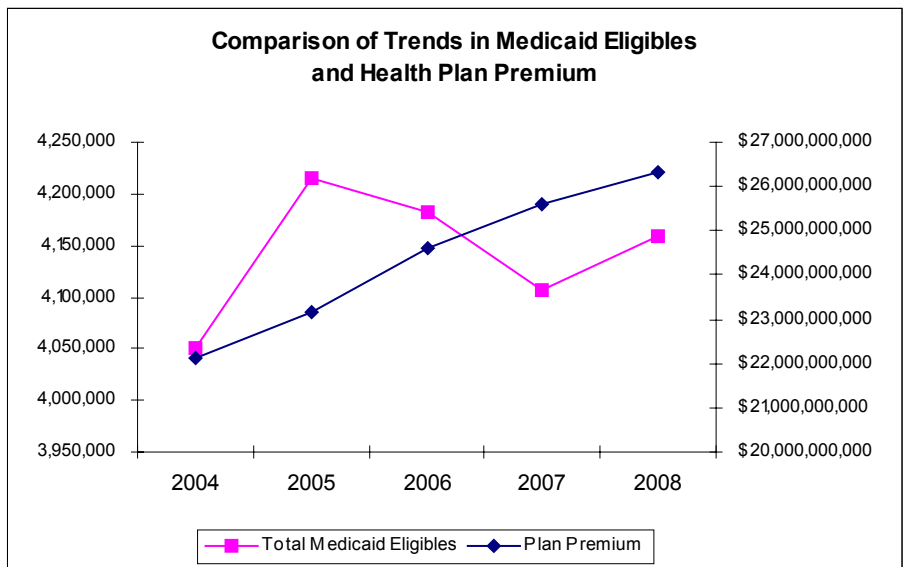
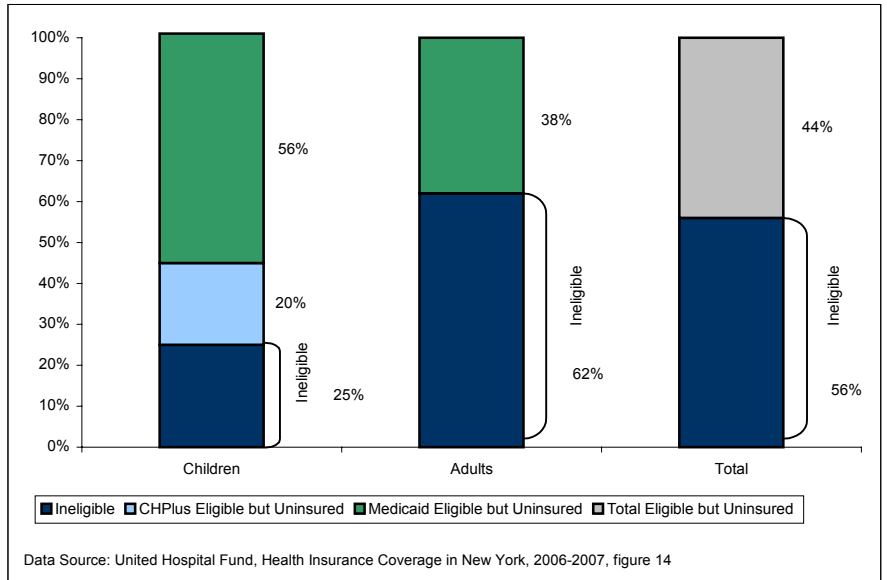
**Myth:** Enacting the Governor's proposal for prior approval of rates will save \$70 million state share in fiscal year 2010-2011 (\$150M in 2011-2012) due to avoided enrollment in the state's Medicaid program by people who can no longer afford third party health insurance. This figure was reportedly derived from Department of Insurance (DOI) rate analysis that concluded health plan rates are on average 3% higher than they would be under prior approval. Health policy experts predict that for every increase of 1% in the cost of insurance, 30,000 people drop coverage. Thus, DOI concludes that 90,000 people have dropped coverage and have burdened the state's Medicaid program as a result. It is important to note that this same proposal was offered as a department bill last year (S.5470/A.8280) with no fiscal impact.

**Fact:** Numerous reports from respected health policy analysts have examined the demographics of the uninsured in New York. Analyses show that New York's uninsured are from working families — eight in ten are workers or dependents of workers. These data also reveal that less than half (44%) of the uninsured are eligible for New York's existing public programs. In fact, only 38% of uninsured adults are eligible for Medicaid or Family Health Plus.<sup>1</sup>

**Fact:** From 1996 to 1999, health plans were required to obtain approval from the Department of Insurance if any proposed rate increases exceeded 10%. Thus, rates increases of up to 10% did occur across the state without prior approval. If DOI's premise were true, one would expect to see growth in Medicaid eligibles due to annual premium increases. However, data from the New York State Department of Health show that the number of people eligible for Medicaid declined from 1997 to 2000. In addition, actual Medicaid enrollment declined from 1998 to 2000.

