
Health Care Reform Exchanges 101

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Today's Agenda

- Overview of Exchange Provisions in ACA
 - American Health Benefit Exchange
 - Small Business Health Option Program (SHOP)
 - Key functions of Exchange
- Comparison of ACA Exchange to other models
- What will it take to create an Exchange?
 - Early Considerations
 - How will the Exchange interact with other aspects of reform?
 - Future policy questions
- Opportunities and Challenges

By 2014 we will have

A new world with respect to health insurance:

- Welfare and Health Insurance completely delinked
- Near universal coverage
- Single portal for eligibility and access
- Greater transparency of costs and quality of plans
- More equitable insurance rules
- Greater choices of plans for many individuals and businesses
- Greater affordability of insurance via subsidy and cost-sharing credits and tax credits

What is an Exchange?

- One-stop portal for health insurance eligibility and purchase
- A place where low-income individuals and businesses attain subsidies and tax credits
- A website for comparing the cost and quality of health plans
- A new marketplace for insurance purchase that can increase competition among plans
- A pooling mechanism for more broadly distributing risk across a greater number of insured lives
- An entity for educating and informing the public (employers, individuals) about ACA and health insurance

What does the ACA require of states?

- States must establish American Health Benefit Exchange (AHBE) and Small Business Health Options Program (SHOP) by 1/1/2014 or
- HHS will establish one for them
- Exchanges may be administered by a Governmental Agency or a non-profit entity
- Exchanges may be organized at a multi-State, State, or a regional level
- States must decide on the structure of their Exchange(s) by 1/1/2013 and

What does the ACA require of states?

- HHS Secretary will decide whether significant progress has been made by 1/1/2013
- Grants are available to states for planning the AHBE and technical assistance for SHOP
- State Exchanges must be financially self-sustaining by 2015
- Must consult with relevant stakeholders in establishing Exchange
- In 2017 states may apply for waiver of many Exchange (and overall reform) features

Key Functions of the Exchange

- Determine and Coordinate Eligibility
- Create standardized benefit categories of health insurance plans
- Offer multistate plans
- Certify Qualified Health Plans
- Maintain a call center for customer service and establish procedures for enrolling individuals and businesses
- Establish website
- Assign quality ratings
- Reward Quality
- Set up a “Navigator” program

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I will mention here which of these I am going to talk about in more detail.

Determine and Coordinate Eligibility

- For individual premium credits
- For employer tax credits
- For “affordability” waiver granting access to Exchange (where employer-offered coverage >9.5% of income)
- For employer voucher (where employer offer is between 8-9.8% income or AV < 60%)
- For “affordability” exemption from individual mandate (>9.5% of income)
- For Medicaid and CHIP

Who can access the Exchange?

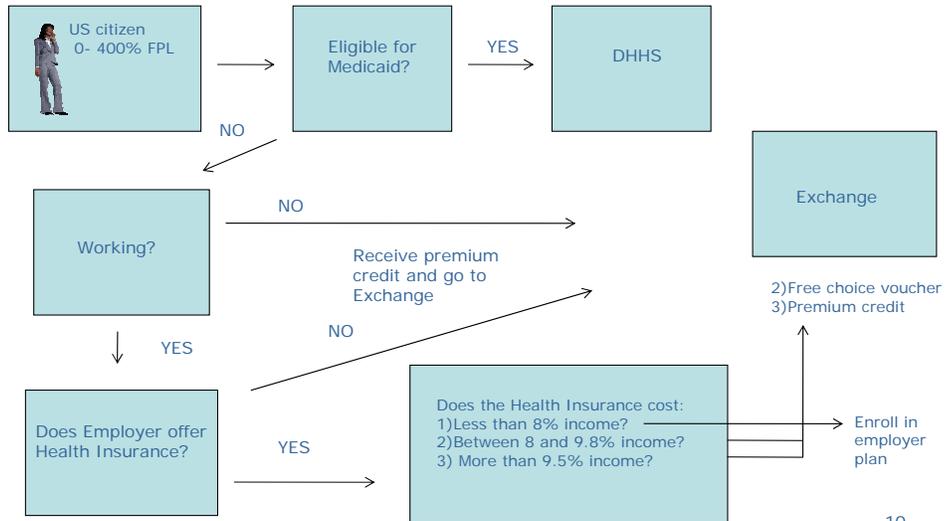
Mandatory:

