Update on Exchanges

HEALTH FINANCE COMMITTEE

SEEMA VERMA

JULY 13, 2011

Recent Progress

- Healthy Indiana Plan (HIP).
  - State Plan Amendment.
    - Response expected from CMS by July 14.
  - Preparation of 1115 waiver.
- Other Initiatives:
  - Rules on new insurance regulations 9/10.
  - Correct Coding Initiative (CCI).
  - Provider credentialing.

Recent Progress Continued

- Medical Loss Ratio (MLR):
  - Asked for MLR adjustment from HHS.
    - Phased-in approach.
    - Consideration of CDHPs.
  - Responding to questions from the federal government.
- Rate Review:
  - Deemed adequate by federal government.
  - Enhanced reporting requirements to HHS.
- External Review:
  - In compliance through 2014.
  - July 31, 2011 – federal government will make a determination regarding whether the State is compliant beyond 2014.

Grants

- State applied for:
  - Grants to States for Health Insurance Premium Review.
  - Expansion of MIPPA.
  - ADRC Options for Counseling and Assistance Programs.
  - ADRC Evidence-Based Care Transition Programs.
  - ADRC Nursing Home Transition and Diversion Program.
  - Maternal, Infant and Early Childhood Visiting Program.
  - Strengthening Public Health Infrastructure for Improved Health Outcomes.
  - Exchange Planning Grant.
  - Exchange Level One Grant.
  - Coordinated Care for People with Medicaid and Medicare.*
- Areas where grants and/or demonstrations will become available: Medicaid/Medicare payments, physician access, public health and education.

Constitutionality of the Individual Mandate

Case	District Court	Appellate Court	Next Steps
State of Florida et al. v. Secretary of Dept. of HHS – Filed on behalf of 25 states and the NFIB (includes Indiana Attorney General).	January 31, 2011: Judge Robert Vinson deemed individual mandate **unconstitutional** and **non-severable.**	On appeal in 11th Circuit Court of Appeals. Oral arguments held on June 8th.	Appellate Court ruling is pending.
Commonwealth of Virginia v. Sebelius.	December 13, 2010: Judge Henry Hudson deemed individual mandate **unconstitutional but did not strike down entire ACA.**	On appeal in 4th Circuit Court of Appeals. Oral arguments held on May 10th.	Appellate Court ruling is pending.
Thomas More Law Center v. Barack Obama.	**Upheld individual mandate** under the commerce clause.	Appealed to 6th Circuit Court of Appeals. **Upheld validity of individual mandate.**	Widely accepted that Thomas More Law Center will petition Supreme Court for review.

Exchange Functions

Expedia **for health insurance; tool with which individuals or small employers can find, compare and enroll in health insurance.**

- Eligibility.
  - Seamless eligibility with Medicaid.
  - Tax subsidies.
  - Individual Responsibility Exemption.
  - Appeals.
- Enrollment in health plans.
  - Option: Premium Collection and Aggregation.
- Certify, recertify and decertification of plans offered on Exchange.
- Assign quality ratings to plan, per HHS guidelines.
- Customer Support.
  - Web Portal.
  - Online.
  - By phone.
  - In person.
- Education and outreach.
- Small Business Options Program (SHOP) – small business exchange.
- Cost calculator.
- Risk adjustment for plans.
- Federal Reporting.
  - Provide income data to the IRS, and citizenship or immigration status to SSA & Homeland Security.

ACA & Healthcare Exchanges

- Only place to purchase insurance with tax subsidies.
- Options:
  - State or federally operated.
  - State or regional/multi-state Exchange.
  - State agency, not-for-profit or quasi-governmental.
- Funded through 2015 by feds; after that must be self-sustaining.

Tentative Exchange Implementation Timeline

Date	Action Item
June 2012 (estimated)	Federal assessment of State readiness.
January 2013 (final, per ACA)	Federal decision whether State or Federal Government will operate the Exchange.
September 2013 (estimated)	Potential go-live.
January 1, 2014	ACA implementation date.

Update on Indiana's Efforts

- Executive Order was issued by Governor Daniels on January 14, 2011.
  - Does not commit the State to an Exchange.
  - Allows the State to plan for an Exchange & to study the implications of the Exchange.
  - State can stop if ACA is unconstitutional or for other reasons.
  - Conditionally establishes a not-for-profit entity to operate an Indiana-based Exchange.
  - Leverages current agencies (IDOI and FSSA) without creating new agencies.
- Exchange Grants.
  - No obligations if State decides to let the federal government run the Exchange for Indiana.
  - Planning Grant (October 2010).
  - Level 1 Establishment Grant (May 2011).

Status of Activities

- Stakeholder input – Ongoing.
- Market Impact – actuarial analysis – In progress.
- IT gap analysis –Completed.
- IT plan to support Exchange – In progress.
- Business requirements – In progress.
- Budget Financing plan – In progress.
- Legal issues – Impact on IDOI and FSSA – In progress.

