

# Health Insurance Exchange Overview

Minnesota Health Insurance Exchange Advisory Task Force

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# Overview

- **Existing Market Challenges**
- **What is an Exchange?**
- **Exchange Opportunities**
- **Exchange Components**
- **Key Exchange Issues**
- **Existing Exchange Structures**
- **State and Federal Status**
- **Timeline and Status**

# Challenges for the Triple Aim

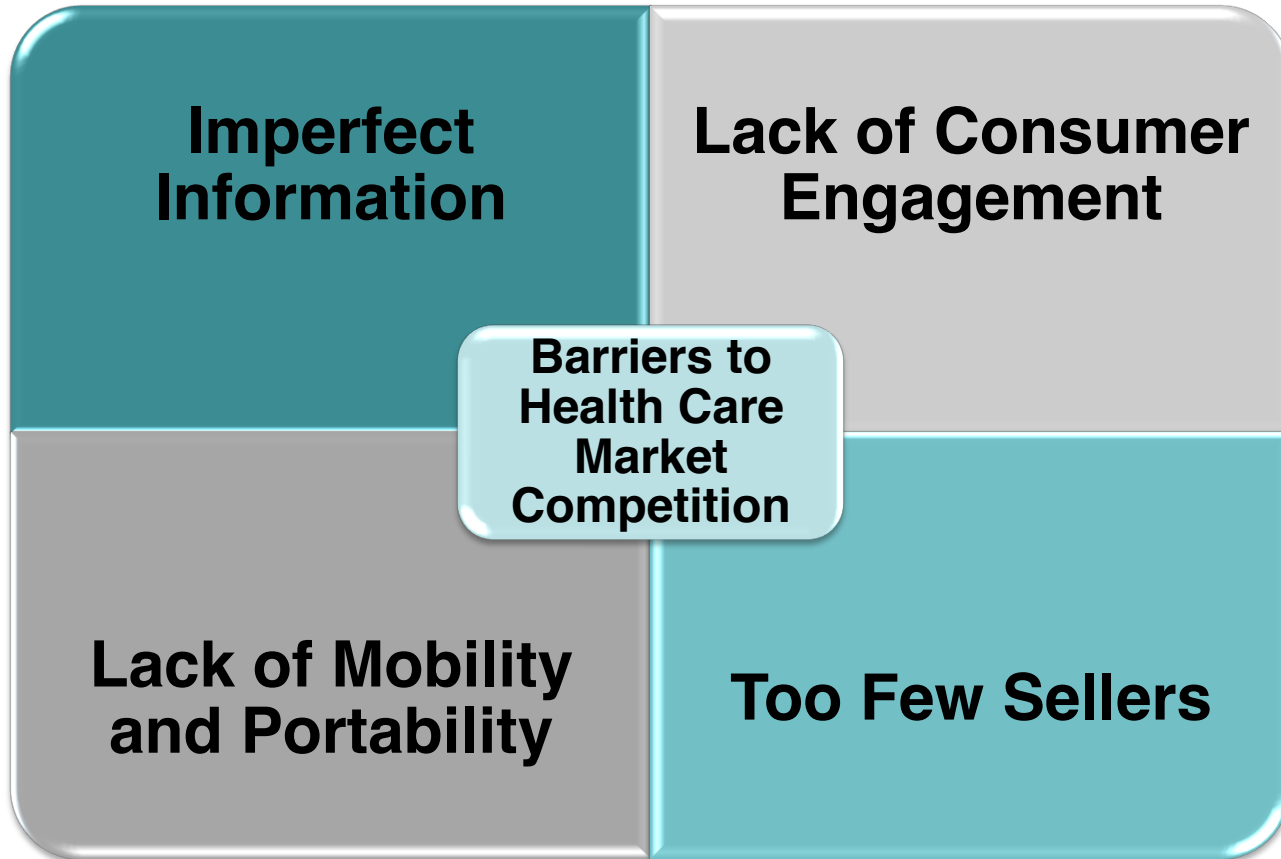
- Quality is improving but unequal
- Too little consumer engagement



