Health Insurance Exchange Overview

House Health and Human Services Finance

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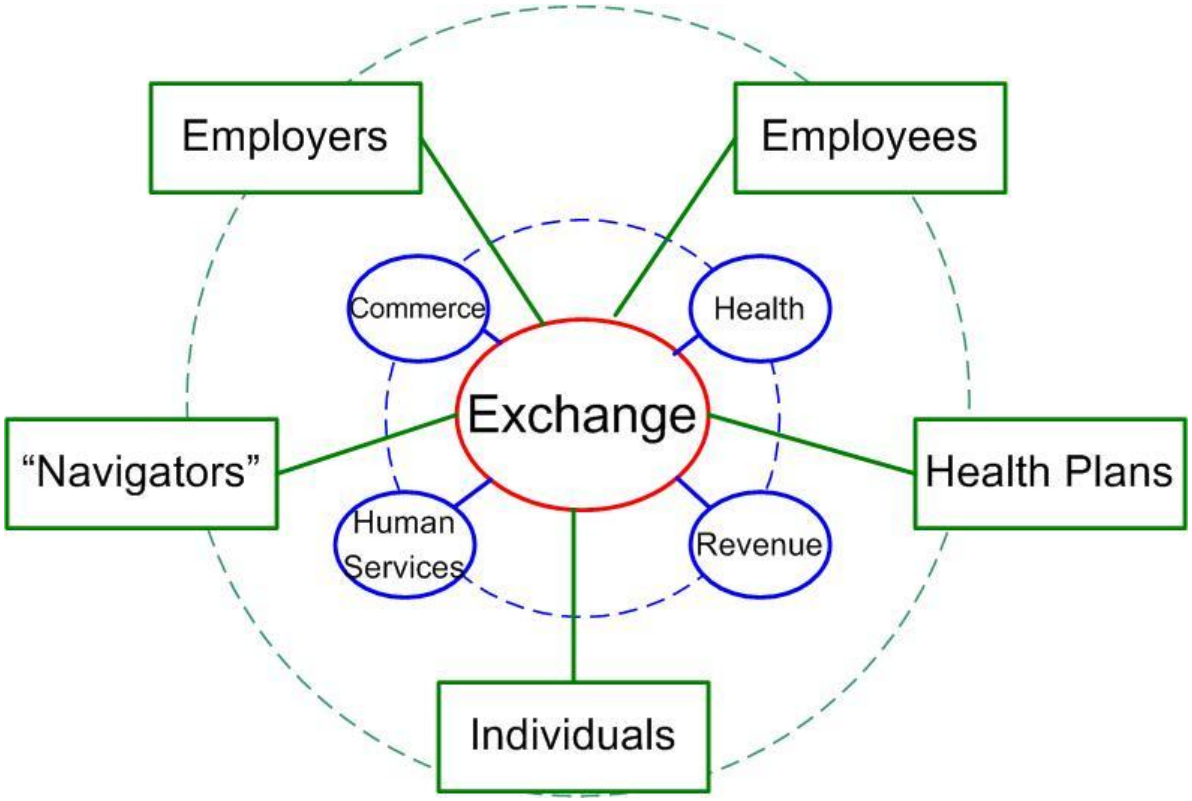
Overview

- What is an Exchange?
- Components of an Exchange (requirements and options)
  - Exchange must be operational in each state by January 1, 2014
- Exchange Planning Grant

What is an Exchange?

An organized competitive marketplace (one stop shop) to facilitate and simplify the comparison, choice, enrollment, and purchase of health care coverage for individual consumers.



Why an Exchange?

To foster a more competitive and simplified marketplace for consumers to access health care coverage with greater market incentives for competition on quality and cost. To address some of the barriers to competition in the market:

- **Provide Transparent Comparison Information:** Price/cost, quality, benefit, and network/provider information not easily available today. Exchange provides the simplicity of a “one stop shop” and transparent comparative information.
- **Engage Consumers:** Most consumers are not responsible for insurance choice or cost today. In Exchange, individuals and employees are responsible for coverage choice and price differential from individual subsidy or employer defined contribution.
- **Facilitate Mobility and Portability:** Many consumers are not free to change or maintain a plan that they like or dislike. Exchange allows consumers to change or maintain plans and keep the tax benefits of employer-based coverage.
- **Increase the Number of Sellers:** Most insurance markets have few sellers. Exchange reduces some of the barriers to entry for new health plans by offering a large pool of accessible enrollees without requiring some of the upfront costs and time associated with marketing, sales, and enrollment functions.

