



Part 1: The Family Glitch Fix and The Rise of Individual Health Insurance Coverage

Part 2: GLP-1 Drugs and the Impact on Premiums

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What's the "Family Glitch?" And Why Did It Need Fixing?

- In 2010 the passage of the Affordable Care Act put new obligations on larger employers, typically ones with 50 employees or more:
 - *One of those obligations was a requirement to offer their employees who worked more than 30 hours/week coverage.*
 - That coverage had to meet both QUALITY and AFFORDABILITY standards.
 - *Once the employer met those standards, he could avoid federal fines that could get quite large.*
- Unfortunately, no affordability standard was established for DEPENDENT or SPOUSE coverage.
- *This meant employers could meet their obligations under the ACA by offering dependent/spouse coverage but putting \$0 money into it.*

How Has It Been Fixed?

- Unfortunately, even the OFFER of unsubsidized, potentially very expensive coverage would freeze the spouse/dependent out of tax credits for individual coverage on healthcare.gov!
- *The IRS has issued a final rule that potentially solves the problem without putting a direct cost on the employer:*
 - *Re-compute affordability using the entire family (tax household) as the basis.*
 - *Allow non-employee family members with premiums above a certain income threshold (9.12% of HH income for 2023) to pass on the employer offer and access advanced premium tax credits to purchase individual coverage on Healthcare.gov.*
 - *Keep the same standards as before for the employer/employee relationship.*
 - *The Determination of Unaffordable Coverage triggers a special enrollment period (newly unaffordable)*
 - *Affordability MUST be computed on the cheapest plan available, even for spouse/dependents.*

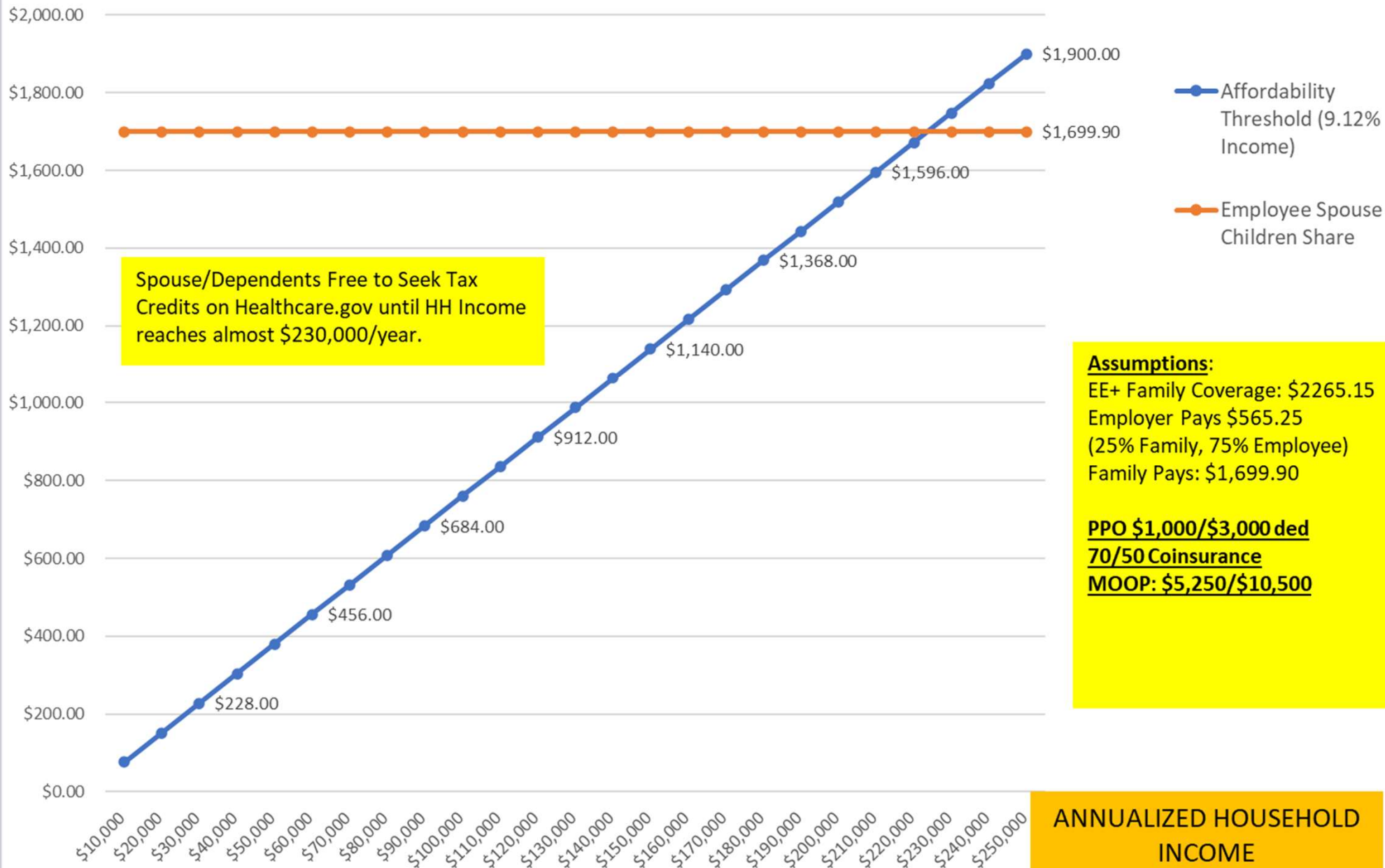
10 Worst States For Employer Contributions to Family Coverage (KFF)

