

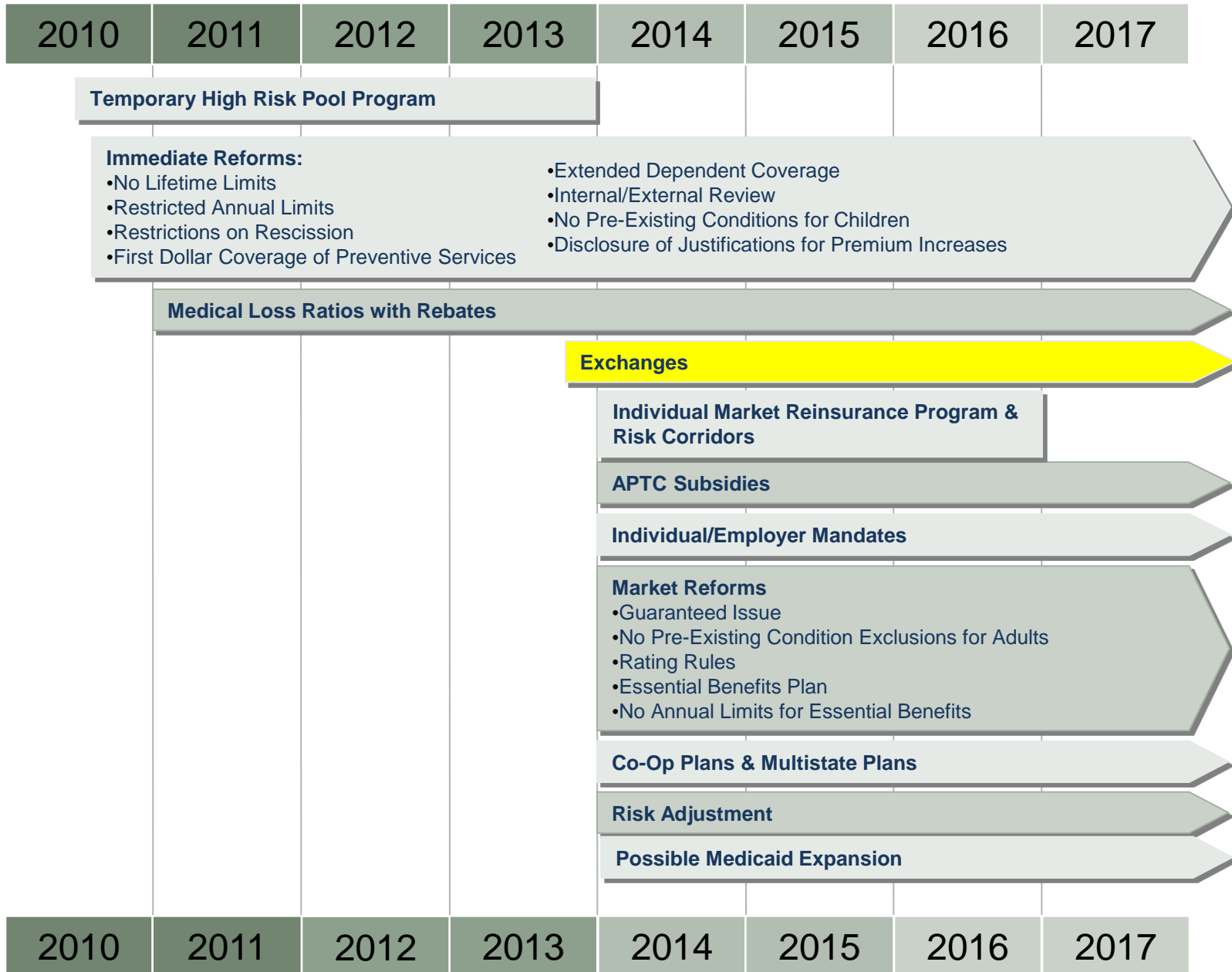
Patient Protection and Affordable Care Act