Exchange Components: Functions

- Certify which insurers and benefit plans are qualified for participation
- Operate a toll-free hotline and website for providing information
- Provide standardized comparative information on insurers and benefit plans
- Set up open enrollment and special enrollment periods
- Determine eligibility for individual and employer subsidies
- Determine eligibility for Medicaid and facilitate enrollment
- Facilitate eligibility and enrollment using a uniform format in “real-time”
- Make an electronic calculator available to display the cost of coverage
- Communicate with employers regarding employee subsidy eligibility, cancelation of coverage, and free choice vouchers
- Use an electronic interchange to share information with state and federal agencies to determine eligibility, amount of subsidies, determine exemptions from coverage requirements, etc.
- Establish a “Navigator” program

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Exchange Components: Eligibility

- **Individuals**
- **Small Groups:** 1 to 100 employees, state can do 1 to 50 employees until 2016
  - **Tax Credits:** Sliding scale through Exchange for 2 years for up to 50% of employer premium portion for those with < 25 employees and < $50,000 average wage
- **Large Groups:** May be allowed to participate in 2017 at state discretion
- Exchange must also determine eligibility for **Medicaid** (<133% FPL) and **tax subsidies** (133-400% FPL)
  - **Individual Subsidies:** Available 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%.
- **Basic Health Plan:** State may establish for those between 133-200% FPL
  - States may use 95% of subsidy funds that would have been spent for individuals between 133% and 200% FPL to establish a "Basic Health Plan"
  - Not eligible for Exchange coverage
  - Similar to MinnesotaCare

Exchange Components: Certification

Health Plan Participation/Certification: HHS to establish minimum criteria for plan participation in an Exchange to include requirements for:

- Marketing
- Network adequacy
- 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 that are 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 is prohibited. Rating variation limited to tobacco use (1.5:1), age (3:1), geography (state defined), and family composition. Guarantee issue required during an open enrollment period.
- **Premiums:** For the "same plans" inside and outside the Exchange must be the same
- **Certification Rules:** Only apply to Exchange plans (marketing, network adequacy, etc)
- **Wellness Discounts:** A 10-state demonstration project starts in 2014 that allows wellness discounts currently permitted for group plans to be applied to the individual market for premiums and cost-sharing inside and outside an Exchange

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
  - State to choose reinsurer (may be high risk pool)
- **Risk Corridors:** HHS to establish from 2014-2016 for individual and small group plans inside and outside the Exchange. Will operate similar to Part D program.
- **Risk Adjustment:** HHS with states to establish criteria and methods for risk adjustment for individual and small group plans inside and outside Exchange
- **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 markets

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

Exchange Components: Operation

- **Governance:**
  - Government entity
  - Non-profit entity established by the state
  - Federal government on behalf of a state
- **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.
  - A state may require additional benefits for the essential benefit set, but the state must cover the costs of these additional benefits.

Key Decision Points

- How should the Exchange be operated and structured? What roles should state agencies and other organizations play?
- Should Minnesota migrate MinnesotaCare to a “Basic Health Plan” or facilitate subsidies for private market coverage through Exchange?
- How to reduce the risk of adverse selection and encourage value and competition in the market (plan participation, market and certification rules, rating and incentives)?
  - How can Minnesota’s unique cost, quality, and payment reforms be used to drive insurer and provider competition on value and empower consumers to make more informed health care decisions and improve their health?
- How to incent competition for and care management/coordination of high risk individuals and encourage healthy behavior?
- Should the risk pools of the individual and small group markets be merged?
- What should Navigator requirements and compensation look like?
- How should ongoing Exchange operations be funded?

Timeline

- **January 1, 2014:** Coverage through Exchange starts
- **Fall 2013:** Open enrollment
- **Summer 2013:** Populate health plan products and ratings in Exchange
- **January 1, 2013:** State must prove to HHS that Exchange can be operational by January 1, 2014 or HHS will implement federal Exchange
- **2011 to January 1, 2013:** Timeframe to evaluate Exchange requirements and options and make significant progress on implementation:
  - Most key questions from prior page need to be answered and acted on
  - Significant progress on IT infrastructure needed, including real-time eligibility and enrollment functionality for subsidies and Medicaid that will require connections and real-time interaction with various state and federal agencies and data sources
- **2011:** Receipt of federal Exchange planning grant funding

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Exchange Planning Grant

- Minnesota applied for a $1 million planning grant on February 1, 2011 and award notification is expected by March 1, 2011 - No state match required

- **Purpose of planning grant for states is to:**
  - Analyze the impact of Exchange requirements and options
  - Estimate the level of upfront and ongoing funding for implementation and operation
  - Determine whether to establish an Exchange or defer to federal government
  - Develop a work plan and budget for federal implementation funds if the state decides to establish an Exchange

- **Main components of planning grant include:**
  - Background Research
  - Stakeholder Engagement
  - Program Integration
  - Resources and Capabilities
  - Governance
  - Financing
  - Technical Infrastructure
  - Business Operations
  - Legal and Regulatory

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