STATE	AVERAGE ANNUAL EMPLOYER CONTRIBUTIONS TO FAMILY COVERAGE	TOTAL AVERAGE ANNUAL FAMILY PREMIUMS
ARKANSAS	\$11,837	\$18,339
LOUISIANA	\$12,574	\$19,305
HAWAII	\$12,589	\$18,539
OKLAHOMA	\$12,886	\$20,108
ARIZONA	\$13,026	\$20,117
UTAH	\$13,071	\$20,117
ALABAMA	\$13,293	\$20,117
IDAHO	\$13,473	\$20,117
KANSAS	\$13,568	\$20,117
MISSISSIPPI	\$13,830	\$20,373

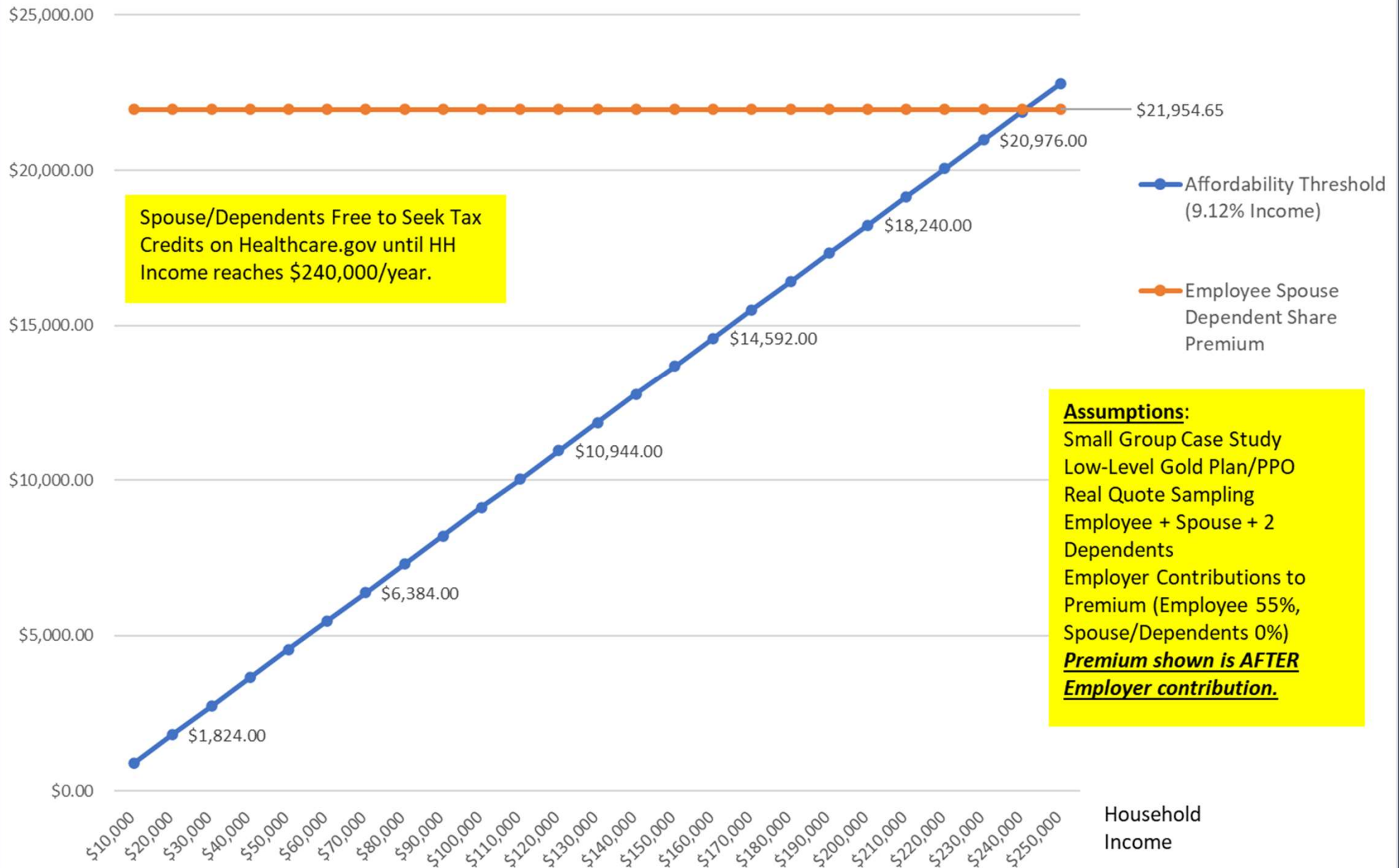
Note that if we remove the contributions of government and union groups, the Louisiana contribution drops to about \$4,000 a year on average.