Federal Health Reform Update

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Reform Timeline



2014 Market Reforms

- Guaranteed Issue
- No Pre-Existing Condition Exclusions for Adults
- Rating Rules
 - No health status
 - 3 : 1 maximum variation for age
 - 1.5 : 1 maximum variation for tobacco use
- Single Risk Pool Requirements
- Individual Mandate and Subsidies
- Employer Responsibilities

*Most reforms apply in and out of Exchange

Essential Health Benefits

- Issuers in the individual and small group markets, in and outside of exchange, must provide EHB
- Issuers in the large group market and self-insured plans cannot have annual/lifetime limits on EHB
- HHS released NPRM for EHB on 11/20/12
- HHS proposes WV EHB as largest small group plan, Highmark BCBS Super Blue Plus 2000
 - Supplemental coverage in vision and dental from FEHBP
- **Proposing change in federal options from FEHBP to CHIP pediatric dental**

Premium Stabilization Programs

Program:	Reinsurance	Risk Adjustment	Risk Corridors
What:	Provides funding to carriers that incur high claims costs for enrollees	Transfers funds from lower risk plans to higher risk plans	Limits issuer losses (and gains)
Program Operation:	State <u>option</u> to operate, regardless of whether the State establishes an Exchange	State <u>option</u> to operate if the State establishes an Exchange	HHS
Who Participates:	All carriers and third party administrators on behalf of group health plans contribute funding; non-grandfathered individual market plans (inside and outside the Exchange) are eligible for payments	Non-grandfathered individual and small group market plans, inside and outside the Exchange	Qualified health plans
Why:	Offsets high cost outliers	Protects against adverse selection	Protects against inaccurate rate- setting
When:	Throughout the year	Before June 30 of the calendar year following the benefit year	After reinsurance and risk adjustment
Time Frame:	3 years (2014-2016)	Permanent	3 years (2014-2016)

Source: 45 CFR Part 153 Background Section

Health Benefit Exchange

- **Organizes qualified health plans (QHPs) in private market for consumers**
- **One-stop coverage eligibility determination**
- **Facilitates federal subsidies for insurance**

NO Exchange Impact

The Health Benefit Exchange will not:

- operate a health insurance plan or bear risk
- dictate provider payments from issuers
- require participation of providers with issuers
- process claims
- eliminate the role of insurance agents
- enforce IRS penalties
- set premiums

