A California Perspective on Health Insurance Exchanges

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What we’re going to discuss

- **Part 1**: PPACA & Health Exchanges
- **Part 2**: NAHU Recommendations
- **Part 3**: California’s Health Exchange
- **Part 4**: Exchange Navigators
PPACA is making big changes

- **Redefines the small group market** as 1-100 employees
- All insured individual/small group policies will have **community rating standards** with new formulas for age, tobacco use, family composition and geography
- **Risk adjustment factors will go away** except for “wellness discounts” under circumstances
- A sliding scale **Federal Premium Subsidy** for individuals with earnings below 400% of FPL
- All employers required to give notice to employees of the **availability of a Health Insurance Exchange**
PPACA and Exchanges

- One of the many provisions of the new law, Exchanges are a key part of how health insurance will be delivered in the future
  - States are expected to either establish exchanges by 2014 or the Feds will do it for them if they haven’t acted by 2013
  - Federal grant funding available to the States up to 2015 to offset set-up costs
    - Began last year with $1 million per State
  - Feds provide broad outline of benefits, services and features but will leave details to the States
  - Key Point: Exchanges will have exclusive administration of the Federal Premium Subsidy that begins in 2014
PPACA and Exchanges

- Primary focus is for sale of qualified plans to **individuals**, however:
  - Must also create “SHOP Exchanges” for Small Employers to purchase coverage
  - States are allowed to create a **single exchange** serving both **individual and small group markets** or **separate exchanges** for each of those markets
    - May allow large employer groups to participate beginning in 2017
  - A **“Federal Fallback” exchange** will be created in states that fail to do this
    - May look very similar to **FEHBP**
NAHU’s recommendations

- Exchanges should be created and operated by states at that level
  - Not multi-state regions
  - Not by the Federal Government
- Agents & Brokers should be included
- There should be multiple, competing exchanges in each State
- Separate exchanges for individuals and small groups
- Use existing regulatory structures rather than create new ones
- Level playing field between exchange and non-exchange market (same rules, same subsidy)
- Don’t exclude employers and their role
- Customize geographic service areas
- Avoid use of the “Federal Fall Back” program – one size doesn’t fit all and products will be limited
Why State instead of Federal Exchanges?

- The Federal Fall Back alternative will remove a State from administering what’s best for it’s citizens (i.e. Medicaid, CHIP, market regulation)
- State level entities are more responsive:
  - Better consumer protections
  - Local customer service
  - Timely response to consumer needs
  - Know local needs (CA vs. UT vs. MA)
- Vastly different populations
- Likely use of Agents & Brokers to aid consumers and business owners
  - Licensed, regulated, knowledgeable, professional
- Federal grant money for start up operations
PPACA includes **three risk adjustment programs**: Two **transitional**, One **permanent**

- If plans **outside the Exchange** attract a healthier population than **inside the Exchange**, the former group will need to compensate the latter
  - A **permanent risk adjustment mechanism** will allow for assessments and payments based on enrollee data, administered by the **State**
  - A **transitional program** from 2014-2016 will provide reinsurance from private insurers
  - Another **transitional program** will allow for picking up enrollees from the Federal Preexisting Condition Insurance Plan when it ends in 2014

- **Unlike California’s old HIPC**: It appears that risk adjustment is one of the lessons learned from the failure of HIPC (or so it would appear)
California is the first state to enact legislation to set up an exchange

- SB-900 (Alquist) and AB-1602 (Perez) were signed into law on 9/30/2010 by Gov. Schwarzenegger

Visit their website at www.healthexchange.ca.gov

- View “Grant Reporting” section of the site to track progress per Federal requirements
- All other public documents are posted for review:
  - Minutes of board meetings and related materials
  - Quarterly grant reports
Four of Five Board Members have been named/appointed:
- Kimberly Belshé
- Diana S. Dooley, ex-officio
- Paul Fearer
- Susan Kennedy