Affordability By Monthly HH Income New Family Glitch Fix Actual 8 Life Case #1

Monthly
Premiums



Affordability By HH Income New Family Glitch Fix Case 1 Cluster 2 Small Group



In Exchange for More Money, States Stopped Screening their Existing Medicaid populations...

- Screening for income, residency and other eligibility criteria in Medicaid stopped in May 2020 as a reaction to COVID.
- **As a result, Medicaid has grown by 22 MILLION people nationally since then.**
- States estimate between 7% and 33% of their Medicaid populations will lose coverage in the next 12 months.
- Most states have already begun screening and will start notifying members in April of their new status.
- Those losing Medicaid will have three options:
 - Seek coverage through their/relative's employers
 - Seek coverage through their Marketplace (Healthcare.gov in Louisiana)
 - Allow themselves to become uninsured
- **Up to 15 million people will lose coverage in the next 12 months.**

Reconnecting People to Coverage

- Dis-enrollments are underway!!!!
- BCBS plans are making targeted investments in organizations that serve the affected community to help them add resources.
- Licensed agents all over the nation will help the newly uninsured find new coverage without any cost for their services or any obligation to buy anything.
- The goal is a smooth transition.
- Complicating Factors:
 - Medicaid coverage is free. That is, participants don't pay premiums deductibles or copays, or have to worry about maximum out of pocket costs.
 - Private coverage, no matter what the source, will have costs associated with all of these areas.
 - The lowest premium plans on Healthcare.gov may have very high deductibles and maximum out-of-pocket costs.
 - Guidance is key! There are also plans that require almost NO out-of-pocket costs if income is just a bit above the Medicaid threshold.

STLDI Changes Incoming.....

- Proposed rule would undo Trump-era changes to the sale of short-term limited duration medical insurance.
- Move maximum contract length from 364 days to just 90.
- Maximum time per year covered down to 120 days.
- No renewals with same carrier for 1 year after contract ends
- No changes to coverage requirements
- No marketing allowed (and probably no sales at all) during Healthcare.gov open enrollment
- Those enrolled on change date are grandfathered under the old rules.