Consumers Using Exchange

Exchange-eligible Individuals

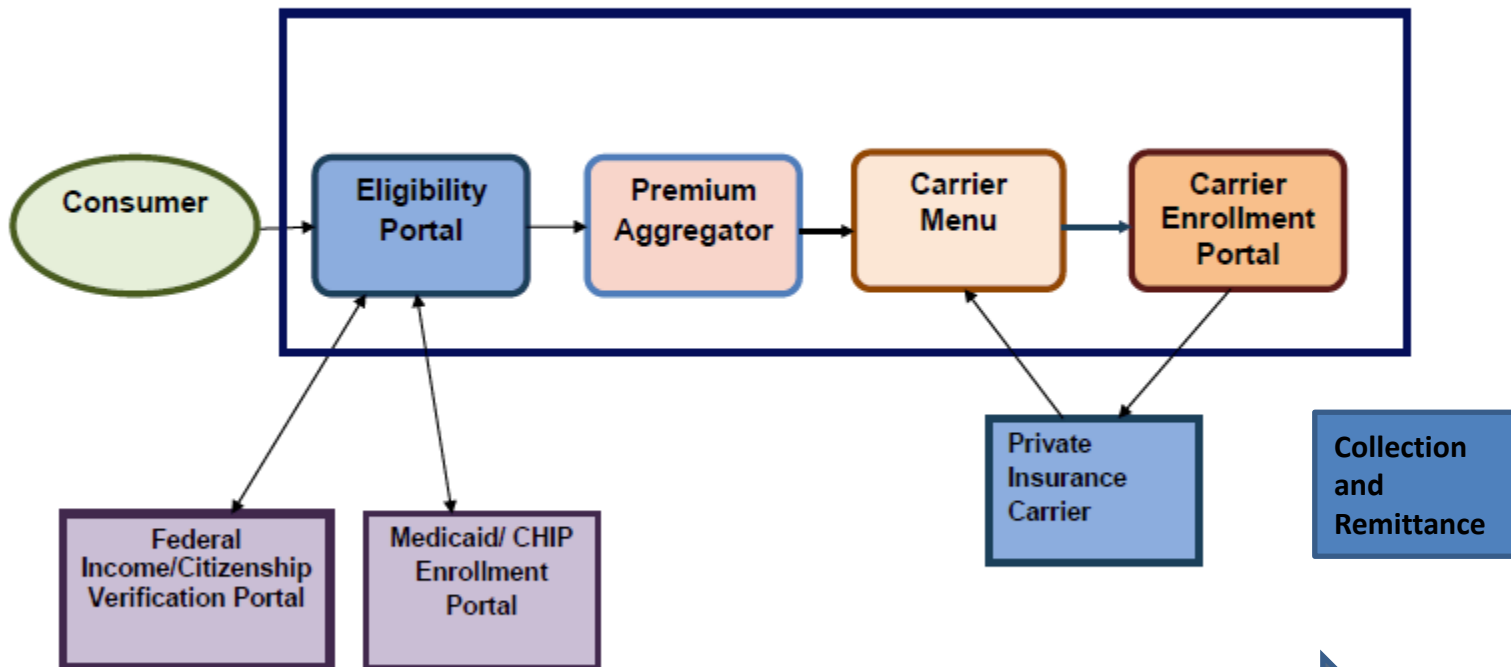
- State residents (all incomes)
- 64 and under
- Not incarcerated
- Lawful resident
- Medicaid and CHIP

Exchange-eligible Employers

- Small employers 1-50 until 2016; 1-100 post-2016
- Large employers starting in 2017

Basic Exchange Consumer Flow

Exchange



Consumer Assistance: Agent-Navigator Portal; Call Center

Federal Subsidies

Premium subsidies are based on second lowest cost silver plan

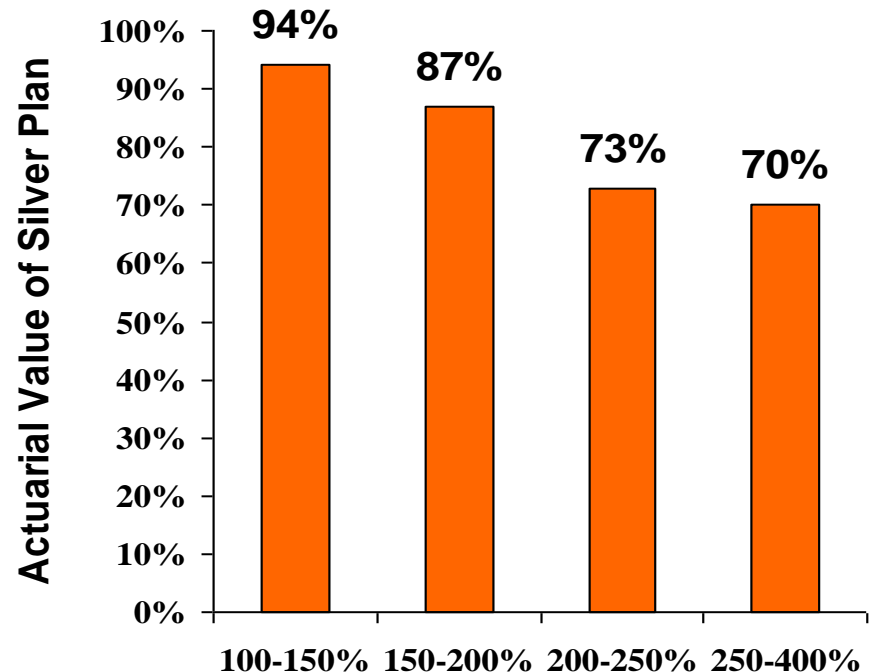
Consumer can select less expensive or more expensive plan and pay accordingly