- Must participate in Exchange to receive premium or tax credits:
 - Individuals
 - Small, low-wage employers

Voluntary:

- Any lawful resident who is not incarcerated
- Small employers with up to 100 employees
- Beginning in 2017, larger employers, at the option of the State

Flowchart for Individuals



Premium Credits and Cost-Sharing Subsidies

- Premium Credits are set on a sliding scale such that the premium contributions are limited to the following percentages of income for specified income levels:
 - Up to 133% FPL: 2% of income
 - 133-150% FPL: 3 – 4% of income
 - 150-200% FPL: 4 – 6.3% of income
 - 200-250% FPL: 6.3 – 8.05% of income
 - 250-300% FPL: 8.05 – 9.5% of income
 - 300-400% FPL: 9.5% of income
- Cost-Sharing subsidies reduce the cost-sharing amounts and annual cost-sharing limits, increasing the actuarial value of the silver plan from 70% to the following percentages:
 - 100-150% FPL: 94% of the benefit costs will be covered
 - 150-200% FPL: 87% of the benefit costs will be covered
 - 200-250% FPL: 73% of the benefit costs will be covered

Cost sharing subsidy increases actuarial value of plan

Cost of HI by Income Category

| FPL | % Income for HI | Annual Income | Annual Cost of HI |
|------|-----------------|---------------|-------------------|
| 133% | 3.00% | \$13,579 | \$407 |
| 150% | 4.00% | \$15,315 | \$613 |
| 175% | 5.15% | \$17,868 | \$920 |
| 200% | 6.30% | \$20,420 | \$1,286 |
| 225% | 7.18% | \$22,973 | \$1,649 |
| 250% | 8.05% | \$25,525 | \$2,055 |
| 275% | 8.78% | \$28,078 | \$2,465 |
| 300% | 9.50% | \$30,630 | \$2,910 |
| 325% | 9.50% | \$33,183 | \$3,152 |
| 350% | 9.50% | \$35,735 | \$3,395 |
| 375% | 9.50% | \$38,288 | \$3,637 |
| 400% | 9.50% | \$40,840 | \$3,880 |

Notes: Poverty level for one in 2010 = \$10,830. Workers and dependents with family incomes under 133% FPL are enrolled in Medicaid. Above subsidized range, if cost is more than 9.5% of income, individual mandate to buy does not apply.

Who Can Receive Employer Tax Credits?

- From 2010-2013, employers with 25 or fewer FTE low-income (avg < \$50,000) employees receive tax credit up to 35% of their contribution
- From 2014 on, employers can receive tax credits up to 50% of their contribution but must purchase via exchange
- Beginning in 2014, credit is only available to an employer for a 2 year period
- Employers with 10 or fewer with average wages of < \$25,000 receive full credit
- Must contribute at least 50% of the premium cost of employee-only qualified health plan

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First set of IRS rulings are out on this more to come.

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Create Standardized Benefit Categories

- Four benefit categories must provide essential health benefits (defined by the HHS)
- Platinum (90% of the benefit costs must be covered by the plan)
- Gold (80%)
- Silver (70%) – tax credits tied to second lowest cost plan
- Bronze (60%)
- Out-of-pocket limits:
 - 100% - 200%: \$1,983 individual/\$3,967 family
 - 200% - 300%: \$2,975 individual/\$5,950 family
 - 300% - 400%: \$3,987 individual/\$7,973 family
 - > 400% FPL : \$5,959 individual/\$11,900 family (Federal HSA limits)
- Catastrophic (< age 30 or exempt from mandate and only available in the individual market)

What are Essential Health Benefits?