Covering GLP-1 Agonist Drugs for Type 2 Diabetes vs Non- Diabetic Obesity

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Spring 2023

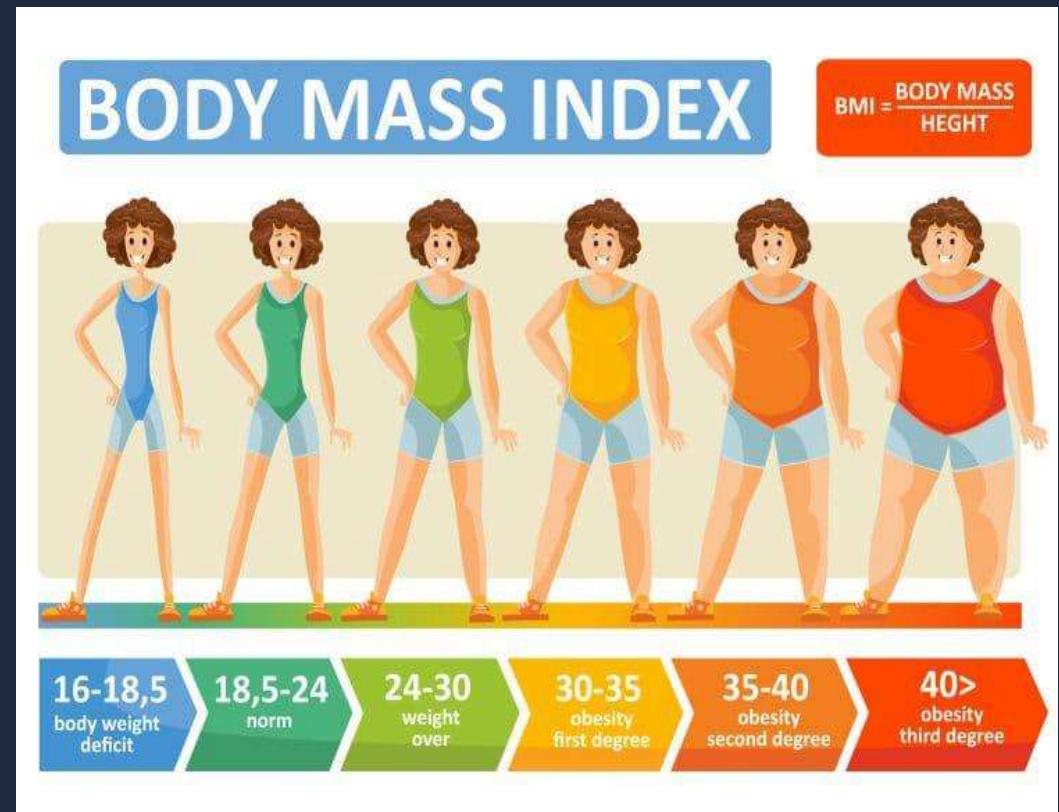
Population Health Type 2 Diabetic Statistics

- 37 million Americans (out of 335 million people, roughly 11% of us) have Type 2 diabetes.
- **Type 2 represents 95% of all diagnosed diabetes cases.**
- In Louisiana the number is higher, 14.5% (505,000 people).
- 0.8% of the obese US population develops diabetes each year (8 out of every 1,000 obese people annually)
- **85% of Type 2 diabetics were obese when diagnosed (BMI 30+).**
- Estimates of the incremental direct healthcare costs of Type 2 diabetics (over non-obese, non-diabetic folks at the same age) range from \$495 pmpm to \$1,105 pmpm in extra costs.***
- Estimates of the incremental costs of non-diabetic obesity range from \$125 pmpm to \$254 pmpm.

***Multiple studies used from 2016-2022 sourced from Harvard Medical, US CDC, US NIH, the American Diabetes Association and the American Hospital Association

Population Health Non-Diabetic Obesity Statistics

- Medical Researchers tend to use Body Mass Index (BMI) to classify populations in regards to Obesity.
- When we say “Obese” in this research, we mean people with BMI 30+.
- When we say “Severely Obese” we mean BMI of 35+
- When we say “Morbidly Obese” that indicates a BMI of 40+
- Thus a 6’ tall man must weigh less than 184 lbs. to NOT be obese.
- A 5’6” woman is obese when her weight exceeds 154 lbs.
- **Over 38% of Louisiana’s citizens have a BMI of 30+, 18% are over BMI 35**
- **9% are over BMI 40!**



Estimates of the Incremental Cost of non-Diabetic Obesity to the healthcare system range from \$125 pmpm to \$254 pmpm***

***Multiple studies used from 2016-2022 sourced from Harvard Medical and NIH

GLP-1 Drugs in 2023



Monthly pricing (May 2023) ranges from \$900 to over \$1,200 per month's supply.

