Suzanne Bierman
Administrator, Nevada Division of Health Care Financing and Policy
1100 East William Street, Suite 101
Carson City, NV 89701

As representatives of the health care delivery and infrastructure system in Nevada, the Nevada Hospital Association (NHA), the Nevada State Medical Society (NSMA), and the Nevada Association of Health Plans (NAHP) along with our business partners have worked together throughout the legislative process to provide legitimate, Nevada-based information and perspective to policy makers about Senate Bill 420 – the Public Option.

Our perspective has been earned by being on the frontlines of Nevada's unique health care challenges. And while we have at times been on the opposite sides of public policy debates, together we have been united in our core mission to provide Nevadans with the very best health care and treatment.

Over the course of the 2021 Legislative Session, we offered several amendments and input on how to bring Nevadans more health care options and coverage – all free or at a reduced cost.

We again offer to you, legislators and policy makers, our continuing offer and request – as those who know Nevada's health care delivery system the best, please consider our perspectives, concerns, and commentary on how to improve health care coverage. It benefits us all to work together as Nevadans.

Actuarial Analysis – The initial stakeholder engagement mandated by SB420

One of the driving policy considerations in SB420 is stakeholder engagement. The bill ensures that an actuarial analysis of "the impact of the Public Option on the markets for health care and health insurance in this State and health coverage for natural persons, families and small businesses." (SB420, Sec. 11(2)).

This actuarial analysis is further expanded in Sec. 39(2). This analysis is a separate and distinct systemic review of the impact the Public Option will have on providers and payers, and whether there will be any effect on Nevadans to access care through their employers or at their chosen doctors or hospitals.

It is important to remember that this analysis is NOT the actuarial analysis contemplated by the Centers for Medicare and Medicaid waivers. It has a different goal – understanding the effect on health care premiums and the entirety of the health care market.

Questions for the Analysis required in Sec. 11 and Sec. 39

We have prepared a document that begins this stakeholder engagement. An initial "Actuary Questions" document is attached to this letter. This working document is intended to offer a threshold starting point for meaningful review of the potential impact of the Public Option from a specific, Nevada point of view.

It is our hope that these questions and issues will be reviewed and that the initial stakeholder engagement is robust.

We all share a common goal of providing more health care and coverage to Nevadans at the lowest possible cost. These questions will help ensure that any Public Option review focuses on that important goal.

Actuary Questions

for

Nevada's Public Option Program

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1. **Silver and gold plans under Nevada's Public Option Program**
    a. Delineate the expected actuarial valuation of the two Plans (Silver, Gold) addressing benefit, unit cost, utilization, population mix and total. Provide rate cells.

    b. Delineate the actuarial evaluation of the expected <u>differential</u> in cost between the two plans (Silver, Gold) with respect to benefits, unit costs, utilization, and population mix. What is the total differential cost?

    c. Describe how the plans have been "risk adjusted". Specifically, address if there is a component for "adverse selection"? Please provide detail of both adjustments for the two plans.

    d. Address if the State would be able to combine the risk pool for the Public Option with the risk pool of Medicaid to produce a lower cost for the state and federal governments as contemplated by Section 111)(b)(1) of SB420.

    e. What will be the mechanisms the state will use to address risk-adjustment? Outline how much of the monthly premium for each plan will be the risk-adjustment cost that the enrollee will be paying.

    f. Please comment on why the Washington state Public Option "Gold" plan, despite unit cost advantages to the private market, is **more expensive** than Washington State's private market solutions (gold plans).

2. **The Public Option's impact on Nevada's providers, population, and markets**
    a. In what ways might the Nevada Public Option – particularly its reimbursement rate structure – negatively impact access to care for Nevadans, given the following?
        - Nevada is already struggling with a shortage of physicians, nurses, and other critical staff.
        - Nevada is home to several vulnerable and/or underserved communities – including racial and ethnic minorities and rural communities – who are most at risk in the event of damage being done to our health care system. **A**

    b. Will the analysis consider the current uninsured who are eligible for NV Medicaid and other insurance programs when computing the population, the Public Option is estimated to serve?

