



Health Benefit Exchange Options for States

*Presentation to the Health Benefit Exchange
Workgroup*

December 14, 2011

Sources for Presentation

- Exchanges: A Proposed New Federal-State Partnership, CMS Presentation from September 19-20, 2011 Grantee Meeting
http://cciio.cms.gov/resources/files/overview_of_exchange_models_and_options_for_states.pdf
- State Exchange Implementation Questions and Answers, CMS, November 29, 2011
http://cciio.cms.gov/resources/files/Files2/11282011/exchange_q_and_a.pdf.pdf

Options for States

- State-Operated Exchange
 - Federally-Facilitated Exchange
 - Partnership
- * Note that the following descriptions of the proposed options are based on our understanding of guidance currently available from US HHS, and is all subject to change.



Core Functions of Exchange Operation

Function	Description
Consumer Assistance	Consumer support assistors; education and outreach; Navigator management; call center operations; website management; and written correspondence with consumers to support eligibility and enrollment.
Plan Management	Plan selection approach (e.g., active purchaser or any willing plan); collection and analysis of plan rate and benefit package information; issuer monitoring and oversight; ongoing issuer account management; issuer outreach and training; and data collection and analysis for quality.
Eligibility	Accept applications; conduct verifications of applicant information; determine eligibility for enrollment in a Qualified Health Plan and for insurance affordability programs; connect Medicaid and CHIP-eligible applicants to Medicaid and CHIP; and conduct redeterminations and appeals.
Enrollment	Enrollment of consumers into qualified health plans; transactions with Qualified Health Plans and transmission of information necessary to initiate advance payments of the premium tax credit and cost-sharing reductions.
Financial Management	User fees; financial integrity; support of risk adjustment, reinsurance, and risk corridor programs.



State Operated Exchange

Function	Responsibility
Consumer Assistance	State
Plan Management	State
Eligibility	State will have access to Federally-managed data services hub to support information exchanges between States and Federal agencies; State option to use Federally-managed services to make determinations for advance payments of premium tax credit, cost-sharing reductions and exemptions from individual responsibility requirement. Federal government exploring options for verification of employer-sponsored minimum essential coverage.
Enrollment	State
Financial Management	State must run reinsurance program; State option to run risk adjustment program.
Funding	State decision

Federally-Facilitated Exchange

Function	Responsibility
Consumer Assistance	HHS will work with states to harmonize procedures for responding to consumer complaints
Plan Management	HHS will seek to harmonize Exchange policy with existing State programs and laws wherever possible; QHPs must meet State licensure and solvency requirements and be in good standing with the State; HHS will rely on State for advice and recommendations regarding network adequacy standards (where sufficient standards exist); HHS determining how State reviews can be recognized as part of QHP certification; HHS will apply existing State standards on marketing materials.
Eligibility	<p>Option 1: FFE will conduct initial assessments of applicants for Medicaid/CHIP eligibility based on MAGI, State will make final determinations.</p> <p>Option 2: FFE makes determination using State eligibility rules/standards. State Medicaid and CHIP programs will have to transfer information and cases to, and accept information and cases from the Federally-facilitated Exchange for which costs will be shared between Medicaid and CHIP programs and FFE.</p>



Federally-Facilitated Exchange (cont'd)

Function	Responsibility
Enrollment	Federal
Financial Management	State has option to operate reinsurance program
Funding	HHS can charge issuer user fees to run FFE; Federal grant funding will be available to States to build and test interfaces to HHS to support certain Exchange functions; State Medicaid and CHIP programs will not be required to contribute to the costs associated with Federally-facilitated Exchange.

Partnership

- HHS and State operate functions of the Exchange; HHS is responsible and accountable for ensuring Exchange meets all standards.

Function	Responsibility
Consumer Assistance	<p>Optional state functions: in-person assistance; Navigator management; outreach and education.</p> <p>HHS functions: Call center operations; Website management; written correspondence with consumers to support eligibility and enrollment.</p>
Plan Management	<p>Optional state functions: plan selection; collection and analysis of plan rate and benefit package information; ongoing issuer and account management; plan monitoring, oversight, data collection and analysis for quality.</p> <p>HHS functions: coordination with State regarding plan oversight, including consumer complaints and enrollment reconciliation.</p>

Partnership

Function	Responsibility
Eligibility	Same as FFE
Enrollment	Same as FFE
Financial Management	Same as FFE
Funding	Same as FFE