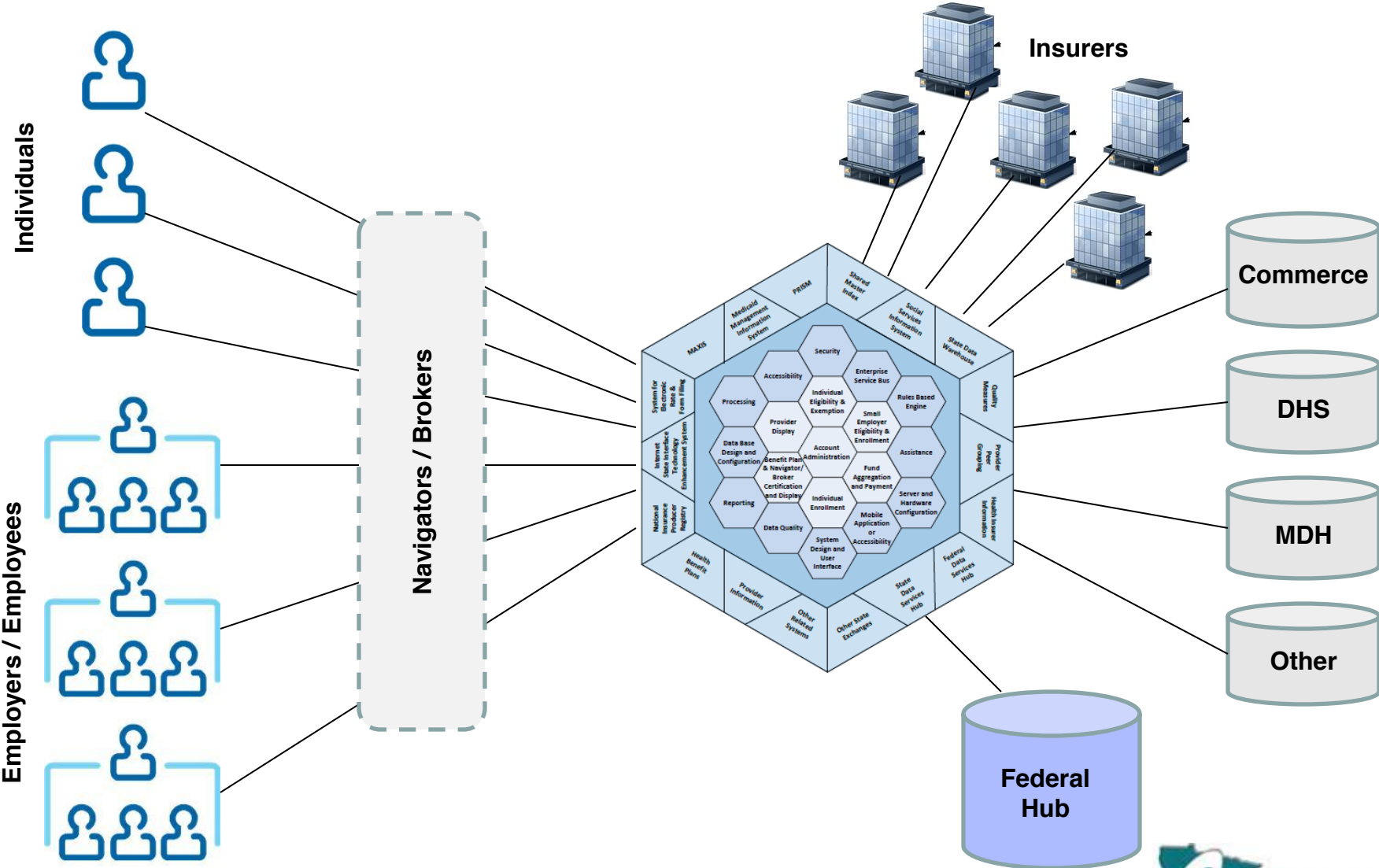
- Health care is too complex
- Lack of information to make informed decisions

- Unsustainable health care cost growth
- Growing uninsured
- Small employers dropping coverage

# Challenges for Competition



# What is an Exchange?



# Exchange Opportunities

## Advance the Triple Aim

- Potential incentives for health improvement
- Simple one-stop shop
- Streamline access to public and private coverage
- Financial assistance for individuals and small businesses
- Aggregate contributions for one health plan

## Enhance Market Competition

- Transparent “apples to apples” comparison information
- Foster market competition on value and affordability
- Engage consumers in well-informed decision making
- Choice, mobility, and portability
- Reduce barriers to entry for newer and smaller insurers

