

# Health Insurance Exchange Study in Minnesota

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## Overview

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- What is an Exchange?
- Minnesota Exchange proposal
- Fiscal implications
- Objectives of the exchange study
- Methods and data
- Findings

## **What is a Health Insurance Exchange?**

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- **Serves small firms and individuals seeking to buy health insurance, by facilitating**
  - Transitions between group to individual coverage without changing plans and providers
  - Employee choice
  - Multiple-employer contributions to coverage
- **Location for State-funded premium assistance for low-income workers and individuals**

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## **An Exchange Requires:**

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- **Regulatory consistency for small groups and individuals**
  - Same products, same rating rules
  - If the Exchange competes, same rules market-wide
- **Broad risk pooling**
  - In and outside the Exchange, if it competes
  - Can, but need not, merge small group and individual risk

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## **Minnesota Exchange Proposal**

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- **Begin regulatory reforms needed to build an Exchange:**
  - **Guaranteed issue to individuals**
  - **Adjusted community rating for individuals**
- **Individual mandate: all residents must be insured**
  - **Affordability exemption**
  - **State-financed premium assistance**

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## **MN Exchange Proposal, cont.**

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- **Employers with 11+ employees must offer Section 125 plan, either**
  - **With a group health plan**
  - **A premium-only plan to help employees purchase individual coverage**

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## Fiscal Implications

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- **Personal-income tax: exempt personal expenditure for**
  - Current group coverage or to take offer of coverage
  - Current or new individual coverage
  - MinnesotaCare coverage
- **Minnesota Working Families Tax Credit**
- **State premium tax revenues**
- **State expenditure for premium assistance**
- **State expenditure for Medicaid, SCHIP (federal match)**
- **State expenditure for MinnesotaCare (no federal match)**

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## Objectives of the Study

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- **Measure impacts on coverage**
  - Private insurance (individual and group)
  - MinnesotaCare
- **Measure impacts on personal spending for health insurance**
- **Measure fiscal impacts: State revenues and expenditures**

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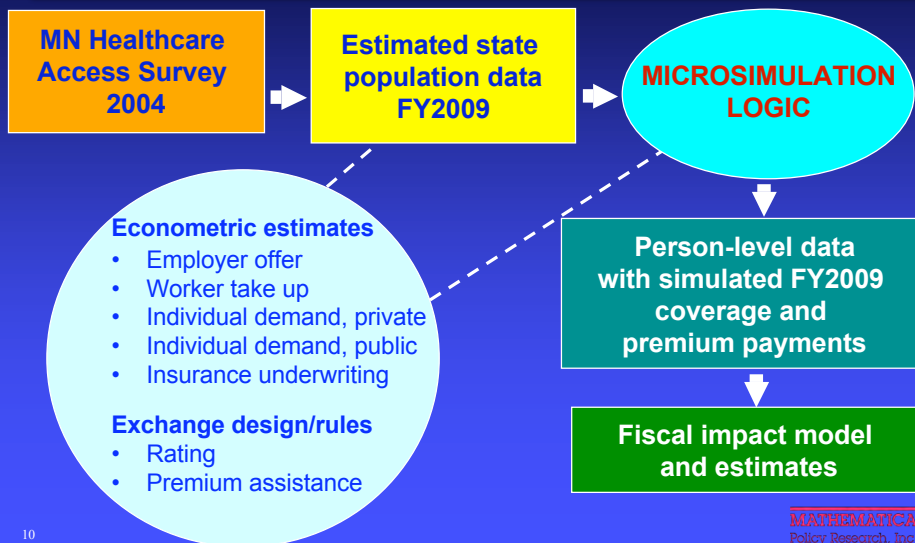
## Study Objectives, cont.

- Consider design and implementation issues for an Exchange
- Consider legal obligations and tax issues for employers and workers when Section 125 offer is mandatory

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## Microsimulation Method



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## Input Data

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- Person-level household survey data
  - Demographic information
  - Family relationships
  - Income (\$ and FPL)
  - Employment information, all family members
  - Source of health insurance, policyholder/dependent
  - Offer of health insurance, if not taken
  - Insurance-family payments for coverage

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## Input Data, cont.

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- Employer-level data
  - Medical Expenditure Panel Survey-Insurance Component (MEPS-IC), state sample
    - Offer of Section 125 by firm size (mean and standard deviation)
    - Percent and amount of premium paid by employer, by firm size (mean and std. dev.)

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## Input Data, cont.

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- State administrative data
  - Insurer financial reports (“state page” history)
  - State health program expenditures and enrollment, projected
  - State revenues by relevant source, projected

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## Principles of the Microsimulation Logic

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- People respond to price changes
  - No price change, no behavior change
- An individual mandate increases the probability of a price response
- People fully anticipate tax consequences
- People at very low levels of income subjectively discount tax consequences

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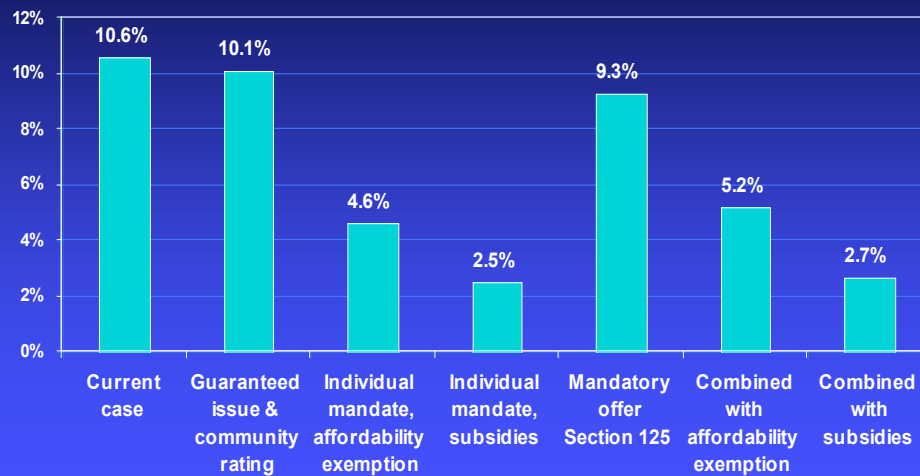
## Major Findings: Gains in Coverage

- Community rating and guaranteed issue help a little
  - Net gain in private coverage, some loss
  - Modest increase in MN Care enrollment
- An individual mandate can help a lot
  - Even with exemption for affordability, but
  - Premium assistance works
- Much greater use of Section 125 helps
- Combined reforms make a big difference

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## Percent Uninsured, Under Age 65



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## Fiscal Impacts FY2009 (\$ millions)

	Revenue change	Expenditure change	Net impact
Guaranteed issue+community rating	\$1.8	\$4.0	-\$2.2
Individual mandate, exemption	\$0.6	\$521.0	-\$520.4
Individual mandate, subsidies	\$1.3	\$684.0	-\$682.7
Section 125 offer	-\$83.7	\$0.0	-\$83.7
Combined, with exemption	-\$90.6	\$570.0	-\$660.6
Combined, with subsidies	-\$91.5	\$761.0	-\$852.5

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## Fiscal Cost Effectiveness



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