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

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

June 28, 2010

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Senior Advisor
Public Consulting Group
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
# Premium Subsidies

<table>
<thead>
<tr>
<th></th>
<th>Mr. and Mrs. Jones</th>
<th>Mr. and Mrs. Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Size</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Modified Adjusted Gross Income</td>
<td>$55,125</td>
<td>$73,825</td>
</tr>
<tr>
<td>Percentage of FPL</td>
<td>250%</td>
<td>250%</td>
</tr>
<tr>
<td>Family Share as % of Income</td>
<td>8.05%</td>
<td>8.05%</td>
</tr>
<tr>
<td>Family Share of Premium (Monthly)</td>
<td>$370</td>
<td>$495</td>
</tr>
</tbody>
</table>
## Premium Subsidies

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<tr>
<th></th>
<th>Mr. and Mrs. Jones</th>
<th>Mr. and Mrs. Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rate Basis Type</strong></td>
<td>Family</td>
<td>Family</td>
</tr>
<tr>
<td><strong>Age of Oldest Family Member</strong></td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td><strong>Zip Code</strong></td>
<td>59715</td>
<td>59715</td>
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<tr>
<td><strong>Total Monthly Premium</strong></td>
<td>$1,600</td>
<td>$2,400</td>
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<tr>
<td><strong>Member Share of Premium</strong></td>
<td>$370</td>
<td>$495</td>
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<tr>
<td><strong>Federal Share of Premium</strong></td>
<td>$1,230</td>
<td>$1,905</td>
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How Exchanges Differ from MA Connector

<table>
<thead>
<tr>
<th></th>
<th>Massachusetts Connector</th>
<th>Federal Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Populations Covered</td>
<td>Adults Only (children covered by Medicaid)</td>
<td>Individuals and Families</td>
</tr>
<tr>
<td>% FPL Eligible for Subsidies</td>
<td>Up to 300%</td>
<td>Up to 400%</td>
</tr>
<tr>
<td>Level of Subsidy</td>
<td>Flat PMPM based on FPL Bracket (e.g., 150-200%, 200-250%, 250-300%)</td>
<td>Sliding Scale, Set as % of Income</td>
</tr>
<tr>
<td>Source of Coverage</td>
<td>MCOs</td>
<td>Commercial Insurers</td>
</tr>
<tr>
<td>Regulatory Authority</td>
<td>Extensive (e.g., “minimum creditable coverage,” affordability schedule)</td>
<td>Limited</td>
</tr>
</tbody>
</table>
## How Exchanges Differ from MA Connector

<table>
<thead>
<tr>
<th>Premium Billing, Collection, Remittance to Carriers</th>
<th>Massachusetts Connector</th>
<th>Federal Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handled by Connector</td>
<td>Not listed as responsibility – TBD</td>
<td></td>
</tr>
</tbody>
</table>

| 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
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