# Exchange Components: Functions

- Provide one-stop shop including a call center and website
- Ensure health insurance plans meet certain standards
- Provide comparative information on health benefit plans, costs, quality, and satisfaction using a standard format
- Set up open enrollment and special enrollment periods
- Facilitate “real-time” eligibility and enrollment using a uniform format
- Determine eligibility for individual and employer tax credits, Medicaid, and coverage requirement exemptions
- Communicate with employers regarding employee subsidy eligibility, cancelation of coverage, and penalty liability
- Establish a “Navigator” program
- Additional functions for small employers: Employee choice and premium aggregation

# Exchange Components: Eligibility

- **Individuals:**

- **General Individual Market**
- **Individual Subsidies** (100-400% FPL): Through Exchange to those not eligible for “affordable” employer coverage. Subsidies limit “Silver plan” premiums to 2 - 9.5% of income and cost-sharing subsidies limit actuarial value to 94 - 70%.
- **Medicaid Eligibility** (<133% FPL)
- **Basic Health Plan** (133-200% FPL): State option. States may use 95% of subsidy funds to establish. Similar to MinnesotaCare.

- **Small Groups:**

- Eligible up to 100 employees, state can limit to 50 employees until 2016
- Sliding scale tax credits through Exchange for 2 years for up to 50% of employer premium portion for < 25 employees and < \$50,000 average wage

- **Large Groups:**

- May be allowed to participate in 2017 at state discretion



# Exchange Components: Plan Certification

- Marketing criteria
- Network adequacy requirements
- Accreditation on local clinical quality measures, patient experience, consumer access, utilization management, quality assurance, provider credentialing, complaints and appeals, and patient information systems
- Disclosure of information on claims payment policies, claims denials, data on enrollment and disenrollment, rating practices, cost-sharing for in network and out of network providers, and company financial information
- Implementation of a quality improvement strategy
- Utilization of a standard format for comparing health plan options
- Utilization of a uniform enrollment form/process
- Health plan offering of at least 1 “Silver” and 1 “Gold” plan

# Exchange Components: Market Rules

- **Benefit, Rating, and Issue Rules:** Apply to all individual and small group plans inside and outside the Exchange not “grandfathered”
  - **Benefit Rules:** Must provide essential benefits and fit an actuarial level (Bronze, Silver, Gold, Platinum, or “Young Invincible”)
  - **Rating and Issue Rules:** Premium variation based on health status prohibited. Rating variation limited to tobacco use (1.5:1), age (3:1), geography (state defined), and family composition. Guarantee issue.
- **Premiums:** For the “same plans” inside and outside Exchange must be the same
- **Certification Rules:** Only apply to Exchange plans (marketing, network adequacy, etc)
- **Open Enrollment:** Appears to only apply to Exchange
- **Wellness Discounts:** 10-state demonstration project in 2014 that allows wellness discounts permitted for group plans to be applied to the individual market

# Exchange Components: Risk Sharing

- **Reinsurance:** From 2014-2016 reallocates \$25 billion to individual market plans inside and outside Exchange with high risk individuals. Funded by fully and self insured plans.
- **Risk Corridors:** From 2014-2016 for individual and small group plans inside and outside the Exchange - will operate similar to Part D program.
- **Risk Adjustment:** HHS establish and operate method for risk adjustment for individual and small group plans inside and outside Exchange. States with claims databases may propose alternate mechanism.
- **Risk Pooling:** Individual market plans inside and outside Exchange are in same risk pool. Small group plans inside and outside Exchange are in same risk pool.
- **Market Merger:** States may merge their individual and small group market risk pools.

# Exchanges & Adverse Selection

- **What is adverse selection?** The unequal separation of risk into different insurance arrangements
- **Why is adverse selection an issue for Exchanges?**
  - When market rules and characteristics of products offered inside vs outside a market/pool are different and lead to separation of risk. Situation can result in higher risk, higher premiums, and lower enrollment inside vs outside a market/pool that continues over time (death spiral).
  - Example: Purchasing pools enacted by many States in the 1990s (voluntary participation and different market rules and products)
- **Provisions to Mitigate Adverse Selection:** Single risk pool inside and outside Exchange, minimum benefit level, same rating rules, risk adjustment, and Exchange subsidies
- **Adverse Selection Concerns:** When different insurers and products operate inside vs outside Exchange, and when different market rules exist inside vs outside Exchange related to certification and open enrollment