    c. Will the analysis take into consideration the impact of the American Rescue Plan's (ARP) expanded premium tax credits on Nevadan's access to coverage through Marketplace?

    d. With Nevada ranking 45th among States nationwide for the number of actively practicing physicians per 1000,000 residents, will the implementation of a Public Option in Nevada reduce Nevadans' access to robust networks of providers, relative to the provider networks both privately insured, and government insured Nevadans can access today?

e. Will the Public Option result in more communities within the Nevada marketplace having fewer specialist services (e.g., maternity care, pediatrics, surgical care) Nevada residents can access? **Note:** three Nevada counties- Esmerelda County, Eureka County, and Storey County- have no licensed physicians. Nevada's most populous county, Clark County, includes 1.4 million residents and 63.7% of the county's population resides in a Federally designated Health Professional Shortage Area (HPSA).

f. Will the Public Option's reimbursement rates adversely affect primary care physicians and cause more to leave the state?

g. Will the Public Option's low reimbursement rates undermine existing physician training programs financed by Medicare Graduate Medical Education (GME) and academic medical centers? Will it discourage physicians trained in Nevada from establishing their medical practice in Nevada?

h. Many Nevadans without health coverage are already eligible for Medicaid or subsidized plans under the Affordable Care Act. Could the Nevada Public Option prove ineffective at boosting coverage rates when compared with encouraging Nevadans to enroll in coverage for which they are already eligible? **B**

i. Would it be less expensive for the state to subsidize Public Option eligible individuals on the private insurance market than establish a new Public Option program?

3. Public Option rates and reimbursement

a. Provide the expected reimbursement, by service type (non-pharmacy), as a percentage of Medicare for the public option plans. Please provide estimated minimum and maximum Medicare reimbursement percentages.

Service Category -

- Inpatient
- Inpatient – Behavioral Health
- Outpatient
- Outpatient – Behavioral Health
- Outpatient – Emergency Room
- Professional - Primary Care
- Professional - Specialist
- Home Health
- DME
- Other (Skilled Nursing Facilities, etc.)

b. Describe how maximum reimbursement will be set by the state. Conversely, explain how reimbursements would potentially exceed Medicare rates given both providers and payers are mandated to participate removing the need for arm's length contract negotiation.

c. Outline the methodology to be used to set maximum reimbursement rates, including what protections have been incorporated to protect providers from material changes (example: reductions greater than 5%). Include the frequency of the review, i.e., monthly, quarterly, annually, that will be established to re-set reimbursement rates on a go-forward basis.

d. Compare the Public Option's maximum reimbursement rates to existing Commercial Reimbursement rates by Nevada Rating Area [Rating Area 1-5/County/3-digit zip if applicable]

e. Provide expected enrollment numbers and enrollment rate by Nevada Rating Area from the Public Option inception by year through its first five years.

f. Detail actuarial assumptions about how Nevadans will migrate into Public Option from self-pay, other non-commercial private pay, and private commercial pay.

g. Describe and estimate reimbursement rate differences between Public Option and existing Commercial rates. Provide estimated reimbursement rates for the Public Option vs. Commercial reimbursement rates by year for the first five years.
   - Please calculate dollar impact of Public Option by rating area [i.e., what is the impact of the Public Option rates by rating area vs. Commercial rates based upon projected Public Option enrollment.]

h. Provide assumptions or expectations that will be used to prevent cost shifting to the Commercial market.
   - **Example:** Washington State imposes "separate" payer discussions between the Public Option and all other payer business.
   - Provide Public Option assumptions regarding how implementation of the program **will not** negatively impact the private sector commercial markets.
   - Describe the impact of cost-shifting on small groups and other commercial employers in terms of economic impact on new business start-ups/terminations, commercial opt-out of healthcare insurance, cost sharing via employer cost shift to employees (employer contribution rates) and "out-migration" of employer to other states.

i. Based upon the reimbursement rate differences between the Public Option and Commercial, project the Nevada payer insurance market for the next 10 years-based dollar spend and percent of dollars:
   - Medicare Funded
     - Medicare Advantage, Medicare Fee for Service, Medicare Supplement Plans, Medicare Dual Eligible Special Need Plans.
   - State Funded/Controlled
     - Medicaid/CHIP
     - Public Option
     - Public Employees' Benefit Program
     - Other State Programs
   - Privately Funded
   - Other

