Federal Health Reform: The Role of the Exchange and Lessons from Massachusetts

Montana Legislature -- Children, Families, Health, and Human Services Interim Committee

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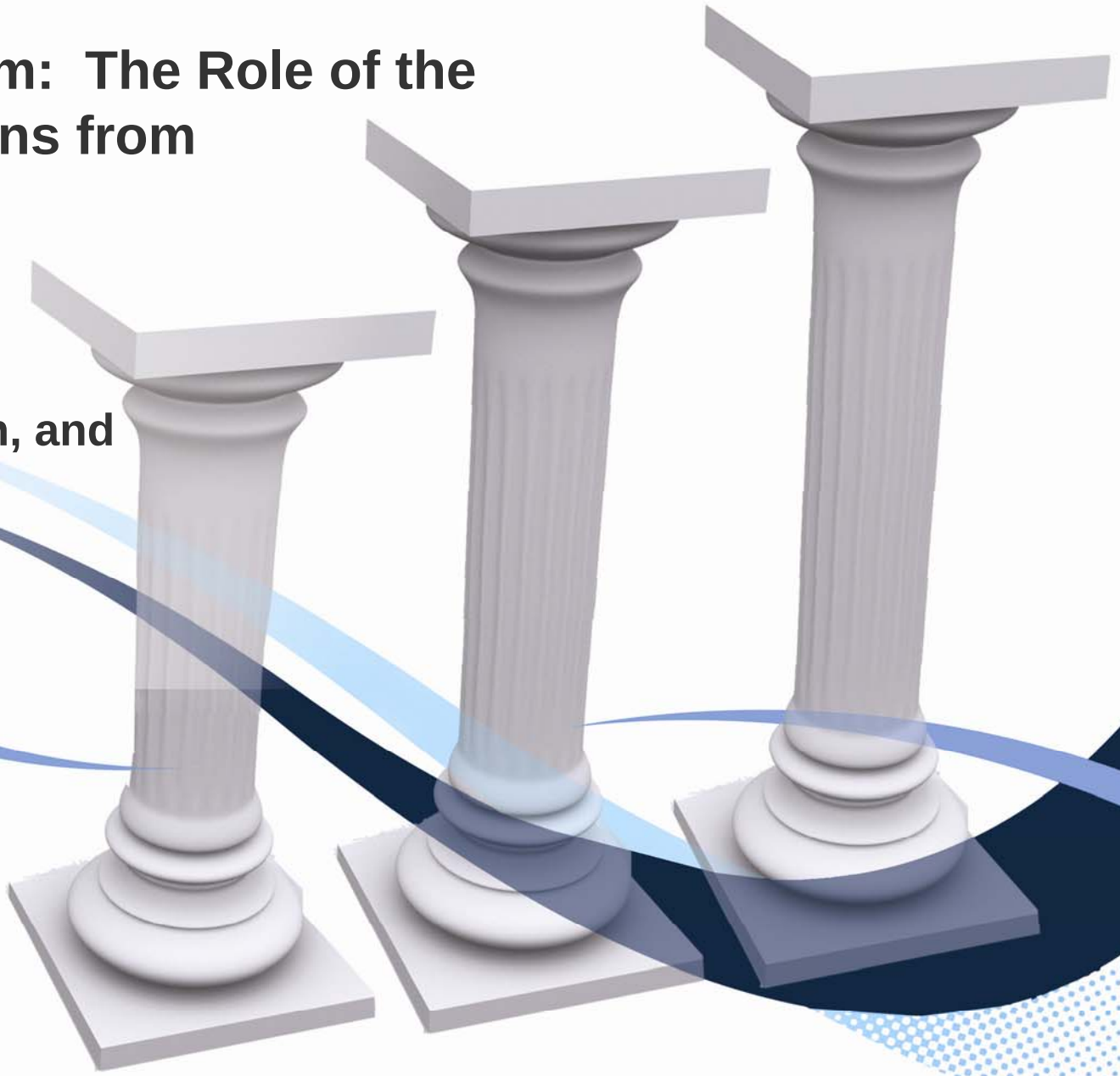


Agenda

- Exchanges Under Federal Health Reform
- Eligibility and Premium Subsidies
- How Federal Exchanges Differ from the MA Connector
- Key Decision Points
- Lessons Learned from Massachusetts