FPL range for individuals*:

- 133FPL- \$14,404- 2%
- 150FPL- \$16,245- 4%
- 200FPL- \$21,660- 6.3%
- 250FPL- \$28,735- 8.05%
- 400FPL- \$43,320- 9.5%

*Numbers are estimated provided by Kaiser Family Foundation

Cost-Sharing Subsidies



Household Income as % of FPL

Small Business Tax Credit

- Businesses with 25 or fewer employees
- Average wages less than \$50,000
- Contribute at least 50% of premium
- Phases out as size and wages of business increase

- 2010-2013: Up to 35% of total employer contribution
- Beyond 2014: Up to 50% of contribution if purchased through Exchange
- Beyond 2014, employer can only access tax credit for a cap of two years

Plan Tiers and Rating

Plans in Exchange will fall within specified actuarially defined tiers:

- Catastrophic Plan
- Bronze- 60%
- Silver- 70%
- Gold- 80%
- Platinum- 90%

Limited Rating

- Age (3:1 maximum)
- Tobacco (1.5:1 maximum)
- Geographical rating area

Role of Agent

- Agents can sell QHPs
- Must receive specialized training (Spring)
- Agents will use specialized web portal
- Commissions continue to be set by issuer

WV Exchange Options

1. Full Federal Exchange (FFE)
2. State Partnership Exchange (SPE)
3. State- Based Exchange (SBE)

**Federal rules permit state to change process from year to year*

Full Federal Exchange

Federal gov't would have full policy making discretion, regulatory authority, and carry out all programmatic activities

Pros

1. Less costly than State-Based Exchange

Cons

1. Most complicated and burdensome regulatory process
2. State unable to assist state consumers and businesses
3. Least control over Exchange policy decisions
4. State has least control over navigators, assisters
5. Least investment into enrollment

State Partnership Exchange

State operates plan management and/or consumer assistance functions of exchange through MOU with Federal gov't

Pros

1. Least costly model for market
2. Continuity of regulatory authority of consumer assistance, issuers and agents
3. Better consumer service, protection, and responsiveness than FFE
4. Eases process of transition if state makes decision to proceed with SBE or discontinue efforts on exchange
5. Allows state to use federal grant funds for outreach and marketing
6. Allows state to better regulate/control navigators/assisters

Cons

1. Uncertainty over final rules
2. Less policy control than SBE



State-Based Exchange

State operates program in its entirety, with possible exception of 3R program

Pros

1. Maximum control over exchange policy decisions
2. Maximum continuity of regulatory market
3. Maximum control over outreach efforts
4. Maximum WV stakeholder input into development
5. Provides option to operate risk adjustment

Cons

1. Highest sustainability costs model poses significant risks for consumers, issuers, and state
2. Compounded risk from uncertainty over impact of other insurance reforms
3. Development and implementation timeline risks
4. Uncertainty over consumer take-up rates
5. Investment into significant IT infrastructure before other tech matures

State Exchange Operational Years 2014-2016 Expense Summary*

High Cost			Mid Cost			Low Cost		
2014	2015	2016	2014	2015	2016	2014	2015	2016
\$17.8	\$16.4	\$15.8	\$12	\$10.9	\$10.7	\$7.6	\$6.4	\$6.3

- In 2014, costs in a SBE would be covered by a mix of grant funding, fee collection, and cost allocation with public payers
- Cost estimates are being further refined through work of CCRC and continued assessment of cost and enrollment projection

