



Rural Subsidy

Feb. 16, 2010

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Executive Summary

This report presents

- Background on rural subsidy
- Application of rural subsidy and an example
- Determinants of rural areas
- Options for continuation of rural subsidy
- Staff recommendation

Analysis

Background

The attached document, presented at the Jan. 20, 2009, Board meeting presents history of the rural subsidy in PEBB. Throughout this history, Board intent and discussion on rural subsidy focused on ensuring equitable access to quality, affordable primary care for employees in rural areas of the state.

Over time, the PEBB-sponsored plans have included a mix of HMO, POS, community-based and medical-home model plans in various areas of the state. At all times, the Board has offered at least one PPO plan statewide.

It has been the Board's understanding that members in some rural areas of the state may not have ready access to providers. The Board designated rural counties for the statewide PPO plan and asked the plan to implement an implied subsidy for members in these counties.

The Board has designated the same list of counties as rural counties for this subsidy since 2003. Beginning 2006, the Board determined that the subsidy should also apply to areas outside the state that are contiguous to a designated rural county.

PEBB's cost for the rural subsidy was \$3.7 million in 2007 and \$5 million in 2009.

Application of Subsidy

The following summarizes how the previous plan applied the rural subsidy:

- PEBB eligible-employees living in the 20 designated counties were placed in their own insurance plan, paying all providers at 85 percent of billed rate. This applied to all dependents, regardless of location. Example: a dependent of a member in Umatilla who is going to school in Nebraska would receive all services at the in-network benefit amount.
- It applied the in-network coinsurance level when members accessed any covered service from physicians, facilities, ancillary facilities, equipment suppliers, etc.

- It paid provider claims at the participating (higher) rate, whether or not providers contracted at the preferred (lower) rate.
- It applied the in-network coinsurance level for members and paid claims at the participating level whether the member accessed care in or outside the rural subsidy area.

Example: Member Sees Out-of-Network (OON) Provider for Service X	
Member lives in Designated Rural County*	Member lives elsewhere
Provider charges \$100 fee for Service X	Provider charges \$100 fee for Service X
Plan covers \$90 fee for Service X	Plan covers \$90 fee for Service X
Plan pays 85% of \$90: \$76.50	Plan pays 70% of \$90: \$63.00
Member pays 15% of \$90: \$13.50	Member Pays 30% of \$90: \$27.00
Provider balance-bills the member \$10	Provider balance-bills the member \$10
Plan paid \$76.50; member paid \$23.50	Plan paid \$63.00; member paid \$37.00

**The example for this member applies no matter where the member accesses care*

Staff has asked the new plan to follow this method of applying the subsidy until the Board provides input.

Determinants of Rural Areas for Health Care

Methods exist for determining rural areas in health care. These include:

- Physician scarcity area (PSA) as determined by Centers for Medicare & Medicaid (CMS)
- Whether a county contains a metropolitan statistical area (MSA)
- Medical providers per capita in a county

Options for Board Consideration

Question: Should the Board continue the rural subsidy as currently designated and applied for the 2011 renewal process and for the 2012 RFP?

Question: Should the Board continue a rural subsidy for the 2011 renewal process and for the 2012 RFP with a change in subsidy-eligible areas based on one of the following:

- PSA designation?
- Lack of MSA in a county?
- Lack of providers per capita in a county?
- Lack of in-network providers per capita in a county?

Question: Should the Board exclude from the current rural subsidy those areas contiguous to the designated rural counties (out of state) for the 2011 renewal process and for the 2012 RFP?

Recommendation

Staff recommendation will be provided at the Mar. 2010 meeting.



PEBB Rural Subsidy

Jan. 20, 2009

Executive Summary

Staff conducted a search of PEBB Board records and documents on the PEBB provision of rural subsidies. Available documents provided historical information on Board decisions regarding these subsidies from 1999 to the present.

In 1999 the Board Plan Design Subcommittee recommended and the Board approved the offering of a rural subsidy to members in nine counties (Baker, Gilliam, Hood River, Klamath, Morrow, Sherman, Union, Wallowa and Wasco) for Plan Year 2000 for those members selecting the Copay Plan. The rationale was based on the lack of a PEBB HMO plan in these counties. In addition, the Board authorized a rural subsidy for Umatilla and Malheur County for one year with the stipulation that this decision would be revisited independently of each other in the coming year. The rationale for adding these two counties was to allow the local markets to mature. Umatilla County members had the option of the BUBB Point of Service Plan and the SEBB Copay Plan. At the time the Board needed to make this decision, it was unknown if Malheur County members would have the choice of an HMO.