Indiana Insurance Market

Market	2010 Covered Lives[1]	Carriers >100 Lives[1]	Market Share Largest Carrier[2]	Market Share Top 5 Carriers[1]
Individual	200,000	30	59.6%	85%
Insured Small Group (2-50 employees)	300,000	30	50.5%	79%
Insured Large Group (51+ employees)	475,000	25	62%	88%

[1]Source: Milliman. Indiana Supplemental Health Exhibits, December 31, 2010 Annual Statement data submitted by Indiana insurance carriers. Collected using Insurance Analyst Pro®, Highline Data LLC. July 26, 2011.
[2]Source: Noble. Indiana Supplemental Health Exhibits, December Annual Statement data submitted by Indiana insurance carriers. August 4, 2011.

Note: Values are based upon the most recent information obtained from carriers as they work to make the Supplemental Health Care Exhibits more accurate. The fluctuation (as compared to July 15, 2011 presentation to Health Finance), results from: specific information regarding what needed to be filed and how it is calculated not being divulged until very shortly before deadline, lack of training from the federal government regarding the new forms, and a new requirement imposed upon carriers for 2011 reporting. The IDOI continues to reach out to carriers to encourage complete and accurate filing. This information is only reflective of the market on 12/31/2010.

Indiana Health Insurance Coverage 2010 Profile Ages 0 to 64

Source of Health Insurance	Indiana Residents Age 0 to 64	% of Age 0 to 64 Indiana Residents
Uninsured	875,000	16%
Public Programs	950,000	17%
Individual Insurance	200,000	4%
Employer-Sponsored Insurance		
Insured Small Group (2-50 employees)	300,000	5%
Insured Large Group (51+ employees)	475,000	8%
Self-Funded (all employer sizes)	2,825,000	50%
Total Indiana Residents, Age 0 to 64	5,625,000	100%

Source: Herbold, Jill S. and Paul R. Houchens. Milliman, Inc. "2019 Health Insurance Enrollment Projections for Indiana." May 2011.
Notes: Insured Markets - December 31, 2010 Indiana Supplemental Health Exhibits, collected using Insurance Analyst Pro®, Highline Data LLC. Public Programs – OMPP eligibility data. Uninsured and Self-Funded – American Community Survey – 2009. Approximately 800,000 Indiana residents age 65+ not included. Most residents age 65+ are covered by Medicare.

Hoosiers with Employer Sponsored Insurance (ESI)

Employer Size	Number of Establishments	Percent of Employees in Establishments that Offer ESI	Percent of Employees in ESI, in Establishments that Offer ESI	Enrolled Employees
< 50 Employees	96,236	51.3%	57.3%	184,227
50 to 99 Employees	4,768	93.4%	54.1%	96,896
> 99 Employees	32,642	99.5%	61.3%	975,018
All Employer Sizes	133,646	86.5%	60.1%	1,256,141

*__Active private sector employment only__. Does not include early retirees, public employees or individuals receiving COBRA.

Source: State Health Access Data Assistance Center. "Memorandum." March 10, 2011. – Agency for Healthcare Research and Quality, MEPS Insurance Component 2008 and 2009

How Will the Market Change by 2019: Size

Source of Health Insurance	2010 Estimate	2019 Projection
Uninsured	875,000	300,000 – 525,000
Public Programs	950,000	1,450,000 – 1,625,000
Individual Insurance	200,000	450,000 - 875,000
Employer-Sponsored Insurance		
Insured Small Group (2-50 employees)	300,000	225,000 – 300,000
Insured Large Group(51+ employees)	475,000	350,000 - 475,000
Self-Funded (All employer sizes)	2,825,000	2,850,000 – 3,125,000
Total Indiana Residents Ages 0 to 64	5,625,000	6,200,000 – 6,500,000

Source: Herbold, Jill S. and Paul R. Houchens. Milliman, Inc. "2019 Health Insurance Enrollment Projections for Indiana." May 2011. Assumes that Indiana does not offer a federal basic health program.

How Will the Market Change by 2019: Cost

- Milliman estimates-
  - Individual market:
    - Total 75% to 95% increase.
      - Merging high risk pool with individual market – 35% to 45%.
      - Essential benefits/benefit expansion – 20% to 30%.
      - Additional factors:
        - Risk pool composition changes.
        - Provider cost shifting.
        - Manufacturer and carrier pass-throughs.
  - Small group market:
    - Total 5% to 10% premium increase.
      - Risk pool composition due to items such as:
        - Employers dropping coverage.
        - Inclusion of employers up to 100 in small group market.
        - Election of self-funded plans in community rating environment.

Source: Herbold, Jill S. and Paul R. Houchens. Milliman, Inc. "Individual and Small Group Premium Changes Under the ACA." May 2011.

How many Hoosiers may use an Exchange?