The Acting Administrative Officer is Patricia Powers

The Exchange received initial $1,000,000 grant for preliminary work last year and will be applying for additional Federal grants (Level I or Level II) later this year

Minutes of meetings indicate they are focused on the core issues required by DHHS for setting up an exchange
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BENEFIT EXCHANGE

- A key issue they are addressing at this time is that of **Stakeholder Involvement**
  - **Conference calls and face to face meetings** have been held over the past several months with various parties including CAHU
  - Many **State agencies** are involved in health reform in California including:
    - California Health and Human Services Agency
    - Managed Risk Medical Insurance Board
    - Department of Managed Health Care
    - Department of Insurance
    - Department of Health Care Services
    - Department of Public Health
    - Office of Statewide Health Planning and Development
    - California Workforce Investment Board
The Federal government will award additional grants to States between now and 12/31/2014 – after that they must be self sufficient.

- Core areas that must be addressed are outlined in the grant document (89 pages) and focus on two levels:
  - Level I – annual grants
  - Level II – total grant through 12/31/2014
- California is considering applying for a Level II grant for which it has until June 2012 to do so.

- The California Health Care Foundation and the Blue Shield of California Foundation are both providing services to the Exchange board including funding IT and actuarial.

- The Feds are looking at California as the example of how to do this…
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BENEFIT EXCHANGE

- **Exchange functions** include:
  - Certifying, re-certifying & de-certifying **Qualified Health Plans** to participate
  - Establish a **toll-free hotline & internet website**
  - **Transfer data** to the U.S. Treasury
  - **Rating** Qualified Health Plans
  - Providing **standardized information** on benefits
  - **Screening & enrolling** into the Exchange, Medi-Cal, Healthy Families
  - **Granting exemptions** from the individual mandate
  - Provide **employer notification**
  - Determine eligibility for **Premium Subsidy** and **Tax Credits**
  - Establish a **Navigator** program
  - Submit to **annual audit** of performance
What about Navigators?

- **Navigator Duties & Responsibilities**
  - Make available *information* that is fair, accurate and impartial;
  - Conduct *public education activities* to raise awareness of plans in the Exchange:
  - Facilitate *enrollment* in qualified health plans;
  - Provide *referrals* for any enrollee with a grievance, complaint, or question regarding their health plan, coverage, or a determination under such plan or coverage; and
  - Provide *culturally and linguistically appropriate* information for the population being served by the Exchange.

- **PPACA specifically bars a Navigator from receiving consideration (i.e. commission) directly or indirectly from any health insurer**
What about Navigators?

- **Entities that May be Navigators**
  - Trade, industry, and professional associations,
  - Ranching and farming organizations,
  - Community and consumer-focused nonprofit groups,
  - Chambers of commerce, Unions,
  - Small business development centers,
  - **Licensed insurance agents and brokers,**
  - Other entities that can carry out the required duties, meet the required standards and provide fair, impartial and accurate information
What about Navigators?

- Navigator Grant Funding
  - Federal law doesn’t specify the **amount** an Exchange may pay for the services of a Navigator
  - It does specify that such funds come from the “**operational funds**” of the Exchange
  - In California these funds will probably come from the “reasonable charge” **assessed** on Qualified Health Plans participating in the Exchange in order to support the development, operations, and management of the Exchange (has to be self sufficient by 2015)
Summary & Conclusion

- Like it or not, Exchanges are here:
  - They are supported in concept on both sides of the aisle (Republican Governors and Democratic Legislators want to see them work to lower the cost of health insurance)
  - Agents will need to learn to work with Exchanges:
    - Many uninsured will use their Federal Premium Subsidy to buy Exchange coverage
    - The carriers are dealing with MLR issues and offering products through an Exchange may lower their overhead costs (including agent commission)
    - Payments to agents from the Exchange may actually turn out to be a stable income source
  - NAHU/CAHU focus = Ensure that consumers are protected with regard to use of Navigators within an exchange: Trained, Licensed, Insured, Professionals who serve consumer interests