Documents/studies

1. Cascade Select: Insights from Washington's Public Option
https://urldefense.com/v3/__https://www.healthaffairs.org/doi/10.1377/hblog20210819.347789__;!!LUMmRr4!KiLtNuZaUSDzQUY9BVZzMzc-r2Yb-90ExAAw-V_FU9rbYwglDvosu8sxLd1d9jVwru4j$

4. Public Option's impact on Nevada insurers and health insurance.

a. Experts have warned that the implementation of the Nevada Public Option is likely to shift costs onto consumers and patients enrolled in private coverage options. To what extent could this happen based on decisions related to the program's design?

b. Will the Public Option shift greater health care costs onto employers furnishing employer-sponsored health plans and the employees using these plans?

c. Will implementation of a Public Option mean there are fewer insurers who will do business in Nevada, thereby resulting in the undesired effects of shrinking insured patients' provider networks, driving up their out-of-pocket medical costs, and reducing the network of medical services they can access within their community?

d. Section 12 subsection 5 of SB 420 (2021) allows the Director of DHHS to directly administer the Public Option. How will the state address and meet the capitalization and reserve requirements?

e. Will the subsidies for individuals currently receiving the Silver State Health Insurance Exchange increase or decrease when the Public Option is implemented?

f. Does the implementation of the Public Option reduce the cost of prescription drugs for all Nevada residents?

g. Will implementation of a Public Option erode the capacity of small businesses to provide affordable, high-quality, and accessible health care of their employees?

h. Section 12 subsection 5 of SB 420 (2021) allows for the Director of DHHS to directly administer the Public Option, will all costs to the state, including but not limited to, staffing, software, etc., be taken into consideration when determining the annual or biannual cost for the Public Option. What is the estimated annual or biannual cost?

i. Public Option policies sold to Nevada small group employers must meet the small group health policy requirements contained in NRS Chapter 689C, along with other applicable Title 57 provisions. Will the Public Option meet all these requirements and if not, what parts will not be met?

j. The bill does not specifically address if the small group offerings would be offered through the Exchange as a SHOP policy, or strictly Off-Exchange. How will the analysis take this into consideration?

5. **The impact of the Public Option on health insurance coverage for natural persons and families**

a. The RAND study found a Public Option's implementation could result in lower to middle income residents paying more out-of-pocket for their health care than more affluent residents due to there being less in Federal tax credits to subsidize their premium costs. How will Nevada ensure this is not an unintended effect of its Public Option program?

b. Will implementation of a Public Option in Nevada make it more costly and difficult for Nevada families to timely access maternity, pediatric, and high specialty care?

c. With many rural hospitals across the country being shuttered entirely or having to stop offering meaningful community services, like maternity care, in the wake of a sustained COVID-19 Public Health Emergency, how will a Public Option being executed in Nevada ensure the continued viability of rural hospitals and physician groups, particularly in maternity care and pediatrics, so Nevada families can continue to access the medial services upon which they most greatly depend within their own communities?

d. Does the implementation of the Public Option reduce the overall cost of health care in the state for all residents?

Document / Studies

1. RAND Corporation Research Brief, "Effects of a Public Option on Health Insurance Costs and Coverage," summarizing the study titled "Assessing the Effects of Four Public Option Alternatives," at https://www.rand.org/pubs/research briefs/RB10120.html, 2020.

2. The Public Option in the 2020 Economic Environment, FTI Consulting, Inc., at https://americashealthcarefuture.org/wp-content/uploads/2020/08/FTI-Report-The-Public-Option-2020-Economic-Environment.pdf, August 2020. Modeling shows rural hospitals stood to lose $14 billion in commercial revenue in 2020, and under a public option scenario, the losses would have amounted to $20 billion.