Potential Users of a Health Insurance Exchange: Individuals		
Individuals	Households	People
Currently Uninsured, 139-399% FPL	259,077	376,212
Currently with Individual Coverage, 139-399% FPL	76,734	123,933
Uninsured, above 400% FPL	38,343	50,713
Individual Coverage above 400% FPL	54,980	95,727
Total	429,134	646,585

Source: State Health Access Data Assistance Center. "Memorandum." March 10, 2011. – American Community Survey, Public Use Microdata Sample, 2009; MEPS Insurance Component, 2008-09 average; data on businesses with fewer than 25 employees and average wages less than $50,000 per year from Department of Workforce Development.

Potential Users of a Health Insurance Exchange: Small Businesses Currently Offering Employer Sponsored Insurance (ESI)

	Employees	Dependents	Total enrollees
Offering ESI with fewer than 50 Employees			
Potentially Eligible for a tax credit	96,431	69,353	165,784
Not eligible for tax credit	87,795	69,682	157,477
*ESI with 50-99 Employees	96,896	72,788	169,684
Total	281,122	211,823	492,945

Potential Users of a Health Insurance Exchange: Other Businesses

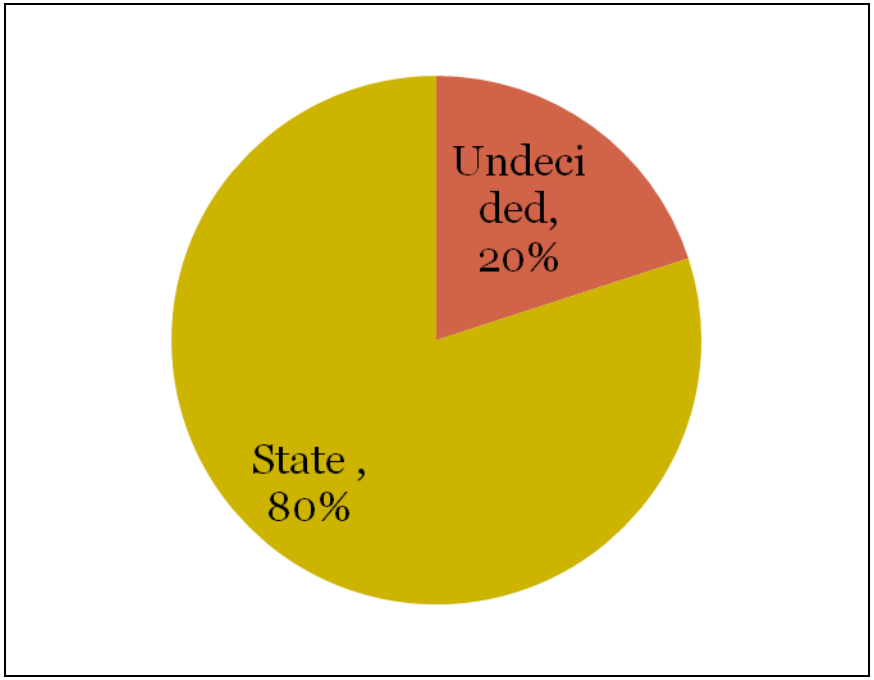
Businesses with fewer than 50 employees, not currently offering health insurance	Number of employees	Number of establishments
Potentially Eligible for a tax credit	244,301	52,771
Not eligible for tax credit	60,917	10,841
50-99 employees, currently not offering insurance	12,656	687
Over 100 employees, currently offering insurance	1,590,568	32,054
Over 100, currently not offering insurance	7,993	588
Total	1,916,435	96,941

Source: State Health Access Data Assistance Center. "Memorandum." March 10, 2011. – American Community Survey, Public Use Microdata Sample, 2009; MEPS Insurance Component, 2008-09 average; data on businesses with fewer than 25 employees and average wages less than $50,000 per year from Department of Workforce Development.

Exchange Design Options				
	Farmer's Market – "Orbitz"	**Evaluator Model – "Amazon"**	**Active Purchaser – "MA Model"**	**Federal Option**
Characteristics	•Required functions only •Does not influence the market in any meaningful way	•Rates plan •Identifies "Top Tier" plans by HIX criteria •Market Catalyst	•Negotiates Prices •Bulk Purchaser •May include Medicaid & Public Employees	Unknown
Consumer Impact	Choices maximized	Choices maximized	Limited choice	Unknown
Small & Individual Market	Maintains separation	Maintains separation Authority to combine	Combines markets	Unknown
External Market	Yes - Exchange rules don't apply externally Benefits of the plan may vary	Yes - Level playing field inside and outside the Exchange	No - None allowed	Unknown
Users	People eligible for tax credits Some additional users	People seeking tax credits Could attract users over time for ease of comparison	High (requires participation)	Unknown
Operational Cost	$	$$ Rating system will create increased administrative tasks	$$$ RFP process	Unknown
Advantages	•Preserves competition •Preserves choices •Minimal market disruption	•Competition based on Exchange defined criteria •Preserves choices •Minimizes market disruption but can act quickly to address issues •Influences external market to price variation inside/outside Exchange	•Lowest price products	Unknown
Disadvantages	•Passive to the market •Exchange attracts only high risk or subsidized individuals only •Limited # of plans participate	•Rating protests	•Could decreases number of insurers •Limited choices of plans & networks •Fewer insurers may ultimately lead to higher prices	Unknown
Small Business	Options: Defined contributions, promote HSA plans, Section 125 plans, wellness programs, HRA/HSA			
Quality	Provide a centralized location to obtain quality data for plans & providers			
Financing	Dependent on model. Options: advertising, fees to insurers, consumers, employers. Licenses/certifications for navigators/brokers.			

