



***Health Benefit Exchange
Financial Sustainability Options***

***Summary of NAIC's Draft White
Paper and States' Laws***

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Agenda

- ACA Provisions
- NAIC Draft White Paper
- States' Laws on Funding
- Milliman Estimates
- Questions

What the ACA Says...

- The State shall ensure that the Exchange is self-sustaining beginning on January 1, 2015
- The Exchange may charge assessments or user fees to participating health insurance issuers, or otherwise generate funding, to support its operations

NAIC Draft White Paper

- Addresses several potential funding mechanisms
 - Exchange Fee Charged to Issuers
 - Service Fee to Consumers
 - Other Revenue Generating Fees
 - Advertising
 - State Appropriations
- Individually, these funding mechanisms may not be sufficient, so combinations should be considered

NAIC White Paper - Exchange Fee Charged to Issuers

- May be applied broadly (across all issuers) or narrowly (only issuers in the Exchange).
- Consider who benefits from the Exchange as well as potential pricing disadvantages/consumer disincentives.
- Need to consider impact on Medical Loss Ratio requirements and interaction with requirement that premiums be the same inside and outside the Exchange.

NAIC White Paper – Service Fee to Consumers

- Fee may be assessed to consumers who
 1. Purchase insurance through the Exchange
 2. Purchase insurance inside or outside the Exchange
 3. Access the Exchange regardless of whether they purchase insurance
- Consider who benefits from the Exchange as well as potential pricing disadvantages/consumer disincentives

NAIC White Paper – Other Revenue Generating Fees

- Any number of fees could be assessed on issuers, individual consumers, employers, agents and/or navigators.
 - Examples: Charge a licensing fee for navigators or charge an issuer who seeks certification of a health plan as a QHP.
- Assessments on providers, hospitals, and clinics

NAIC White Paper – Advertising

- Advertising on Exchange websites
 - Can generate revenue for the Exchange
 - If Exchange seen as “one-stop-shop” for all health care needs, this may incentivize people to return to the Exchange multiple times a year and reduce the stigma associated with public entities/programs.
 - Could help attract consumers least likely to purchase health insurance (i.e. young, healthy individuals).

NAIC White Paper – Advertising (cont.)

- Could adopt a business model that complements health care and/or wellness – and the Exchange could receive a cut of those revenues or lead generation fees (clicks).

- Examples of Complementary Advertisers:

Hospitals, insurers, providers, agents/brokers

Health and fitness clubs

Health/Food products

Education

Weight Loss Programs

Smoking cessation

Fitness merchandise

NAIC White Paper – Advertising (cont.)

- These efforts will likely increase the administrative burden for the Exchange and therefore will increase expenses, so revenue from the advertising would need to offset the increase in administration.
- If the State chooses to run the Exchange through a state agency, then this option may not be available.

NAIC White Paper – State Funding through Appropriation

- A state may choose to appropriate from its General Fund to fund the Exchange.
- This type of funding spreads the cost of the Exchange across the largest stakeholder base.
- States could use existing tax dollars (including premium taxes) or create new excise taxes for this purpose.

NAIC White Paper – State Funding through Appropriation (cont.)

- Redirect funds currently used to fund high-risk pools or other programs that will not be needed after 2014.
- Increases in premium tax revenue from the expected increase in insurance sales could be directed to the Exchange.

NAIC Summary of Exchange Laws - Funding

- Collected 10 states' Exchange legislation wording on funding and governance
- Only collected from states that had passed Exchange legislation.

NAIC Summary of Exchange Laws – Funding (cont.)

- Some states authorized the Exchange (or other authority) to charge assessments or user fees to health issuers, or otherwise generate funding; most tied these to reasonable projections of the cost to operate the Exchange
 - OR included an administrative charge on all insurers and state programs participating in the Exchange; including a specific fee to pay commissions to agents/brokers if federal law permitted it.
 - WV authorized the board to assess fees on health issuers selling qualified dental plans or health benefit plans in the State in or outside of the Exchange. Fees were to be based upon premium volume.

NAIC Summary of Exchange Laws – Funding (cont.)

- Many states created a special fund inside the State Treasury for the Exchange. One state – HI – specifically said the funds shall NOT be placed in the State Treasury.
- States included language which required the special fund to be used solely for the operation of the Exchange, and prohibited the funds from reverting back to the State.

NAIC Summary of Exchange Laws – Funding (cont.)

- Some states had language which specifically permitted the Exchange to accept private funding through grants, gifts, donations, or endowments.



Projected HBE Administrative Expenses Per Milliman Report

Baseline Reform Scenario for 2015	
Projected HBE Administrative Expenses	\$25 million
Across HBE Members Only	
- Per member per year	\$31.50
- Percent of premium	0.42%
Across all Individual and Small Group Commercial Fully-Insureds (in & out of HBE)	
- Per member per year	\$14.70
- Percent of premium	0.22%
Across all Commercial Fully-Insureds (in and out of HBE)	
- Per member per year	\$9.38
- Percent of premium	0.14%
Across all Commercial Fully-Insureds and Self-Funded	
- Per member per year	\$4.64
- Percent of premium	0.07%

Questions?