In subsequent years the Board has reconsidered the offering of the rural subsidy and the counties to be designated as rural for this purpose. Currently, PEBB provides a rural subsidy to members residing in 20 counties: Baker, Crook, Curry, Deschutes, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Malheur, Morrow, Sherman, Tillamook, Umatilla Union, Wallowa, and Wheeler.

The subsidy is provided to address member issues with access to providers. Members who live and or work in one of the 20 rural subsidy counties have one choice of a medical plan, Regence BlueCrossBlueShield of Oregon.

On two occasions in 2007 the Board reviewed and discussed detailed information and analysis provided by the PEBB consultant at that time, Aon. Following the second presentation on this issue at the Oct. 16, 2007 Board meeting the Board decision was to take no action on rural subsidies until the future state of PEBB was defined and the Board felt changes would be in keeping with the Vision.

Staff recommends the Board maintain the current rural subsidy through 2010 as PEBB prepares to issue a request for proposals (RFP) for a self-funded plan in 2011.

Analysis by Year

Plan Year	Actions on Rural Subsidy
2000	Board authorizes a subsidy equivalent to the cost difference between the HMO and copay plan for full time participants in counties with no HMO plan. Employees in counties with no HMO proto-type receive a subsidy that represents the cost difference between the HMO and the copay plan (Baker, Gilliam, Hood River, Klamath, Morrow, Sherman, Union, Wallowa and Wasco). Board provides subsidy to counties under-served by carriers; i.e., no preferred providers. (Umatilla and Malheur)
2001	Board continues the rural subsidy in counties lacking an HMO option (Baker, Gilliam, Klamath, Sherman, Union, and Wallowa) and authorizes rural subsidy in dual counties (Hood River, Lake, Malheur, Morrow, Umatilla, Wasco, and Wheeler).
2002	Board authorizes inclusion of an implicit subsidy in the PPO rates for Baker, Crook, Curry, Deschutes, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Malheur, Morrow, Sherman, Tillamook, Union, Wallowa, and Wheeler Counties.
2003	Umatilla is again included in the designation of a rural county.
2004 – Present	Board makes no changes to the rural subsidy.

Staff Recommendation

Staff recommends the Board maintain the current rural subsidy through 2010 as PEBB prepares to issue a request for proposals (RFP) for a self-insured medical plan in 2011.

Rationale

The Board did not identify rural subsidies as a tier one priority issue. To conduct another comprehensive analysis of the rural subsidy would require the investment of staff and consultant resources that are not available without realigning present priorities. It is unlikely that a new analysis would demonstrate the availability of providers has dramatically changed from the October 2007 analysis.

Continuing the current rural subsidy structure will offer a needed level of predictability and stability for members, agencies, carriers and the Board as PEBB prepares to issue an RFP in 2010 for Plan Year 2011. The Board will need to consider the issue of rural subsidies in the development of the RFP request for plan design and premium rates.

History of Board Discussions

Since 1999 the Board has reviewed and discussed information related to the provision of the PEBB rural subsidy on an annual basis in subcommittee and full Board meetings. Below is an overview of key Board discussion and actions.