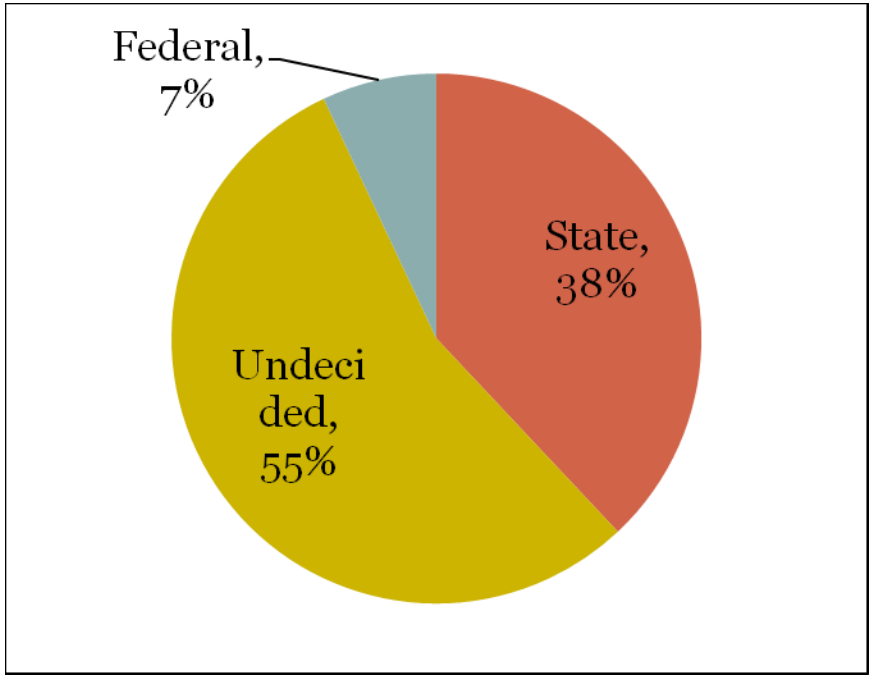
Exchange: State v. Federal

The September 2010 questionnaire asked respondents to identify who should operate the Exchange.



Above: Insurers

Below: Businesses



Source: Affordable Care Act Questionnaire. State of Indiana. December 1, 2010. <http://www.in.gov/aca/files/Affordable_Care_Act_Questionnaire_Report.pdf>

Implications of a Federal Exchange

- No federal model has been offered.
- Cheaper for the State.
- Plan offerings:
  - Could limit plan choices for Hoosiers.
  - Geographic carrier/plan issues.
- Would require carriers to interface with two tiers of government for plan certification: State and federal.
- Federal government would be responsible for risk adjustment and reinsurance (redistribute $$ among plans).
- Medicaid eligibility:
  - Federal government making eligibility determinations on behalf of the State.
  - Multiple entry doors.
- Loss of control over customer experience.
- Limited influence over policy.

