



*Health Benefit Exchange and
Insurance Oversight Committee
Updates*

Presentation to the Overall Advisory Committee

April 15, 2011

*Results from Milliman's
March 31, 2011 DRAFT Report*



NCDOJ Contracted with Milliman using HBE Planning Grant Funds to Analyze HBE Design Questions

- Scope of work included:
 - Health insurance market analysis, including impact of ACA reforms on enrollments and premiums
 - Modeling impact of merging individual and small group health insurance markets
 - Modeling impact of allowing groups of 51 – 100 employees to participate in the Exchange beginning in 2014
 - Strategies for mitigating adverse selection
 - Cost to state of continuing currently mandated benefits
 - Potential budget and staffing plan for 2014 and 2015
 - Consideration of other HBE design issues

Market Analysis – Enrollment Projections

- 578,000 HBE enrollees in 2014
 - Projected to increase to 731,000 in 2016
 - Roughly 10% in small group plans, 90% in individual plans
- Medicaid/CHIP enrollment increases from 1.4 million in 2013 to 1.9 million in 2014
- Number of non-elderly uninsured drops from 1.4 million (16.5%) in 2013 to 635,000 (7.3%) in 2014

Merging Small Group and Individual Markets

- Milliman estimated that the average health risk of individual market enrollees would be significantly worse than that of small group enrollees in 2014
- Merging the two markets would have an adverse effect on small group rates

Allowing Groups with 51 – 100 Employees to Participate in Exchange

- ACA requires that groups of 51 – 100 be allowed to participate in the HBE starting 1/1/2016, but states have the option to include them beginning in 2014
- Milliman projected similar average health risks for groups <50 and groups of 51 – 100
 - To be consistent with insurance market outside the HBE, NC would need to redefine small group to include groups of 51 – 100
 - Impact for specific groups of 51 – 100 moving from experience rating to adjusted community rating could be significant

Ways to Mitigate Adverse Selection

(health risk is not spread evenly across plans/carriers/markets)

Mechanisms in ACA	Some State Options
<ul style="list-style-type: none">•Risk adjusters, reinsurance, risk corridors•Single risk pool for insurers' business in and out of HBE•Premium subsidies available inside HBE only•Individual mandate	<ul style="list-style-type: none">•Require all health insurance be sold only in HBE•Require all carriers participate in HBE•Require all carriers offer all benefit levels•Place restrictions on plans offered outside HBE•Ensure consistency of marketing and pricing rules in and out of HBE•Take steps to maximize HBE enrollment•Restrict HBE enrollment times



Projected HBE Administrative Expenses

Baseline Reform Scenario for 2015	
Projected HBE Administrative Expenses	\$22 million
Across HBE Members Only	
- Per member per year	\$34.57
- Percent of premium	0.45%
Across all Commercial Fully-Insured Individuals (in and out of HBE)	
- Per member per year	\$9.26
- Percent of premium	0.12%
Across all Commercial Fully-Insured and Self-Funded Inds.	
- Per member per year	\$4.35
- Percent of premium	0.06%

Update on Exchange Funding Opportunities

Program Requirements

- States and Exchanges must work toward
 - Certification by January 1, 2013,
 - Start of operations and health insurance coverage for enrollees on January 1, 2014, and
 - Self-sustainability by 2015.
- In order to fund continued grant awards, DHHS must find that the State is making progress towards:
 - Establishing an Exchange
 - Implementing insurance market reforms
 - Meeting other benchmarks as specified by DHHS
- Milestones are suggested in 11 Establishment Core Areas to help a State/Exchange reach the goals above

Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchanges

- No defined funding limit
- Level I Establishment
 - For states that are making progress in implementing Exchange, but don't meet Level II requirements
 - Provides funding for up to one year
 - Four opportunities to apply through December 31, 2011
- Level II Establishment
 - Provides funding through 2014
 - Six opportunities to apply through June 29, 2012

Level II Establishment Grants

- Criteria for Level II Grant:
 - Must have necessary legal authority to establish and operate an Exchange that complies with the Federal requirements
 - Must have established a governance structure for the Exchange
 - Must submit:
 - A completed budget that runs through 2014
 - A financial sustainability plan for 2015 and on
 - A plan that outlines steps to fight abuse, fraud and waste
 - A plan describing how capacity for assisting individuals and small businesses will be created, continued, and/or expanded, including provisions for a call center

Eleven Core Areas for Establishment

Background Research

Stakeholder Consultation

Legislative/Regulatory Action

Governance

Program Integration

Exchange IT Systems

Financial Management

Oversight/Program Integrity

Health Insurance Mkt Reforms

Business Operations

Providing assistance to Individual and Small Business,
Coverage Appeals and Complaints

Rate Review Grant

Cycle I Grant

- NCDOl awarded \$1 million grant in August 2010
- Funding used to
 - Hire staff to enhance rate review process
 - Commission an actuarial consultant to provide recommendations for how NCDOl rate review process might be enhanced as a result of ACA (study was completed in February 2011)

Cycle II Grant Opportunity

- Program goals:
 - Establishing or enhancing a meaningful and comprehensive effective rate review program that is transparent to the public; enrollees; policyholders and to the Secretary, and under which rate filings are thoroughly evaluated and, to the extent permitted by applicable State law, approved or disapproved
 - Developing the infrastructure to collect, analyze, and report to the Secretary critical information about rate review decisions and trends, including, to the extent permitted by applicable State law, the approval and disapproval of proposed rate increases

Cycle II Grant Opportunity

- Funding through September 30, 2014
- Up to \$3 million base grant award
- Additional “workload” and “performance” grants (\$50 million total available across all states)
- Up to \$500,000 can be used to fund an optional Medical Reimbursement Data Center
- Phase I application due August 15, 2011

Update on Other Grants

Questions?