Who's on First

	State-Operated	Federally-Facilitated	Partnership
Consumer Assistance	State	Federal, with some harmonization	State option on some functions
Plan Management	State	Federal, with some state interaction	State option
Eligibility	State with option for Federal support	Federal, with state option for final Medicaid/CHIP determination	Federal, with state option for final Medicaid/CHIP determination
Enrollment	State	Federal	Federal
Financial Management	State with option for Federal risk adjustment	Federal, with option for State reinsurance	Federal, with option for State reinsurance
Sustainability	State option	Federal user fees	Federal user fees

Other Updates from November 29 Q&As

- Changes to funding opportunities
 - Level I grant application dates extended to June 29, 2012
 - States with Exchanges that aren't fully certified by January 1, 2013 can continue to qualify for funding
 - Expect modifications to establishment grant requirements and schedules in future guidance
- Confirmation that advance payments of premium tax credits will be available to individuals purchasing coverage through a FFE

Questions?

*HBE Financial Sustainability
Follow-Up*

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HBE Operational Cost Estimates

- Milliman estimated 2015 cost of \$25 million and 2016 cost of \$26.7 million
- Note that proposed rules require the Exchange to perform premium aggregation estimates exclude premium aggregation function for small businesses (function is required in proposed rules)

HBE Operational Cost Estimates – Other States

- A survey of other states indicates annual operational cost estimates of \$ 6,376,985 in South Dakota to \$ 61,401,891 in Maryland.
- From survey of other states, operational costs tend to increase as enrollment increases and also vary based on assumed operational model.

HBE Operational Cost Estimates – Other States

State	Exchange Enrollment	Operational Budget, \$(Low)	Budget, \$(High)	FTEs
South Dakota	97,070-166,767	6,376,985	7,783,820	28.5
Nebraska (2016)	120,300	6,228,920 ^x	11,391,320 ^x	21-34
Alabama (2015)	260,000-460,000	34,000,000	49,600,000	25-30
Illinois (2015)	486,000	57,000,000	89,000,000	66
Ohio (2016)	580,000-700,000	19,560,000 ^x	35,168,000 ^x	170-260
Maryland (2016)	849,332	44,398,935	61,401,891	50-70
North Carolina (2016)	914,235	26,710,147	26,710,147	123

^x Budget does not include ongoing IT costs

2014 Health Insurance Premium Tax Revenue Increase

- The increase in premium tax revenue will be highly sensitive to the number of new insureds and the change in average premium levels, see examples below
- The baseline estimates below from Milliman were not specifically intended for the purpose of calculating premium tax revenue, should the State want to pursue this funding mechanism, further analysis should be performed

	Milliman - Baseline	Fewer Enrollees	Lower Premium	Fewer Enrollees and Lower Premium
Number of new covered lives (all markets)	365,000	200,000	365,000	200,000
Increase in average PMPY premium (all markets)	17%	17%	8%	8%
Estimated increase in HI premium tax revenue	\$90 million	\$69 million	\$63 million	\$44 million

Sources:

- **Other States:**

- **South Dakota:** State of South Dakota: Health Insurance Exchange, October, 2011.
- **Nebraska:** Nebraska Department of Insurance. Health Insurance Exchange Planning Overview and Recommendations, 2011.
http://www.doi.ne.gov/healthcarereform/exchange/Health_Insurance_Exchange_Planning.pdf
- **Alabama:** Alabama Department of Insurance. Alabama Health Insurance Exchange Study Commission Recommendations, November 2011.
<http://www.governor.alabama.gov/pdfs/HIXStudyCommissionReport.pdf>.
- **Illinois:** Health Management Associates, Wakely Consulting Group. Illinois Exchange Strategic and Operational Needs Assessment, Final Report, September 2011.
<http://www.ilga.gov/commission/cgfa2006/Upload/FINAL%20IL%20Exchange%20Needs%20Assessment%20091511.pdf>
- **Ohio :** Milliman, Inc. Assist with the First Year of Planning for Design and Implementation of a Federally Manated American Health Benefit Exchange, August 2011.
<http://www.ohioexchange.ohio.gov/Documents/MillimanReport.pdf>.
- **Maryland:** Wakely Consulting Group, Maryland Health Benefit Exchange: Financing the Exchange Vendor Report, November 2011.
<http://dhmh.maryland.gov/healthreform/exchange/pdf/FinalFinancingReportWakely.pdf>.
- **North Carolina:** Milliman, Inc. North Carolina Health Benefit Exchange Study, December, 2011.