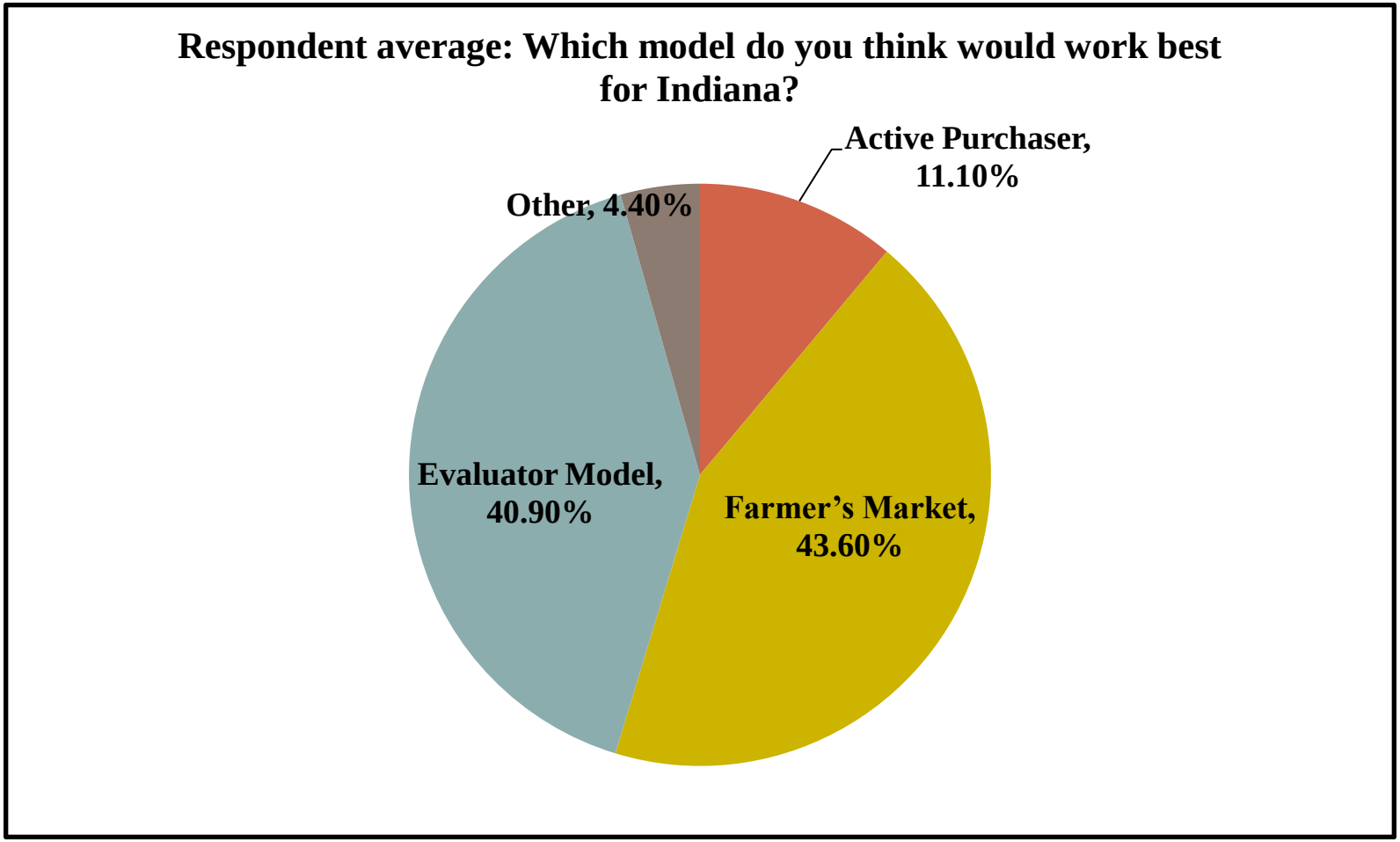
Implications for a State-based Exchange

- Exchange:
  - On-going costs: could these costs increase premiums for the State?
  - Complexity.
  - Large number of Hoosiers that will use the Exchange.
  - State would be responsible for ambitious federal deadline and could create instability in the market.

