

**HEALTH BENEFIT EXCHANGE WORKGROUP**  
**Wednesday, December 14, 2011**  
**North Carolina Institute of Medicine, Morrisville**  
**10:00am-3:00pm**  
**Meeting Summary**

**Attendees**

*Workgroup Members:* Louis Belo (co-chair), Allen Feezor (co-chair), Tracy Baker, Steve Cline, Deby Dihoff, Teri Guterrez, Rep. Verla Insko, Linwood Jones, Fred Joyner, Michael Keough, Adam Linker, Sen. Floyd McKissick, Barbara Morales-Burke, Carla Obiol, Elizabeth Phillips, Rebecca Whitaker

*Steering Committee Members:* Carolyn McClanahan, Julia Lerche, Ben Popkin, Lauren Short, Rose Williams

*NCIOM Staff:* Pam Silberman, Jennifer Hastings

*Other Interested Persons:* Emily Adams, Mary Bethel, Leslie Boyd, Robin Chacon, Corye Dunn, Abby Carter Emanuelson, Fred Forrer, Russell Greene, Jeffrey Harris, Krystal Holman, Amy Jo Johnson, Andy Markita Keaton, Andy Landes, Elizabeth O'Dell, Susan Nestor, Rebecca Parton, Ashlee Smart, Chuck Stone, Jim Waldinger, Christine Weason, Sally Wilson

**New Options for State Exchanges, Federal Exchanges or Partnerships**

Julia Lerche, FSA, MAAA, MSPH  
Health Actuary  
North Carolina Department of Insurance

Ms. Lerche discussed new options for the health benefits exchange. The Affordable Care Act instructs states to either have a state-based exchange or that the federal government will operate one for the state. The US DHHS has published some guidelines regarding this. In September 2011, a partnership approach to the exchange was announced. States could choose to operate its own exchange, leave it to the federal government (federally-facilitated exchange), or operate a partnership approach. Further guidance was released in Question and Answer format in November 2011, however neither the September nor the November guidance answer all the questions about the different approaches. Ms. Lerche presented DOI's *interpretation* of the different options available to the state. The core functions of the exchange operation are consumer assistance, plan management, eligibility, enrollment, and financial management.

Ms. Lerche's presentation can be found here: [Health Benefits Exchange – Options for States](#)

**Selected questions and comments:**

- Plans are not going to be allowed into the exchange if they don't meet solvency standards and if they are not licensed.
- If the state doesn't have a network adequacy standard, then the federal government will develop its own network adequacy standard.

- Q: Will federal grants be available to states under the federally facilitated or partnership option?  
A: The first page of CMS guidance says that states can qualify for grants if they have a federally facilitated exchange to help with the state functions needed to link to the federal HBE. If North Carolina initially decided to let the federal government operate the HBE for the state, we could later choose to operate one. However, there may be limited federal funding available after 2014 to build a state-based HBE.

Dr. Silberman facilitated a group discussion about whether the state or federal government should take the lead on the requirements necessary to meet the core HBE functions: consumer assistance, plan management, eligibility, enrollment, and financial management. The workgroup's chart is available online at: <http://www.nciom.org/wp-content/uploads/2011/12/Feedback-on-Partnership-HBE-Options-FINAL.pdf>

### **Update on Expected Premium Tax Revenue in 2014 with New Coverage/ Review of Financial Sustainability Options**

Julia Lerche, FSA, MAAA, MSPH  
Health Actuary  
North Carolina Department of Insurance

Ms. Lerche presented the estimated operational costs of the HBE. A survey from other states shows that operational costs seem to increase as enrollment increases.

Ms. Lerche noted that insurers currently pay 1.9% of premiums as a premium tax. She noted that it appears that the premium tax estimate should be sufficient, but the data are unclear. Using the premium tax revenue is intrinsically risky, because premium revenues come from all types of insurance (not just health insurance). While health insurance enrollment is expected to increase as a result of the insurance mandate, other types of insurance could decline. The amount of the premium tax that the state generates will change based on actual enrollment, and changes in average premiums; and the costs of the HBE will be affected by the operational model of the exchange and resulting exchange budget.

It was also noted that House Bill 115 included a financing mechanism for the HBE that was based on the High Risk Pool. Currently, the high risk pool receives roughly one-third of the increase in premium revenues that occurred over a base year.

Ms. Lerche's presentation can be found here: [Health Benefits Exchange – Options for States](#)

#### **Selected questions and comments:**

- Q: What is the assumption about standardization for essential benefits package? A: It has not been determined.
- Is there any possibility of pushing back timelines? A: It has not been determined. The 2014 start date is in federal legislation; the 2013 certification date may be flexible.

#### **Public comments**

- The state should look at potential differences in costs for different HBE options (federal, state, or partnership). There may be greater efficiencies if the federal government ran the HBE; but there

were concerns that the state would have less control over HBE costs if the federal government operated the HBE for the state.

- We need an analysis of the cost difference between plans inside and outside of the exchange. Although identical plans have to be priced the same, we still need a price comparison of plans that are only slightly different inside versus outside the exchange.