



Minnesota's Health Insurance Market

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Minnesota Council of Health Plans

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Our Members

- Blue Cross and Blue Shield/Blue Plus of Minnesota
- HealthPartners
- Medica
- Metropolitan Health Plan
- PreferredOne
- Sanford Health Plan
- UCare

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Minnesota Council of Health Plans

- Provide coverage to more than 4.3 million
- Premium revenue in 2008 was \$16.8 billion
- Employ 16,000 across the state
- Nonprofit health care organizations licensed under M.S. Chapters 62A, 62C, & 62D

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Historical Perspective

- Most industrialized countries have a socialized system where coverage is provided as a government benefit
- United States followed a different path – most people under age 65 receive benefits via an employer-based system

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Why have insurance?

- Protect against the risk of financial loss due to illness or injury
- Spread risk
- People with insurance are more likely to seek care earlier

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MN Health Insurance Status

- One of the highest rates of health insurance coverage in the U.S.
 - 93% coverage; 7 % uninsured
- 95% of employers with 50+ employees offer health insurance
- 40% of employers with under 50 employees offer health insurance

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Private Commercial Coverage Overview

- **Employer-Sponsored Group Coverage**
 - Purchased by employers
 - Often comprehensive, but not always (self-funded)
 - Benefits include 64 state required mandates (fully insured)
 - Premiums and costs sharing can vary
- **Individual Coverage**
 - Purchased by individuals
 - Tends to have higher deductibles
 - Age, health status determining factor

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Regulation of Health Insurance

- **Purpose**
 - Insure solvency
 - Oversee risk spreading/risk selection
 - Guaranteed issue
 - Community rating
- **Government Role**
 - State primary regulator
 - Rules vary by state/insurance market
 - Federal government sets national rules

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State Government's Role

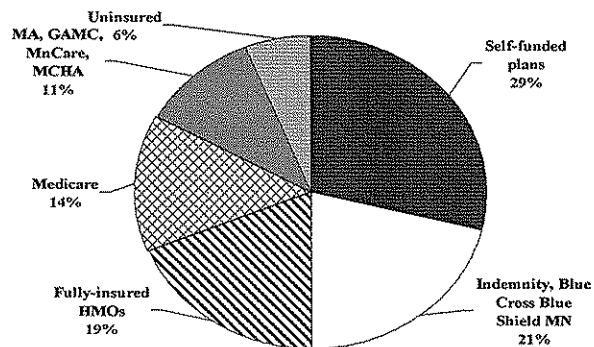
- Regulator (MDH, Commerce, DHS)
 - MDH oversees quality standards
 - DOC ensures solvency, audits financials
- Purchaser (MMB, DHS)
 - State employee health plan (SEGIP)
 - MN Health Care Programs (Medicaid, MNCare, etc.)
- Policymaker
 - Reviews and sets policy direction
 - Must balance moral imperatives such as right to unlimited health care against limited resources

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Where We Got Coverage -- 1993

Where Minnesotans Get Their Health Insurance (1993)
Total Population, 4.6 Million

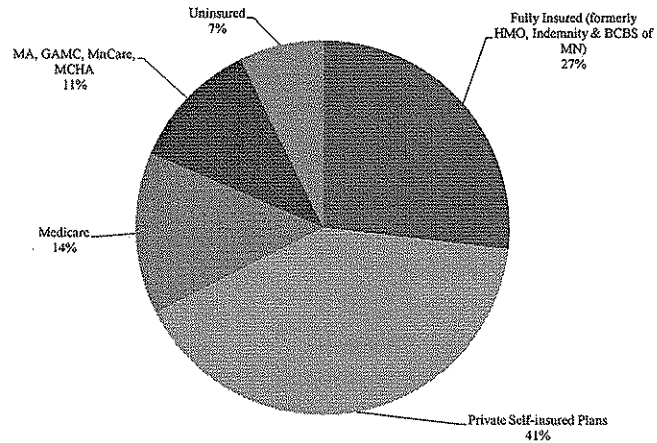


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Where We Got Coverage -- 2007

Where Minnesotans Get Their Health Insurance
Total Population, 5.3 Million



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ERISA

- Initially a federal pension law
- Self-insured plans versus fully insured plans
- Pre-empts any state regulation of employee health benefits
- State benefit mandates, state health care taxes, state rules & requirements do not apply to self-insured plans

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Group products and individual products

- **Employer-sponsored coverage**
 - Often comprehensive, but not always
 - Variation in benefits covered as well as premium and deductible costs
- **Individually-purchased policies:**
 - Typically less comprehensive
 - Less coverage of maternity, chemical dependency, prescription drugs
 - Can have high deductibles as well

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What does private health insurance cover? It depends.