- **June 16, 1999** The Board approved for Plan Year 2000 the provision of a rural subsidy equivalent to the cost difference between the HMO prototype and copay plan to be determined annually. The Board also agreed to develop a strategy for areas underserved by all carriers, i.e. no preferred providers.
- **Aug. 17, 1999** The Board adopted recommendations from the Plan Design Subcommittee to designate Baker, Gilliam, Hood River, Klamath, Morrow, Sherman, Union, Wallowa, and Wasco as eligible for copay rural subsidies for Plan Year 2000; and to offer the HMO subsidy and copay subsidy in Umatilla and Morrow counties for one year only.
- **July 24, 2001** The Board was informed that the Plan Design Subcommittee had discussed the adequacy of delivery systems in rural areas and areas where there are not an adequate number of specialists; and the Committee would look at different options in regards to providers at their next meeting.
- **Sept. 18, 2001** The Board unanimously agreed to accept the recommendations for the Plan Design Subcommittee to designate Baker, Gilliam, Klamath, Sherman, Union and Wallowa as rural counties for 2001; and Hood River, Lake, Malheur, Morrow, Umatilla, Wasco and Wheeler as dual counties for 2001. Members in these counties receive the rural subsidy. The Board also agreed the implicit subsidy to be included in the new PPO rates in 2002 for Baker, Crook, Curry, Deschutes, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Malheur, Morrow, Sherman, Tillamook, Union, Wallowa, and Wheeler counties.
- **Mar. 19, 2002** The Board discussed the implicit rural subsidy and implications for Plan Year 2003. The PEBB consultant, Aon, had provided talking points for rethinking PEBB's implicit rural subsidy. It was noted that the underlying issue is the need to provide equal benefits to PEBB statewide. PEBB's current policy encourages competition by providing a higher benefit level when members choose a preferred provider. The proposed approach would be for PEBB to encourage competition by providing a higher benefit level when employees seek treatment from providers who have demonstrated more effective and efficient practice patterns.
- **July 15, 2003** The Board unanimously adopt the Plan Design Subcommittee recommends to continue current 2003 rural county designation which include Baker, Crook, Curry, Deschutes, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Malheur, Morrow, Sherman, Tillamook, Union, Wallowa and Wheeler into Plan Year 2004. The recommendation did not include Umatilla County based on a review by PEBB and Regence BCBSO of the availability of providers in the designated rural subsidy

counties. Regence had reported that most of the providers in Umatilla County are contracting with Regence and cost for inclusion would be approximately \$375,000 annually. Staff recommended continuing the rural county designation in Umatilla County to be consistent with previous rural county designation practices. Umatilla was designated a rural county in one other Plan Year, 2001. The Board agreed unanimously to add Umatilla again as a rural subsidy county.

- **June 15, 2004** The Board unanimously agrees to continue the current 2004 rural county designations for Plan Year 2005. The Board discussed its intent to have the Plan Design Committee review the definition and the designation in future years. It was noted that the Plan Design Committee has discussed developing more specific criteria to evaluate if there are enough physicians in a given area and to investigate national data to assist in guiding future discussions.
- **July 19, 2005** The Board noted that all of the current 20 rural counties are exclusively in the Regence service area and Regence included the continuation of the rural subsidy in their 2006 rates. A review of the latest provider information indicates little change in provider availability in these counties, with the exception of Jackson County where the number of primary care providers increased from 166 last year to 200 this year. It was noted that a number of specialists are not contracted with Regence. Regence confirmed they do not anticipate significant contracting changes in the upcoming year. The Board unanimously agreed to continue the current subsidy program in the 20 counties. It was noted that there is a difference between counties where there may not be enough providers and where there may not be enough contracted providers and this should be examined.
- **June 20, 2006** The Board unanimously agreed to continue the current subsidy program in the 20 counties and to include out-of-state zip codes adjacent to these counties.
- **July 6, 2006** The PEBB administrator outlined the proposed questions, suggested stakeholders and proposed timelines for a discussion of rural subsidies. At a previous meeting the Board stated a desire to analyze the issue of rural subsidies in more depth prior to making its decisions for the 2008 Plan Year. Following Board discuss the staff were asked to provide additional information to the Board at the November meeting.
- **Nov. 21, 2006** The Board acknowledged that data relevant to the issue of the rural subsidy was still being collected and once presented the Board could decide whether to take any action. It was also noted that during an earlier board agenda discuss on Board priorities for its 2007 work plan, rural subsidies were not a priority.
- **May 8, 2007** The Board voted unanimously to continue the rural subsidy. It was noted that this would be a Board agenda topic in the fall of 2007.
- **Sept. 18, 2007** The Board received a presentation on the rural subsidy for consideration in planning its work for 2009 (Attached: PEBB Rural Subsidy Update). The Board requested that additional information and data be provided at the next Board meeting.

- **Oct. 16, 2007** The Board received additional detailed information and data on rural subsidies as requested (Attached: PEBB Policy Review for 2009 Renewal) The Board determined it would set aside a decision until the future state of PEBB was defined and the Board felt changes would be in keeping with the Vision.
- **June 17, 2008** The Board unanimously agreed to continue the rural subsidy as approved at the June 20, 2006 Board meeting.