- Regulations specify further but include:
 - Ambulatory and Emergency Services
 - Hospitalization
 - Maternity & newborn care
 - Mental health & substance abuse
 - Rx
 - Rehabilitation and devices
 - Lab
 - Preventive and wellness
 - Pediatric (oral and vision)

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Offer Two Multistate Plans

- Two multistate plans
 - Overseen by the U.S. Office of Personnel Management (OPM)
 - Available through Exchanges only
 - One must be non-profit
 - Beginning in 2014
 - Only offered to individuals and small groups (to 100)

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Also mention COOPs and multi state compacts.

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Certify Qualified Health Plans (1 of 2)

- Certify Qualified Health Plans using HHS criteria including:
 - Provide Essential Benefits package
 - Offered by issuer in good standing
 - Must offer at least one gold and one silver plan
 - Use same premium inside and outside of exchange
 - Comply with other requirements of HHS and exchange
 - State may prohibit qualified plans from offering abortion coverage

Certify Qualified Health Plans (2 of 2)

- Regulations will specify further, plans must:
 - Meet marketing requirements
 - Ensure provider network adequacy
 - Include essential community providers
 - Be accredited by recognized entity
 - Use market-based strategies for Quality Improvement
 - Utilize uniform enrollment form - (NAIC)
 - Use standard format for presenting options
 - Submit justification for premium increases

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These do not require slides, I will speak to them from this slide. Criteria for quality ratings will be determined by Secretary of HHS.

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Reward Quality

- Reward quality through market-based incentives
- HHS secretary will develop guidelines
- Provide for increased reimbursement or other incentives for improving health outcomes or patient safety, prevent hospital readmissions, implement wellness and health promotion activities by:
 - Effective case management
 - Quality reporting
 - Care coordination
 - Chronic disease management
 - Use of medical home model
 - Patient education
 - Evidence-based medicine

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The Navigator Program

- When: By 1/1/2014
- Who: trade, community organization, unions, chambers of commerce, licensed producers, other
- What: public education, facilitate enrollment in plans, referrals to ombudsman
- How: Funding (grants?) will be made from exchange operational funds (no federal funding)

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Ombudsman role is to assist consumers with filing complaints, track and quantify problems, educate consumers, assist consumers with enrollment and resolve problems with subsidy, will need to coordinate with insurance regulators.

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Comparison of ACA Exchange to Earlier Models

| Earlier Models | ACA |
|---|--------------------------------|
| Rating rules different inside entity vs. out | Rating rules the same |
| Different plans for subsidized vs. non-subsidized | Same plans for all |
| Entity pays plans | US Treasury pays plans |
| Mostly small business | Small business and individuals |
| No individual mandate | Individual mandate |
| Limited Medicaid eligibility integration | Single eligibility portal |
| Little to no risk adjustment | Risk adjustment |

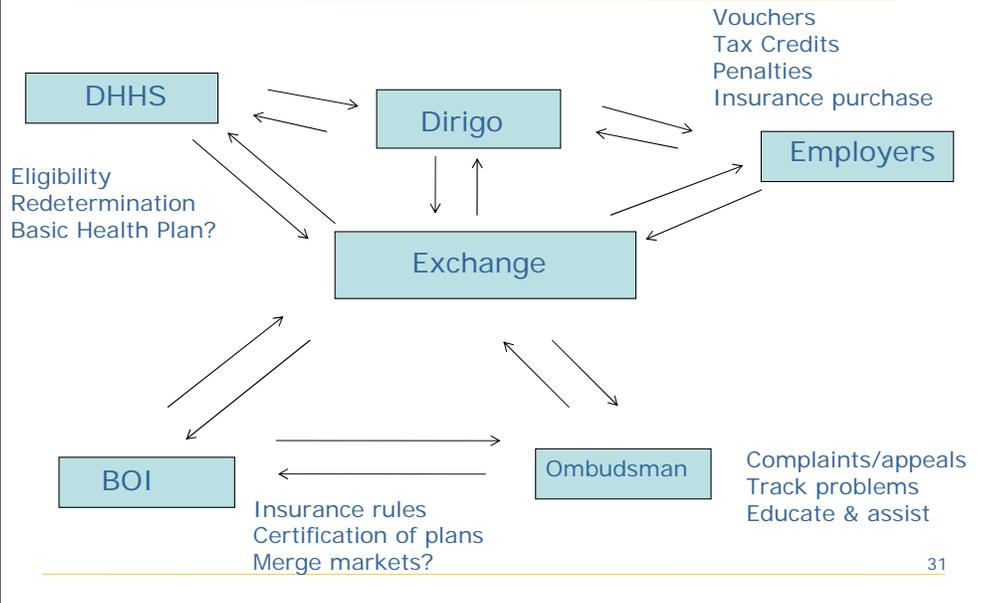
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Early Considerations Regarding Exchanges