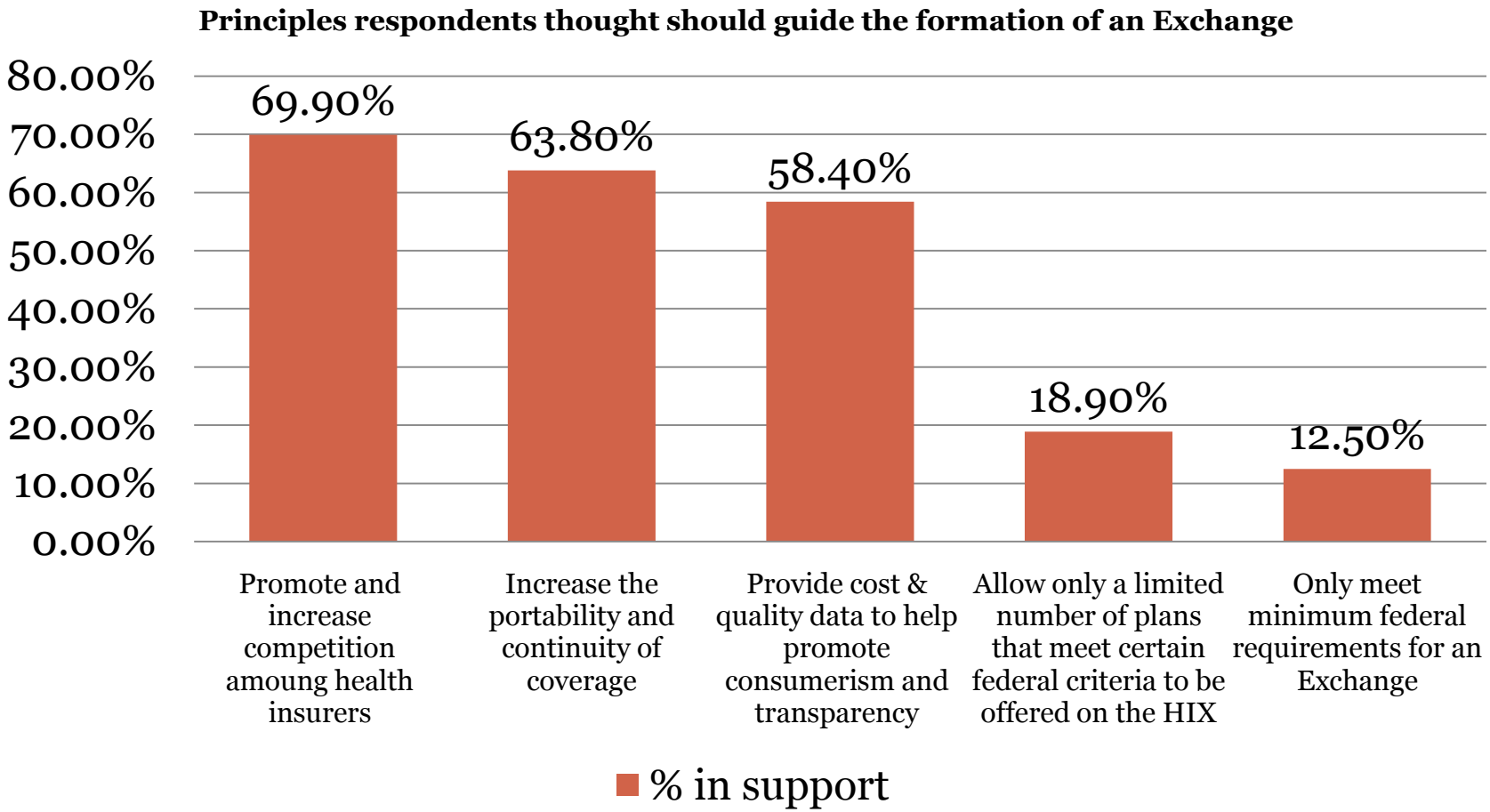
Exchange Questionnaire

- 4 tracks.
  - Insurer/Broker.
  - Consumer.
  - Business.
  - Healthcare Provider.
- Exchange Design Topics.
- ~2,600 Respondents.
  - 1461 Consumers, 524 Businesses, 414 Insurers/Brokers, 213 Healthcare Providers.