- **Covered benefits**
 - Standard policy: rarely defined by law
 - Mandated benefits
 - Benefit limits
- **Cost-sharing**
 - Deductibles, copays, co-insurance
 - Out-of-pocket cost sharing maximums, balance billing
- **Terms of coverage**
 - Provider networks
 - Care authorization/utilization review
- **Condition exclusions**
 - Pre-existing
 - Other conditions
- **Employer-Sponsored Insurance typically (not always more comprehensive)**
- **Individual insurance typically (not always) less so**

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What does health insurance cost? It depends.

- **Cost (premium) of health insurance depends on:**
 - Who's covered (age, health)
 - What's covered (benefits, cost sharing/ deductible, terms, pre-existing conditions)
 - Underlying health care costs, inflation
 - Insurer margins/profits, administration

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Minnesota's Health Plans

Array of Products to Employers:

- Traditional products (tight networks, low copays, low or no deductible)
- Contemporary products (high-deductible with HSAs, out-of-network benefits)
- Administrative services to self-funded employers

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Managed Care is different from traditional FFS

- Promotes prevention and wellness to keep people healthy
- Helps people with chronic illnesses lead longer, fuller, healthier lives
- Takes unnecessary costs out of the system for patients, employers, taxpayers
- Helps people get the medicines they need while working to hold down prescription drug cost increases.
- Invests in secure, cutting-edge information technology to reduce paperwork, empower patients & providers, speed claims processing, and reduce costs
- Guarantees access to a network of credentialed providers



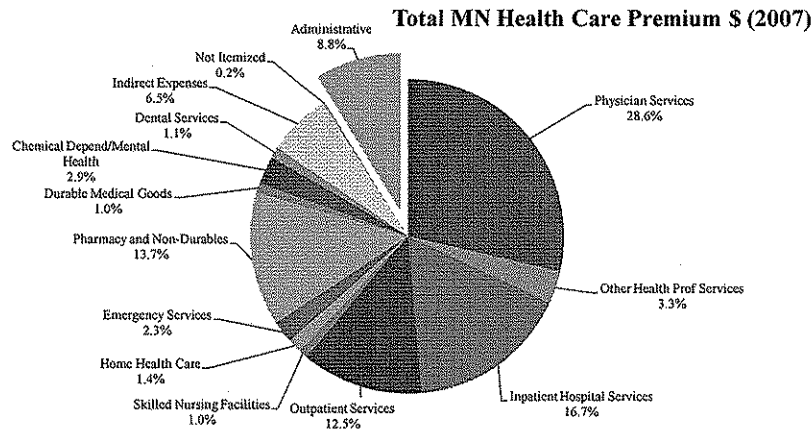
Where the Minnesota health care dollar goes

Total spending \$32.5 Billion in 2007

- Physicians, 22.3%
- Hospital Care 31.4%
- Long term (incl. home care), 14.9%
- Prescription drugs, 10.3%
- Dental, 3.7%
- Other professional services, 3.6%
- Other spending, 13.9%



Where the health care premium dollar goes



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Where the health care premium dollar goes, cont'd.

What about administrative costs? For every \$1 in health care costs, about 9 cents is used for administrative costs:

- 20% of that 9 cents pays for customer service, detection and fraud prevention, health education & disease management, quality assurance work, provider relations and contracting.
- 27% of that 9 cents pays for taxes and assessments.
- Just over 50% of that 9 cents pays for billing and enrollment, claims processing, research and product development, underwriting, product management and marketing and general administration.

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Minnesota's Successes

- One of the healthiest states
- Low rate of uninsured
- High rate of private coverage
- Generous benefits
- Nonprofit, locally based, community-driven organizations

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Minnesota's Challenges

- Growing number of uninsured
- Rising health care costs = rising premiums
- Highly regulated marketplace; many mandates, limited opportunity for innovative products
- Premium taxes/MCHA assessment
- Move to self-funded coverageHealth disparities

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Questions/Comments

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