- Prioritize State goals for Exchange
- Establish a State Exchange or allow Federal Government to create
- One or more Exchanges
- Join other regional states for some functions
- Determine Exchange location and governance structure
- Determine level of influence on HHS regulations
- Evaluate existing State (and/or private) infrastructure

Interaction with other aspects of Reform



Future Policy Questions Regarding Exchanges

- Individuals with income between 133 - 200%FPL, Exchange or Basic Health Program
- Allow employers with > 100 employees to purchase through exchange
- Merge individual and small group markets
- Require additional criteria for plans to meet to offer in exchange or all products
- Waiver from some or all of exchange requirements in 2017

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Opportunities

- Bi-partisan support
- Innovate around product design
- Reduce administrative waste
- Increase portability
- Reach hard-to-reach (part-time workers with multiple jobs, sole proprietors, employees working for small firms)
- Assist in education and coordination of all aspects of health reform (interfaces with employers, individuals, carriers, providers)
- Address quality, cost-containment and payment reform

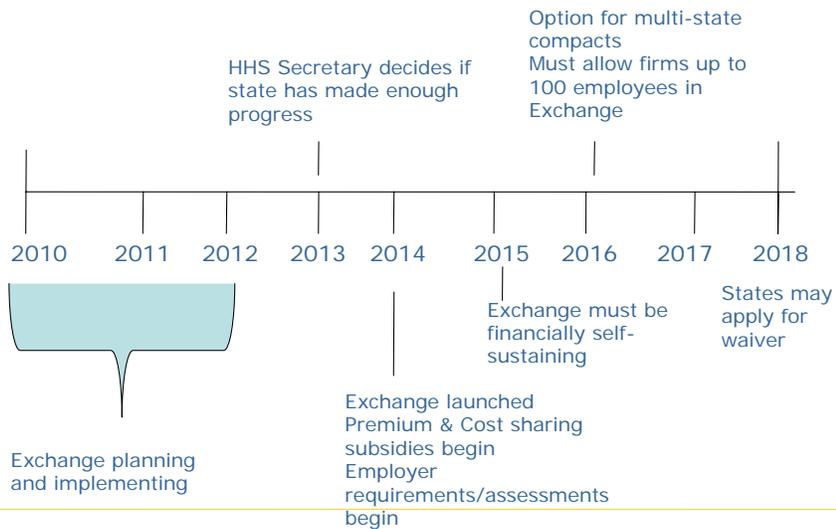
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Last bullet will refer to market power exchange will have and will link to slides Trish will start with

Challenges

- Establishing adaptable IT platform
- Duplication and redundancy of functions
 - Other state agency functions
 - Commercial functions
 - Value proposition
- Resistance from brokers, carriers and providers
- Conflicts between policy and business functions
- New complex interactions with other state agencies and federal government

Timeline for Implementation



Make note that 2013 is drop dead to have everything ready to go for 2014.....I cannot edit this slide but will make that point.