7. Public Option Initiatives in Other States

a. In Washington, the one state in which a Public Option has been tried, the Public Option has resulted in higher costs for consumers, the exact opposite of what its proponents claimed. **C**

What specific components of Nevada's Public Option population, legislation and markets will make it different? Please be specific and detailed. Additionally, by mandating participation as SB420 does, if costs do not rise, will this be because of fewer provider participants?

b. Cascade Care, the Public Option program created in Washington State in 2013, to date is not available to residents across all of Washington's counties. ARPA's heightened exchange subsidies are responsible for as many as 57,000 additional Washington State residents registering for coverage, but even with more people having insurance, there are heightened network adequacy problems for too many Washington residents. There are those residents who have coverage but are not receiving actual high quality, accessible medical care. Nevada currently has a lack of primary care physicians with many more access challenges. Many Washington State hospitals do not contract with Cascade Care. A Public Option in Nevada could easily result in fewer Nevadans being able to timely access high-quality, affordable medical care. How will these issues be resolved?

8. Centers for Medicare & Medicaid Services

a. CMS must approve certain components of Nevada's Public Option program. How will the actuarial analysis take into consideration the possibility that CMS will not approve components of the Section 1332 waiver? What describe the possible outcomes in different components are not approved?

ENDNOTES:

A. An FTI Consulting analysis of similar state-level public option legislation in Colorado found that the proposal could financially harm hospitals and disproportionately threaten access to care for racial and ethnic minorities. (FTI Consulting, 7/21)

- "Over 40 percent of hospitals at higher risk for closure as a result of reimbursement cuts under the state government option serve racial and ethnic minority communities, many of which already contend with significant disparities in health status, access, and outcomes." (FTI Consulting, 7/21)

An Urban Institute study of a national public option found that changes in provider reimbursement rates could have consequences when it comes to patients' access to care. (Urban Institute, 3/21)

- Hospitals most at risk are those that have admitted more children and non-Hispanic Asian or Pacific Islander patients as a share of total admissions than hospitals with lower ratios of private to total charges. (Urban Institute, 3/21)
- Lower reimbursement rates could make it more difficult for rural hospitals to hire additional physicians, specialists, or other health care professionals in areas already facing shortages of such workers. (Urban Institute, 3/21)
- Hospitals with the greatest exposure to private payers – teaching hospitals, nonprofit nongovernmental hospitals and hospitals in metropolitan regions – would most likely be implicated by lower reimbursement rates under the public option. (Urban Institute, 3/21)

An analysis by the nonpartisan Congressional Budget Office (CBO) of a national public option finds that it could result in reduced access to care for seniors and low-income families, as "providers would be more likely to opt out of Medicaid and Medicare if participation in the public option was tied to those programs." (Congressional Budget Office, 4/21)

The Silver State runs ranks 45th of the 50 U.S. states for active physicians per 100,000 residents, 48th for primary care physicians and 50th for general surgeons. (University of Nevada Reno School of Medicine, 2/4/20)

State health officials recently warned that "Nevada hospitals are seeing a severe shortage of nurses … Nevada had a shortage of nurses even before the pandemic, when each wave of cases and crush of hospitalizations left nurses demoralized and drove some to leave the profession." Experts warn that this shortage could force some facilities to "turn away ambulances and send them on longer drives to more distant locations," putting patients at risk. (Associated Press, 9/2/21)

Some physicians have warned of the Nevada public option's potential to worsen the state's shortage of health care professionals.

- For example, Meg Jack, M.D., who serves as medical director of the emergency department at Carson Tahoe Regional Medical Center, warned: "Reimbursing physicians and other health care providers at artificially low rates that don't cover the cost of providing care will lead to some of these providers choosing to not accept the public option — and stop taking Medicare and Medicaid patients. This will lead to physician recruitment challenges, narrower networks and reduced access to care for patients statewide." (Nevada Independent, 5/17/21)
- Likewise, Nariman Rahimzadeh, M.D., president of the Nevada State Society of Anesthesiologists, has warned that the Nevada public option "could increase the problems facing some of our state's most at-risk patient populations." He adds: "As well-intended as it may be, this so-called state government option could reduce access to affordable coverage for Nevadans while undermining our state's health care workforce and infrastructure … [A] growing physician shortage statewide has been slowly but surely chipping away at access to comprehensive, affordable health care in many of our rural communities … This is a challenging enough problem considering Nevada's population has been growing rapidly in recent years, with U.S. Census Data indicating that our state is the fourth-fastest growing for seniors 65 years of age and older. Many in the health care community fear that this untenable situation could only

get worse under SB 420 and the state government option it would impose." (Reno Gazette-Journal, 5/14/21)