Exchanges Under Federal Health Reform

- Single portal through which eligibility for publicly-subsidized insurance will be determined (Medicaid, SCHIP, Exchange, and other public insurance programs)
- Commercial insurance marketplace for individuals and small groups
- Premium subsidies and lower cost-sharing for eligible individuals
  - Sliding scale subsidies based on income from 133% – 400% FPL
    - Medicaid expansion to cover residents up to 133% FPL
  - State option to establish separate health insurance program for individuals with income from 133% - 200% FPL
  - "Aliens lawfully present" who are not eligible for Medicaid can receive premium subsidies, reduced cost sharing, and purchase insurance through the Exchange
- Small employers with lower-wage workers that purchase through the Exchange may be eligible for two-year tax credit to partially subsidize premiums
- *Existing* small group and individual markets will operate outside the Exchange

Exchange Structure

- Governance/oversight must be government agency or non-profit entity
- Allowed to subcontract functions, but not to health insurers
- Can only offer “qualified” health plans
- Plans grouped into five categories based on actuarial value:
  - Platinum (90%)
  - Gold (80%)
  - Silver (70%)
  - Bronze (60%)
  - Catastrophic (High Deductible Health Plans - HDHP)

    [Purchase of HDHP’s limited to individual market; enrollees must be under 30-years old or exempt from individual mandate based on affordability or hardship]
- May also offer stand-alone dental plans

Exchange Functions

Consumer Support

- Set up single portal to determine eligibility and enroll people in Medicaid, SCHIP, Exchange, and other public subsidy programs
- Set up call center/customer service unit with toll-free number for consumers
- Establish “Navigator” program for outreach and enrollment

Distribution Channel for Commercial Insurance

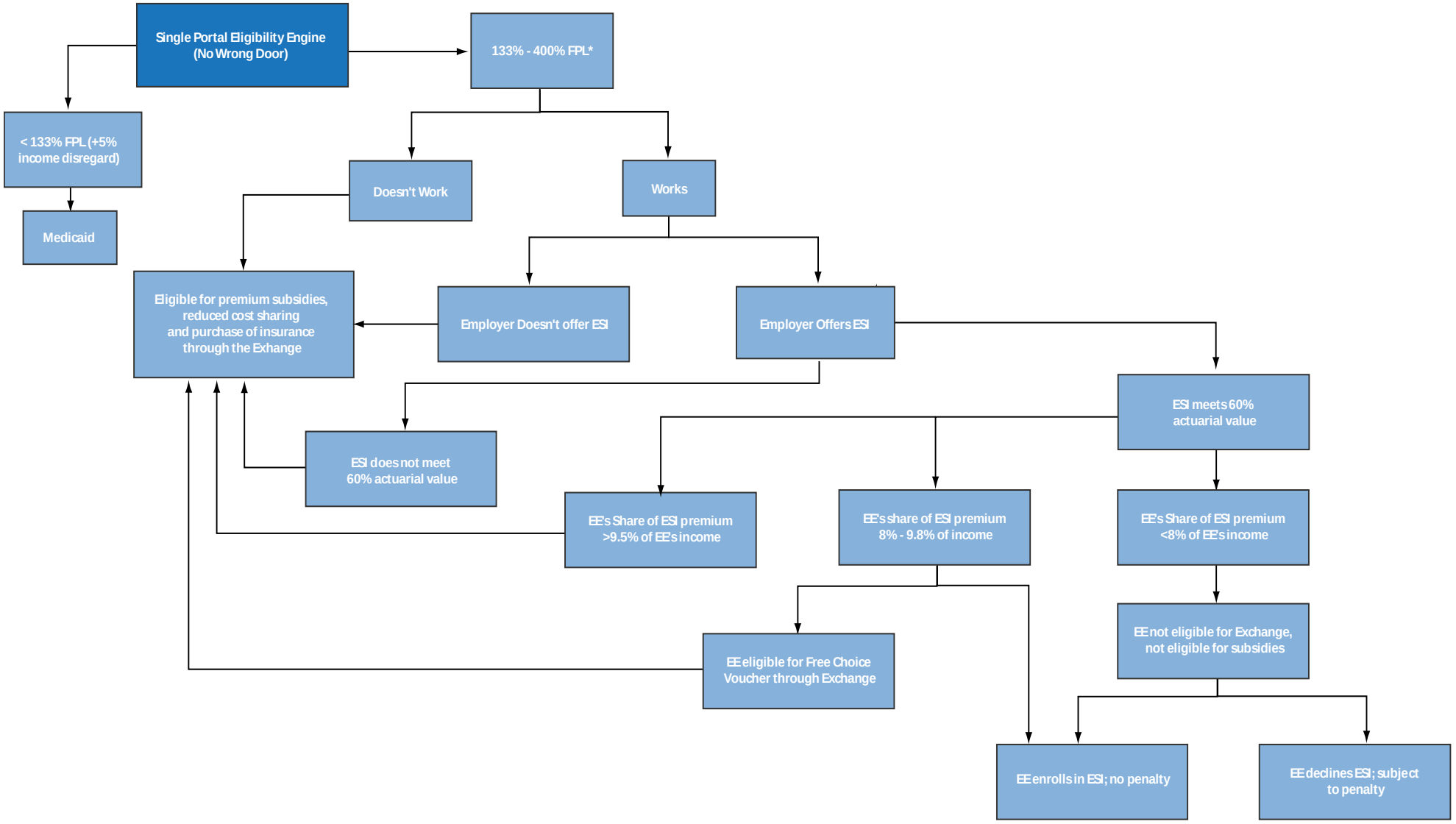
- Establish carrier participation policies and procure health plans
- Assign health plan ratings and provide standardized information for consumers
- Develop web site through which people can shop for insurance