- Typically given by injection weekly.
- Single Month Supply is 4 Pens
- Help the body regulate glucose levels
- Slow digestion and create a feeling of being “full” most of the time
- Very good at regulating glucose levels in diabetics
- Return 5-25% weight loss in patients who use them
- **They are not a “cure” for obesity. People who stop taking them typically regain most lost weight in 6 months.**

Financial Simulation #1: GLP-1 Coverage for Type 2 Diabetes (36 Month Simulation)

Model Parameters	Employer Model	Carrier Model
Covered Lives (Members)	3,000	500,000
Type 2 Diabetics	426	72,500
Total 3 Year Medical Spend w/o GLP-1	\$38 Million	\$6.3 Billion
Expected 3 Year Drug Spend w/o GLP-1	\$9.5 Million	\$1.575 Billion
GLP-1 Diabetic Enrollment	75% Year 1, 90% Year 2, 95% Year 3	50% Year 1, 75% Year 2, 85% Year 3
Total GLP Prescription/Months (3 Years)	12,418	1,551,178
GLP-1 Spend @ \$900 pmpm (3 Years)	\$11.18 Million	\$1.40 Billion
Avoided Cost Savings Offset (3 Years)	\$9.50 Million	\$1.17 Billion
Net Cost (3 Years)	\$1.68 Million	\$224 Million
Net Expense Per Enrolled Member Month	\$134.94	\$144.44

Financial Simulation #2: GLP-1 Coverage for Non-Diabetic Obesity (>30 BMI)

Model Parameters	Employer Model	Carrier Model
Covered Lives (Members)	3,000	500,000
Total Obese Population (BMI 30+)	1,200	200,000
Total 3 Year Medical Spend w/o GLP-1	\$38 Million	\$6.3 Billion
Expected 3 Year Drug Spend w/o GLP-1	\$9.5 Million	\$1.575 Billion
GLP-1 % of Obese Enrollment	20% Year 1, 30% Year 2, 35% Year 3	15% Year 1, 20% Year 2, 25% Year 3
Total GLP Prescription/Months (3 Years)	10,351	1,158,169
GLP-1 Spend @ \$1,100 pmpm (3 Years)	\$11.39 Million	\$1.28 Billion
Avoided Cost Savings Offset (3 Years)	\$1.90 Million	\$212.1 Million
Net Cost (3 Years)	\$9.49 Million	\$1.06 Billion
Net Expense Per Enrolled Member Month	\$916.35	\$916.84

Modeling Conclusions

- Groups covering GLP-1 drugs specifically for Type-2 diabetes faced a three-year rate increase averaging <1% per year net in addition to trend.
- After the anticipated cost savings of avoided diabetes, almost all the residual cost/rate increase could be eliminated with member cost sharing at \$150/pmpm.
- *Groups covering GLP-1 drugs specifically for non-diabetic Obesity at expected adoption rates and current pricing face a three-year rate increase averaging 7.5% per year in addition to trend. (almost 30% compounded over 3 years).*
- *Total annual drug spend in the model DOUBLED by year 3 when non-diabetic obese are allowed unfettered access to GLP-1 drugs.*
- *\$150-\$200-month member cost share did not significantly impact the employer/carrier costs for obesity coverage. The model did not examine behavioral changes with cost sharing to reduce take rates.*
- *Diabetics on GLP-1's drove ~\$130 in new net costs pmpm after expected savings. When non-diabetics were allowed into the program, even at modest take rates, the net costs exceeded \$900 pmpm after expected savings.*

STUDIES USED FOR THIS ANALYSIS AND MODELING

Obesity research links, diabetic
and non-diabetic

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5319814/>

<https://diabetes.org/about-us/statistics/cost-diabetes>

<https://www.cdc.gov/diabetes/library/spotlights/diabetes-facts-stats.html#:~:text=Key%20findings%20include%3A,t%20know%20they%20have%20it.>

<https://www.hsph.harvard.edu/obesity-prevention-source/obesity-consequences/economic/>

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2891924/>

<https://www.jmcp.org/doi/10.18553/jmcp.2021.20410>

<https://pubmed.ncbi.nlm.nih.gov/33470881/#:~:text=RESULTS%3A%20Adults%20with%20obesity%20in,to%20233.6%25%20for%20class%203.>

<https://milkeninstitute.org/sites/default/files/reports-pdf/Mi-Americas-Obesity-Crisis-WEB.pdf>

<https://atm.amegroups.com/article/view/89415/html>

<https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2796491>

<https://www.stlouisbariatrics.com/obesity/obesity-and-the-cost-of-diabetes/>

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That's a Lot of Spouses and Dependents!

