

Building a Made-In-Montana Health Insurance Exchange

A presentation to the Economic Affairs Interim Committee

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What is a Health Insurance Exchange?

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- An Exchange is a **one-stop online marketplace** for individuals and small businesses to compare rates, benefits and quality among health plans. All plans sold in the individual or small business Exchange are offered by **private health insurers**. The exchange is **not a government-run plan or public insurance option**.
- Because plans are placed in tiers based on out-of-pocket costs, consumers can compare plans on an apples-to-apples basis.
- Individuals and small businesses can continue to purchase insurance outside of the Exchange or keep their current coverage. However, tax credits and subsidies to purchase health insurance will only be available in the Exchange.
- Small businesses will experience pooling similar to large businesses, which should reduce costs and expand coverage options.

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Timeline toward establishing an Exchange

- **January 1, 2013** – By federal law, states must show they have made substantial progress toward establishing an Exchange.
- **January 2013** – Exchanges in every state enter the final testing phase.
- **July 2013** – Health Insurers provide information necessary to participate in the Exchange, including provider networks, rates, plan features, etc.
- **September 2013** – Employers register and provide necessary information to participate in the Exchange, including the number of employees in their business, their employer contribution rate, etc.
- **October 2013** – Customers and employees shop for and enroll in plans with coverage to start January 2014.
- **January 1, 2014** – The exchange goes live and policies take effect.

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CSI steps toward building a Made-In-Montana Exchange

Before introducing exchange legislation in the 62nd Legislative Session, CSI had:

- Received a \$1 million federal grant to begin planning a Montana Health Insurance Exchange.
- Used grant money to contract with entities to research how to best design an Exchange for Montana's consumers and insurance industry.
- Brought together consumers, insurance industry representatives, healthcare providers, and small business advocates to sit on an Exchange Stakeholder Involvement Council.
- Built on the comments and suggestions from the Stakeholder Council to draft HB124, which was carried by Rep. Chuck Hunter.
- Requested members of other state agencies to sit on an inter-agency working group to analyze how to integrate existing programs into the Montana Exchange.

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CSI steps toward building a Made-In-Montana Exchange

During the legislative session, CSI supported two bills that would have established a governance framework for a Made-In-Montana Exchange:

- HB 124, sponsored by Rep. Chuck Hunter.
- HB 620, sponsored by Rep. Tom Berry.

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Treasure State Health Gateway - HB 620 - Overview

- HB 620 established a board of directors consisting of 9 members appointed to 3 year terms, plus 3 non-voting members and two non-voting legislative liaisons. The Governor, CSI, and the House and Senate leadership would each have the authority to appoint a set number of voting members.
- HB 620 outlined the Board of Directors' duties, including drafting a plan of operation, certifying qualified plans, rating health insurers, and establishing the web portal and toll-free number for the Exchange.
- HB 620 assigned authority and duties to CSI to develop a uniform insurance application, conduct periodic financial and performance audits, adopt rules, and investigate complaints.
- HB 620 required the Exchange to be self-sustaining by January 1, 2015. The Board of Directors was tasked with studying funding mechanisms and making a recommendation to the 2013 Legislature. HB 620 forbid the exchange from receiving revenue from the state general fund.
- HB 620 created a select legislative oversight committee to be appointed by the Senate President and Speaker of the House.

State Planning and Establishment Grant - Overview

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In July 2010, the U.S. Department of Health and Human Services began accepting applications for the first round of state planning and exchange establishment grants.

CSI applied for a grant and was awarded \$1,000,000 to start laying the foundation for a Made-in-Montana health insurance Exchange.

Since receiving the grant, CSI has:

- Hired full time staff to manage the grant program
- Completed an information technology audit to determine where improvements need to be made to support the Exchange web portal internally.
- Initiated numerous of informational studies, including but not limited to, an IT systems assessment, a study on the insured and uninsured in Montana, and an analysis current Montana insurance demographics.
- Developed a stakeholder council to advise CSI on the creation and implementation of a Made-in-Montana Exchange.

State Planning and Establishment Grant - Budget

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- \$220,020 was budgeted for the personnel and benefits costs associated with hiring a project manager and computer systems analyst to work full time on overseeing grant management and information systems upgrades.
- \$731,200 was budgeted to contract with research analysts, accounting specialists, meeting coordinators and information technology firms. Contracted services would:
 - Provide initial information needed to provide a smooth transition between old rating methods and new rating methods
 - Generate cash-flow projections and a breakeven point for the Exchange
 - Make recommendations regarding the administration of the Exchange
 - Assess and make recommendations to improve current IT capabilities to support the exchange.
- \$16,800 was budgeted for supplies.
- \$28,738 was budgeted for travel expenses associated with the Stakeholder Council meetings and statewide education.
- \$3,242 was reserved for miscellaneous expenses.