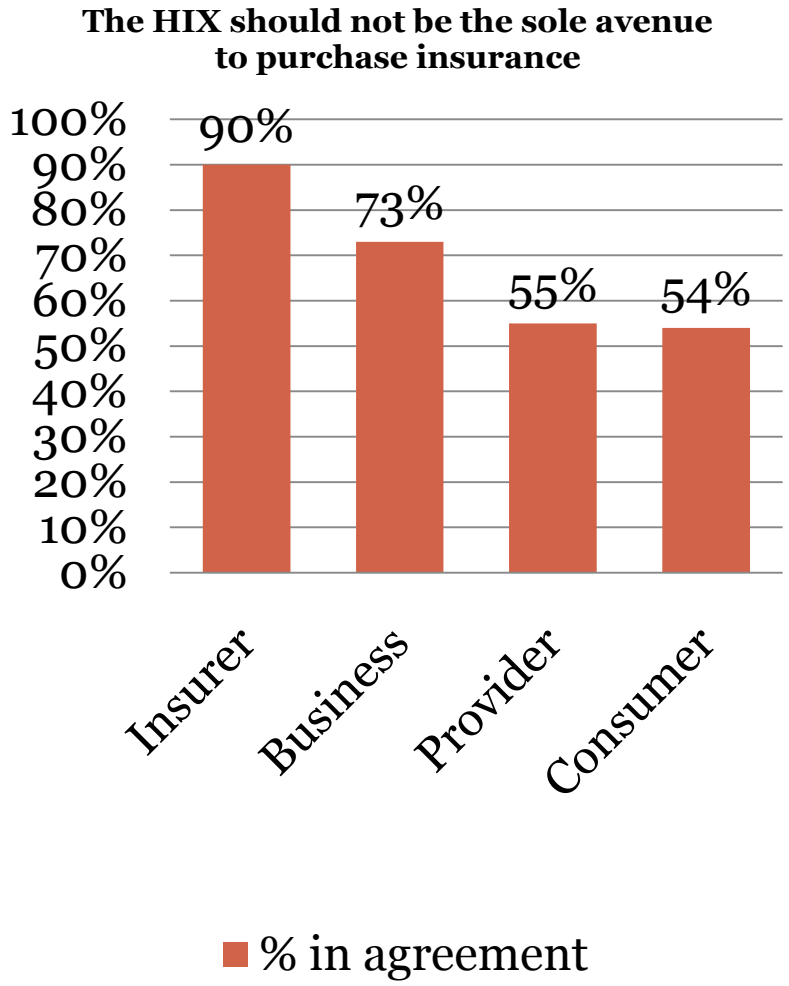
Exchange Model

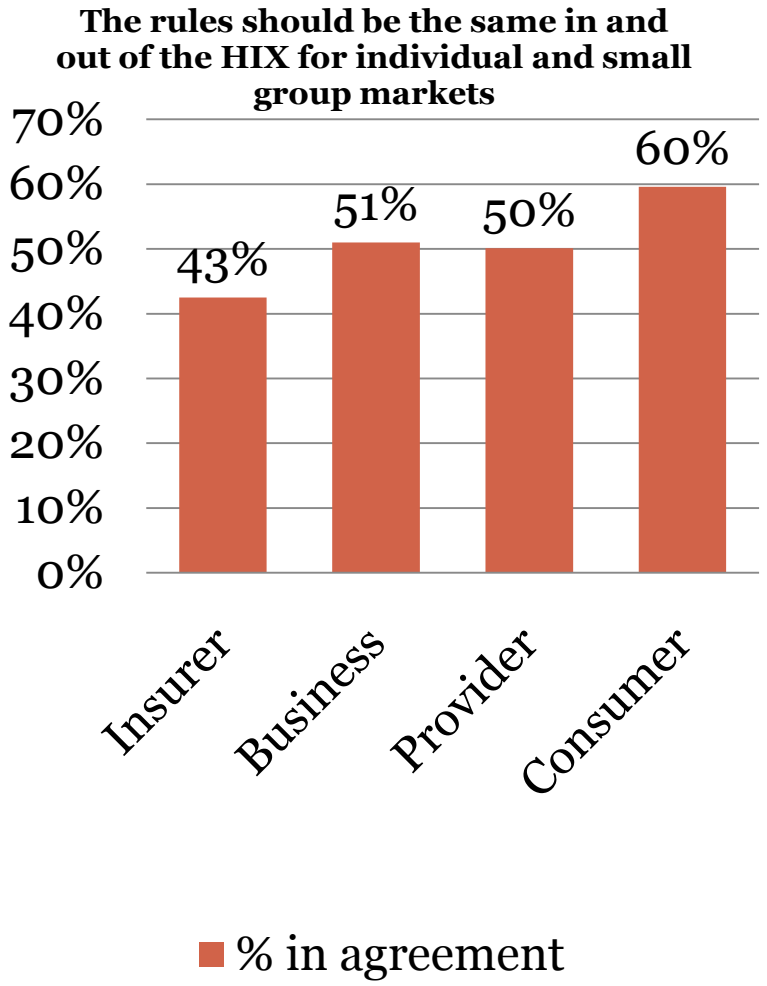


Exchange Questionnaire: Exchange Goals

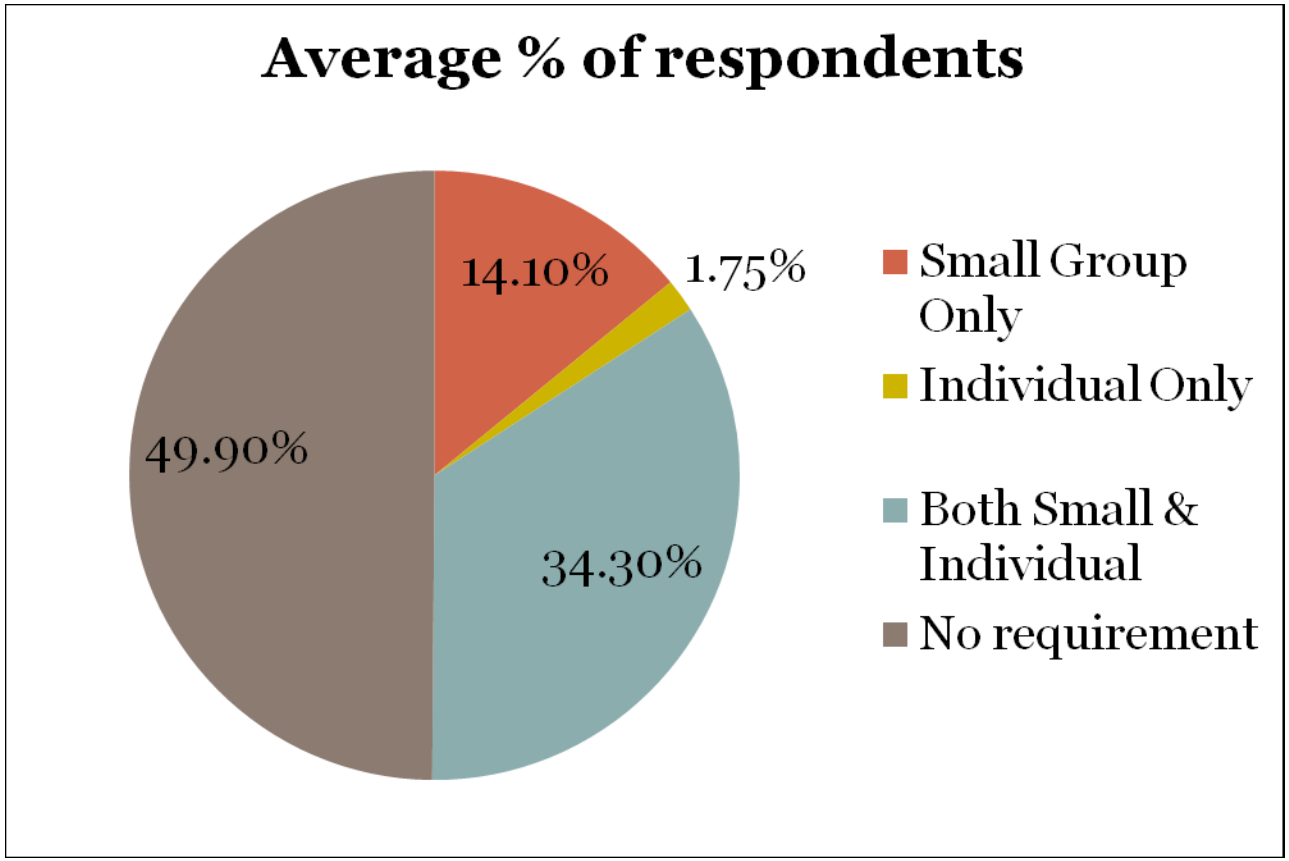