B. An analysis by the nonpartisan Congressional Budget Office (CBO) of a national public option finds that it could cause coverage disruptions and premium increases for currently insured Americans, a reduction in coverage options. (Congressional Budget Office, 4/21)

- "The public option might have a larger effect on sources of coverage for the currently insured than the currently uninsured. If the benchmark premium fell but private premiums did not, subsidized enrollees who remained in their current plan would face a reduction in premium subsidies and an increase in net premiums … It would probably also cause some private insurers to exit the market entirely, thereby reducing coverage options." (Congressional Budget Office, 4/21)

"Some experts believe the public option might not have the sweeping effect its supporters envision. The vast majority of those who remain without health care coverage in Nevada are already eligible for Medicaid or for subsidized health plans under the Affordable Care Act … In testimony before the state Senate this week, several opponents of the bill revisited that theme: If people are not signing up for the plans for which they are already eligible, adding a public option is a solution to the wrong problem." (The Hill, 5/21/21)

"'If your goal is to reduce the number of uninsured in the state of Nevada, I am not sure that this bill is going to have a really dramatic impact,' Sabrina Corlette, co-director of the Center on Health Insurance Reforms at Georgetown University, who has not been involved in the legislation, told *The Nevada Independent*." (The Hill, 5/21/21)

"If you set the rate and you compress a portion of the market, the remaining areas in the system expand to cover and subsidize the costs of the compression. We contemplate that under this legislation, there will be a cost shift where you may see, under the public option, the set price, but those folks that are in those other elements of insurance will see an increase in the cost of theirs." (Tom Clark, Nevada Association of Health Plans, 5/4/21)

"We know that when the number of patients increase in Medicaid, Medicare and other programs that reimburse below costs, or for those who are uninsured, the cost burden shifts to providers and private health insurance patients. That impacts the number of providers willing to enroll in these programs and see new patients … Our delivery system is fragile, and sensitive to even small changes in the payer mix, and the same is true for the private insurance market for businesses and individuals. We cannot implement a new public option before we've studied and addressed the risks of losing providers in our current system or making Nevada a less attractive place to practice medicine." (Michael Hillerby, Renown Health/Hometown Health, 5/4/21)

C. "The early results from Washington state's experiment are disappointing. In many parts of the state, premiums for the public option plans cost more than premiums for comparable commercial plans. Many of the state's hospitals have refused to take part in the public option, prompting lawmakers to introduce more legislation this year to force participation if there aren't sufficient health insurance options in a geographic area. And consumer buy-in is also meager. In its first year of operation, the state health insurance exchange sold only 1,443 public option plans, representing fewer than 1% of all exchange policies." (Stateline/The Pew Charitable Trusts, 7/22/21)

"Washington state's first-in-the-nation program is resulting in higher premiums than private-sector plans in many instances, the opposite of what was forecast about a 'public option' by proponents … The public option plans offered through Washington's Affordable Care Act exchange cost as much as 29% more than traditional plans, based on the most popular type of policies, according to data from the Washington Health Benefit Exchange (WHBE) … Most public option proposals intend to pay at Medicare rates, Nina Schaefer, senior research fellow with the conservative Heritage Foundation, said in an interview. 'The problem is you can't get provider participation," she said. Washington had to increase payments to 160% of Medicare rates, raising premiums. 'That defeats the purpose of why they're actually even offering a public option.'" (Bloomberg, 11/18/20)

"Only one other state, Washington, has implemented a public option plan, after Gov. Jay Inslee (D) signed a version into law in 2019. The first open enrollment period that included the public option began earlier this year. Progress toward reducing the number of uninsured has been low — fewer than 1,900 Washington residents signed up for one of the public option plans, known as Cascade Care, offered by five different private insurers, out of 222,000 people who signed up for new plans this year." (The Hill, 5/21/21)

"In Washington, for example, premiums were higher for Cascade Care plans than for some commercial offerings, and not enough providers participated in the first year." (Morning Consult, 7/6/22)