Exchange Functions

Administrative Services and Operations

- Establish interface with health carriers to facilitate application of premium subsidies and cost-sharing reduction for eligible individuals
- Coordinate eligibility, reporting, premium subsidies, etc. with federal agencies
- Certify exemptions under the individual mandate
- Collect “Free Choice Vouchers” from ERs and apply vouchers to EEs premiums
- Possibly bill, collect, and remit premiums to carriers

Eligibility



Premium Subsidies

	Mr. and Mrs. Jones	Mr. and Mrs. Smith
Family Size	4	6
Modified Adjusted Gross Income	$55,125	$73,825
Percentage of FPL	250%	250%
Family Share as % of Income	8.05%	8.05%
Family Share of Premium (Monthly)	$370	$495

Premium Subsidies

	Mr. and Mrs. Jones	Mr. and Mrs. Smith
Rate Basis Type	Family	Family
Age of Oldest Family Member	40	60
Zip Code	59715	59715
Total Monthly Premium	$1,600	$2,400
Member Share of Premium	$370	$495
Federal Share of Premium	$1,230	$1,905

How Exchanges Differ from MA Connector

	Massachusetts Connector	Federal Exchange
Populations Covered	Adults Only (children covered by Medicaid)	Individuals and Families
% FPL Eligible for Subsidies	Up to 300%	Up to 400%
Level of Subsidy	Flat PMPM based on FPL Bracket (e.g., 150-200%, 200-250%, 250-300%)	Sliding Scale, Set as % of Income
Source of Coverage	MCOs	Commercial Insurers
Regulatory Authority	Extensive (e.g., "minimum creditable coverage," affordability schedule)	Limited

How Exchanges Differ from MA Connector

	Massachusetts Connector	Federal Exchange
Premium Billing, Collection, Remittance to Carriers	Handled by Connector	Not listed as responsibility – TBD
Interaction with Employers Offering ESI	None for subsidized population – Applicants ineligible for Connector-based subsidized coverage	"Free Choice Vouchers" – EEs may bring ER voucher to purchase coverage through Exchange

Lighter Stick…Smaller Carrots

Key Decision Points

First Level Decisions:

- State or Federal Exchange
- Governance structure
  - Who's responsible for administering the Exchange
- State-wide vs. regional vs. multi-state Exchanges

Second Level Decisions:

- Separate program for individuals with income between 133 – 200% FPL
- Separate individual and small group Exchanges or combined Exchange
- What to out-source, what to in-source

Third Level Decisions:

- Benefits required beyond "essential health benefits" must be paid by the state
- Standardize plan designs or allow for market "creativity"
- "Open" or "selective" contracting with carriers and health plans
- Limit small group market to <50 EEs, prior to 2016
- Premium billing, collection, remittance
- Role of brokers/agents
- Frequency of rate changes by carriers

Lessons Learned From Massachusetts

- **Outreach** is critical to ensure broad risk pool, stabilize premiums, and attract sufficient volume
- **Administrative efficiencies** are contingent upon economies of scale
- Opportunity to **streamline, consolidate or eliminate** existing public subsidy programs
- **Strategic contracting** with carriers and vendors can help lower costs
- Inventory existing resources – public and private – to **identify and leverage available infrastructure**
- **Learned behavior** can be difficult to overcome
- **Continuous open enrollment** in guaranteed issue, modified community rated individual market can create adverse selection problems for carriers
- Capitalize on health reform to **promote other state priorities**
  - Accountable care organizations
  - Medical home
  - Payment reform
  - Medicaid managed care organizations
  - Cost containment strategies

Contact Information

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