*In millions

Per Member Per Month Estimates

Per Member Per Month Summary Chart									
	<u>High Cost</u>			<u>Mid Cost</u>			<u>Low Cost</u>		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
<u>Enrollment</u>									
High Enrollment	\$ 27.65	\$ 16.14	\$ 13.38	\$ 18.28	\$ 10.50	\$ 8.93	\$ 10.95	\$ 5.90	\$ 5.03
Mid Enrollment	\$ 34.22	\$ 20.23	\$ 15.98	\$ 22.54	\$ 13.76	\$ 11.14	\$ 13.40	\$ 7.64	\$ 6.20
Low Enrollment	\$ 45.02	\$ 31.48	\$ 22.73	\$ 29.66	\$ 20.37	\$ 15.09	\$ 17.63	\$ 11.31	\$ 8.40

- Medicaid allocations only examined IT touch points and do not take into consideration possible funding for budget items such as marketing or navigators, thus PMPM costs for Exchange members may be inflated
- Medicaid individuals were excluded from the calculation of PMPM costs in evaluating Exchange effectiveness

Cost Comparison 2014

Health Benefit Exchange			
Projection Budget – 2014 Enrollment Estimates			
Summary			
	Operations		
	2014 (High)	2014 (Mid)	2014 (Low)
Commercial Members	63,324	50,816	38,308
Commercial Member Months	624,548	503,225	385,553
Total Premiums	\$302,040,797.77	\$240,711,831.51	\$181,036,471.56
Administrative Fee Percentage*	3.50%	3.50%	3.50%
Total Fees in an SPE	\$10,571,427.92	\$8,424,914.10	\$6,336,276.50
Projected Expenses in an SBE (High)	\$18,390,580.11	\$18,008,723.25	\$17,626,865.55
Projected Expenses in an SBE (Mid)	\$12,571,576.67	\$12,329,127.47	\$12,086,678.27
Projected Expenses in an SBE (Low)	\$7,500,881.98	\$7,352,381.40	\$7,203,880.95
Difference in Costs (High Expenses)	(\$7,819,152.19)	(\$9,583,809.15)	(\$11,290,589.05)
Difference in Costs (Mid Expenses)	(\$2,000,148.75)	(\$3,904,213.37)	(\$5,750,401.76)
Difference in Costs (Low Expenses)	\$3,070,545.95	\$1,072,532.70	(\$867,604.45)