State Planning and Establishment Grant - Expenditures

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Expenditures and the remaining balance of the Exchange Planning Grant as of Thursday, June 2:

Total Spent: \$229,560.63

Total Remaining: \$770,439.37*

*Includes funds encumbered, but not spent.

NAIC Model Legislation and Research

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Aside from the individual efforts of states, the National Association of Insurance Commissioners (NAIC) built comprehensive model legislation for states to use as a foundation for their own Exchange bills. Montana's HB 124, sponsored by Rep. Chuck Hunter, was built off the NAIC model.

NAIC has also worked since the passage of health insurance reform examining challenges facing Exchanges and producing detailed white papers on key elements, including:

- Exchange governance
- Comparative Rolls of Navigators and Producers in an Exchange
- Financing the Exchange
- Adverse Selection
- Regional Exchanges

More information available at www.naic.org

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States with Exchange Laws

- **California:** The California Health Benefit Exchange is intended to serve individuals who meet certain criteria and small businesses. Governed by a five-member board appointed by the governor and the Legislature between now and the end of 2013. An independent state agency will run the exchange. Members will not be paid.
- **Massachusetts:** In 2006, Massachusetts passed health reform legislation that required the creation of an exchange. The state developed the Commonwealth Health Insurance Connector Authority, which is an independent, quasi-government agency that assists small businesses and people purchasing insurance on their own. It is governed by an 11-member board, and is run by an independent state agency.
- **Utah:** Utah passed legislation in 2008 and 2009 that led to the creation of the Utah Health Exchange administered and facilitated by the Office of Consumer Health Services. The office works in cooperation with the Insurance Department, the Department of Health, and the Department of Workforce Services.

Source: National Conference of State Legislatures, www.ncsl.org

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States with Exchange Laws, *continued*

- **Washington:** A 2007 law established the Washington Health Insurance Partnership. From May 2007 to September 2010, the program was not implemented due to budget deficits. It is similar to the "Connector" mechanism created in Massachusetts; the partnership will offer administration of benefits to small employers that have at least one employee who earns less than 200 percent of the federal poverty level.

Source: National Conference of State Legislatures, www.ncsl.org

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Neighboring States' Progress to an Exchange

- **Wyoming:** The Department of Insurance was awarded an \$800,000 HHS Planning and Implementation Grant to establish a task force to determine if the state will pursue a state-based exchange. The task force and planning grant will also be used to develop recommendations on whether Wyoming should run its own exchange via a partnership with the University of Wyoming.
- **North Dakota:** North Dakota's Insurance Department received \$1 million to estimate potential design and operational details of the exchange as well as its cost, conduct a financial and structural forecast, implement necessary legislation, educate North Dakotans on changes, and convene stakeholders and experts for input.
- **Idaho:** The Idaho Department of Insurance received a \$1 million HHS Planning and Implementation Grant to conduct background research to establish scope and citizen impact, engage stakeholders, evaluate existing government and non-government structures for integration, assess current and future resource needs and capabilities, create recommendations for governance structures, analyze existing technology capacity and needed expansion, develop methods and resources, and identify needed legislation and regulations.

Source: National Conference of State Legislatures, www.ncsl.org

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Neighboring States' Progress to an Exchange, *continued*

- **South Dakota:** South Dakota's Governor received a \$1 million HHS Planning and Implementation Grant. State officials will conduct background research and gather the necessary stakeholder input needed to design an appropriate exchange for South Dakota. Other tasks include determining if the exchange will be state-run or federally-administered and catalog and review existing data sources about the uninsured, the insurance market and small businesses. The Office will also update a state-specific survey to include the demographics of insured and uninsured populations, eligibility potential for the uninsured and reasons for not enrolling, and the marketing methods needed to encourage individuals to purchase insurance through the exchange.

Source: National Conference of State Legislatures, www.ncsl.org

Building a Made-in-Montana Health Insurance Exchange

Conclusions

- In Montana, an estimated 157,000 people are without medical coverage. A health insurance exchange will increase access to Montana families and small businesses.
- Pooling health insurance through an exchange will spread risk more evenly and reduce costs for small businesses.
- In the absence of a state-based exchange framework, the U.S. Department of Health and Human Services will build an exchange managed by the federal government or a contracted non-profit.
- Given Montana's legislative schedule, it is no longer feasible to pass the necessary framework legislation before the legal deadline on January 1, 2013, without a special session.
- CSI will be happy to participate in the legislative study process and will keep the committee informed as the U.S. Department of Health and Human Services begins the process of building an Exchange in Montana.

Questions?

Visit www.csi.mt.gov for the latest news and information.