As of January 1, 2000, the 10% cap expired. If the DOI analyses were correct, one would be able to correlate

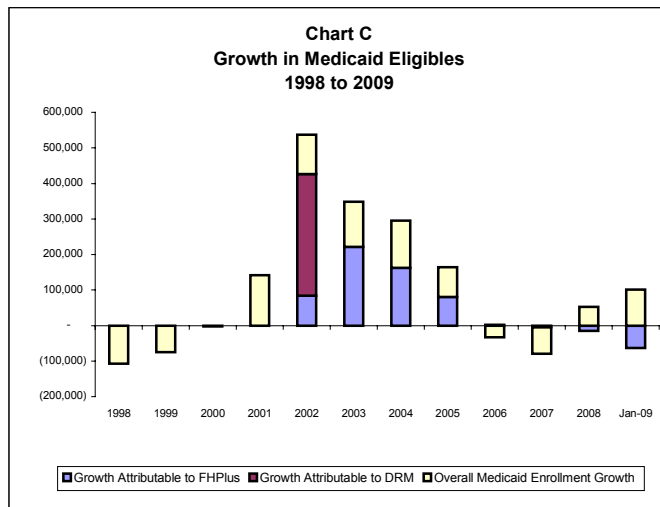
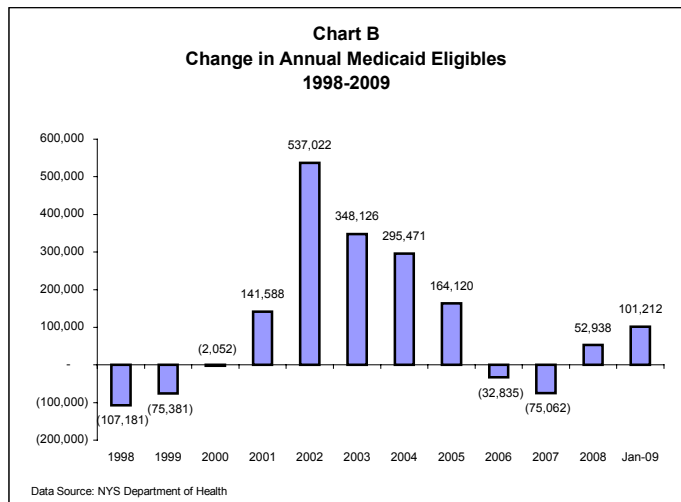
increases in the costs of private health insurance with growth in the population of people eligible for Medicaid. In fact, if their premise were accurate, one would expect to see the same (or at least similar) trend when one graphs the trend in Medicaid eligibles with the trend in health plan premium costs (i.e., the slopes of the two data distributions should be similar). Chart A, however, provides the snap shot of data for 2004 to 2008 — years for which there was no prior approval of health plan rates. As you can see, the trends are not only dissimilar, but the declines in Medicaid enrollment while health plan premiums continue to rise completely undermine the Department's argument for prior approval. In addition, as shown in Chart B, Medicaid eligibles declined in five of the 10 years in the period 1998 to 2008.



<sup>1</sup> United Hospital Fund, Health Insurance Coverage in New York, 2006-2007, figure 14

**Reality:** Data from the United Hospital Fund indicate, “the rate of employer sponsored insurance remained stable in New York” from 2000-2004<sup>2</sup>. However, these are the same years in which eligibility for and enrollment in public programs grew. As everyone knows, these years coincide with the implementation of Disaster Relief Medicaid (after the terrorist attack on the World Trade Center) and the start of the Family Health Plus Program. In fact, the growth of the FHPlus program from 2003 to 2005 accounts for more than half (57%) of the overall growth in Medicaid eligibles (see Chart C).

In contrast, for the period of 2004-2007, there was a decline in employer-sponsored coverage<sup>3</sup>, yet public program eligibility growth in 2005 was small — only 4% (down from the decade high of 19% in 2002, 10% in 2003 and 8% in 2004) and Medicaid eligibles declined in 2006 and 2007. Moreover, actual Medicaid enrollment declined from 2006 to 2007.



A study published in 2005 by the Health Research and Educational Trust examined crowd-out (substitution of public coverage for private coverage) in New York’s Child Health Plus (CHPlus) program. Enrollees were considered to meet the crowd out definition if the reasons for their loss of private coverage in the 6 months prior to enrollment in CHPlus included: “(1) the cost of [other] insurance went up and I could not afford it any more, (2) SCHIP is cheaper, or (3) SCHIP has better benefits [than last insurance].”<sup>4</sup> Using enrollment data from 2000-2001, researchers found that only 7% of enrollees chose CHPlus because it was cheaper or better than the child’s prior private health insurance. In fact, the study noted, “Most movement from private to public insurance in NY was not crowd out.”<sup>5</sup> In fact, “[p]arental job change or loss...affecting nearly a third of all enrollees” was cited as the principal reason for loss of prior private coverage.<sup>6</sup>

The growth in Medicaid enrollment in 2008 and January 2009 can be attributed to numerous other factors, including:

- The alignment of Medicaid and FHPlus resource tests (to the higher FHPlus standard) that resulted in more people eligible for Medicaid;
- The statewide standardization of the standard of need for Medicaid eligibility using the level formerly applicable to Suffolk County. This resulted in higher Medicaid eligibility levels for most of the state; and
- The devastating downturn in the national economy and associated job loss.

<sup>2</sup> <http://www.uhfnyc.org/initiatives/health-insurance-project/health-insurance-data-analysis>

<sup>3</sup> IBID

<sup>4</sup> Health Resource and Educational Trust, *Crowd-Out in the State’s Children’s Health Insurance Program (SCHIP): Incidence, Enrollee Characteristics and Experiences, and Potential Impact on New York’s SCHIP*, 2005, p. 7

<sup>5</sup> IBID, p. 1

<sup>6</sup> IBID, p. 7