*3.5% of premium is max fee that HHS proposes assessing on QHPs in FFE in 2014



WV Exchange Approach 2014

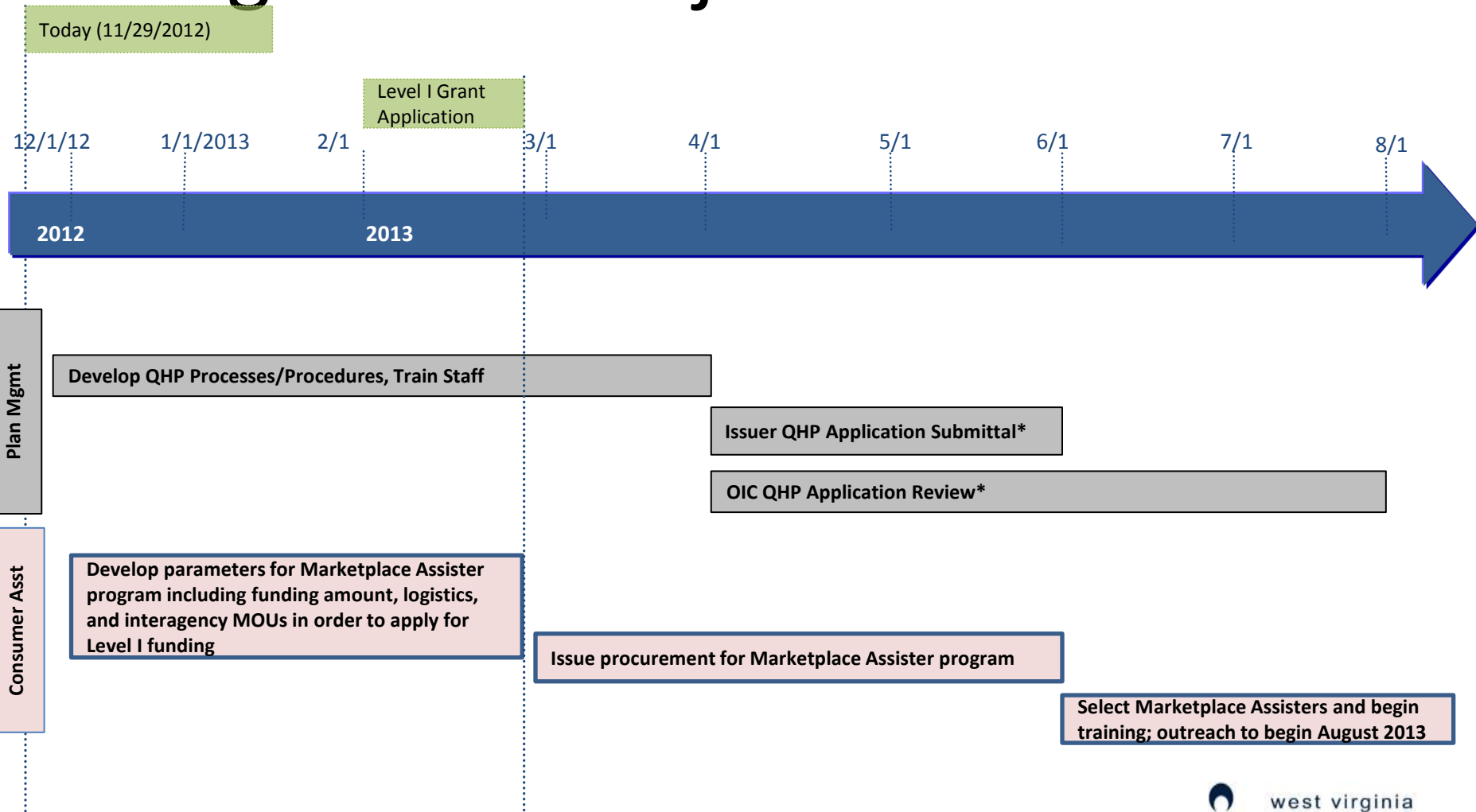
- Tentative plans to proceed with State Partnership Exchange (SPE) to retain ability to assist consumers and industry while avoiding financial liability of State-Based Exchange (SBE)
- SPE costs will be 100% covered by federal grants
- State retains ability to withdraw from SPE as analysis of forthcoming federal information occurs
- SBE unfeasible at this time due to fiscal burden on consumers, industry, and state
- FFE deemed to create too great a regulatory burden for consumers and industry
- State will continue to meet regularly with all stakeholders to find common ground on best course for West Virginia
- State will critically evaluate exchange operations in 2014 and continue to assess feasibility of other exchange operations in an ongoing manner