# Exchange Components: Operation

- **Governance:**
  - Government entity
  - Quasi public-private entity
  - Private non-profit entity established by the state
  - Federal government on behalf of a state (also federal-state partnerships)
- **Structure:**
  - Separate or combined Exchange for individuals and small groups
  - Multiple subsidiary Exchanges each serving a distinct geographic area
  - Regional Exchange including multiple states
- **Financing:**
  - HHS to fully fund states for Exchange start-up through 2014. Starting in 2015, Exchange must be self-sustaining.
  - Potential issue for Navigator funding prior to 2015

# Key Exchange Issues

- **Functions:**

- Coordination/streamlining of Exchange functions with existing state functions
- Measurement and reporting of cost, quality, and satisfaction for insurers, health benefit plans, and providers
- Navigator and broker requirements and compensation
- Small group: Defined contribution and “true” portability for individuals
- Technical infrastructure
- Exchange operations

- **Eligibility:**

- Basic Health Plan or private subsidies through Exchange for 133-200% FPL – what happens to MinnesotaCare?
- Size of the small group market
- Large employer participation in 2017

# Key Exchange Issues

- **Encouraging Market Competition and Value (Certification, Market Rules, Risk Sharing, and Avoiding Adverse Selection):**
  - Role: Competition within vs. against the Exchange
  - Avoiding adverse selection (certification, participation, and market rules inside and outside Exchange - regulatory simplification)
  - Use of cost, quality, and satisfaction data to incent competition and value
  - Incenting competition and improved health outcomes for high risk individuals – risk adjustment and wellness discounts
  - Risk adjustment – consideration of MN alternative methods
  - Risk sharing – reinsurance and role/transition of high risk pool
  - Merger of the individual and small group markets
- **Exchange Operation**
  - Long-term governance and unique MN options
  - Ongoing funding

# Existing Exchange Structures

	Massachusetts	Utah	Private (i.e. CT, CA)
<b>Started</b>	2006	2009	mid 1990s
<b>Market</b>	public, individual, and small group	small group (testing larger groups)	small and larger groups
<b>Governance</b>	public/private entity	agency	private
<b>Role</b>	<ul style="list-style-type: none"> <li>• negotiate terms</li> <li>• comparison of standard tiered plans</li> <li>• facilitate subsidy for those &lt; 300% FPL</li> </ul>	<ul style="list-style-type: none"> <li>• defined contribution</li> <li>• voluntary insurer participation</li> <li>• transparency of comparison info</li> <li>• aggregate contributions</li> </ul>	<ul style="list-style-type: none"> <li>• defined contribution</li> <li>• contractual requirements for insurers</li> <li>• human resources functions and other benefits</li> </ul>
<b>Rating and Risk Sharing</b>	<ul style="list-style-type: none"> <li>• CR and GI inside and outside</li> <li>• merged individual and small group pools</li> <li>• risk adj for public</li> </ul>	<ul style="list-style-type: none"> <li>• group rated</li> <li>• same rating rules inside and outside</li> <li>• risk adj inside</li> </ul>	<ul style="list-style-type: none"> <li>• group rated</li> <li>• same general rules inside and outside</li> </ul>
<b>Enrollment</b>	200,000 (160K public, < 5K sm grp)	< 3,000	75,000 – 150,000



# State and Federal Status

- **State Status:**

- 49 states received planning grants
- 17 states received level 1 establishment grants
- 12 states have established Exchange through legislation (IL and ND considering legislation this week)
- 8 states have Executive Orders
- Governance thus far:
  - 2 non-profit (IN, HI)
  - 4 state agency (RI, UT, VT, WV)
  - 8 public/private entity (CA, CO, CT, MD, MA, NV, OR, WA)

- **Federal Status:**

- Federal Exchange under development with HIOS/healthcare.gov and multiple procurements
- Multiple final rules in development and additional proposed rules forthcoming

# Timeline

**Early to late 2011:** Planning, research, and modeling

**January 1, 2013:** Prove to HHS that Exchange can be operational by January 1, 2014 or HHS will implement federal Exchange

**Summer 2013:** Populate Exchange with information

**January 1, 2014:** Coverage through Exchange starts

**Late 2011 to 2013:** Task Force, design, and development

**First Half of 2013:** System testing

**Fall 2013:** Open enrollment

# Status

## Planning Grant

- Economic and actuarial research and modeling
- Evaluation of technical infrastructure options and costs - IT RFP
- Initial evaluation of operations

## Level 1 Grant

- Resources for design and development
- Advisory Task Force and work groups
- Marketing, communication, and outreach
- Technical infrastructure