Next Steps

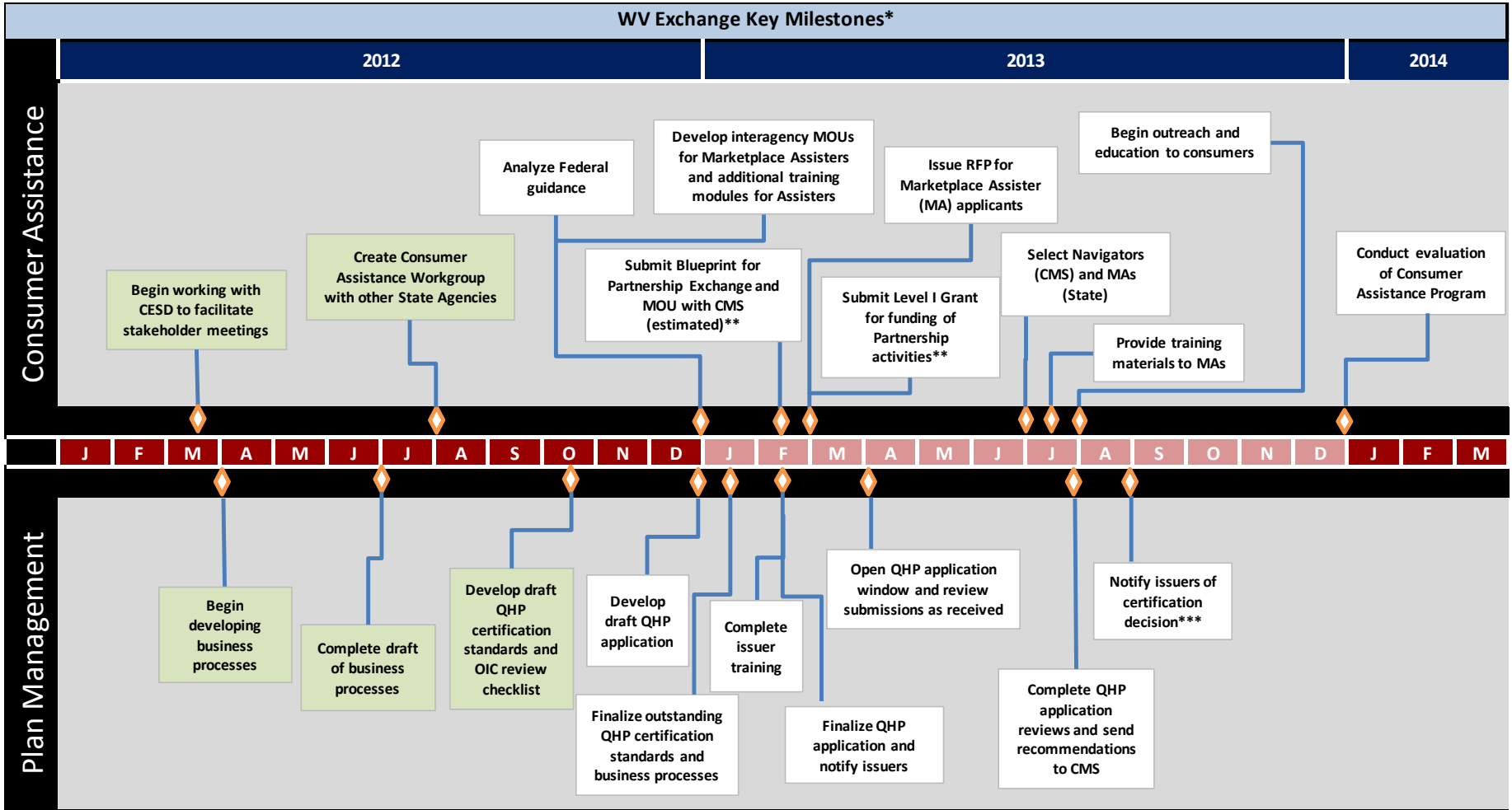
- Continue with actuarial analysis and economic modeling
- Continue to meet with stakeholders
- Finalize QHP certification process
- Continue analysis of federal rules
- Monitor and evaluate market impact
- Consumer outreach with individuals and small business
- Continue to explore strategies to lower cost/increase quality
- Prepare for February grant submission

High-Level Project Schedule



*Plan Management timelines are tentative and are currently being re-evaluated by the OIC due to the delay in SERFF v6.0

State Partnership Milestones



*Text boxes shaded green completed as of 11/29/12
 **Also applies to Plan Management
 ***Timing dependent on Federal review and ratification

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