Exchange Questionnaire: Insurance and Exchange Marketplace

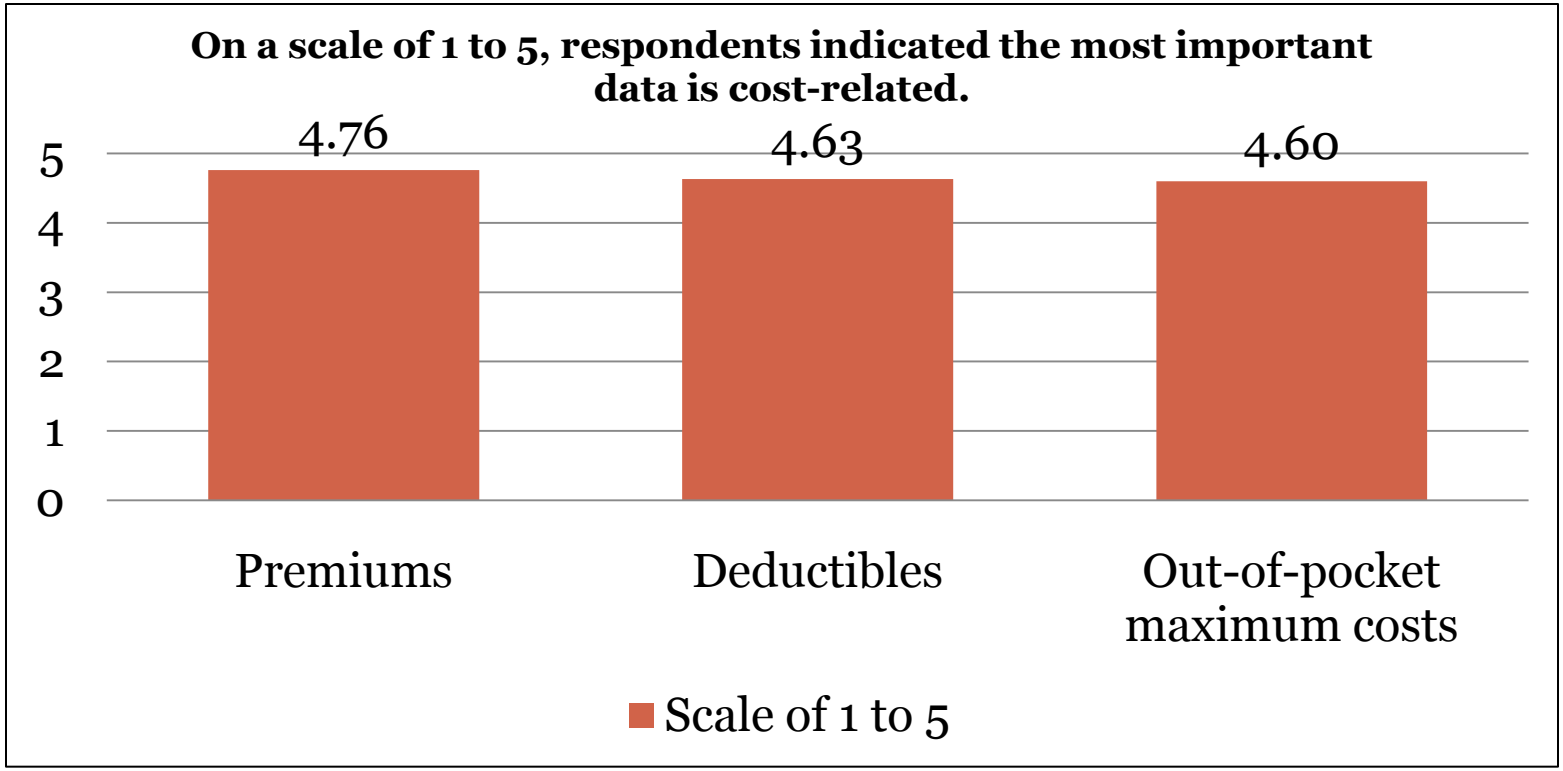




Should all Indiana insurers be required to sell on the Exchange?

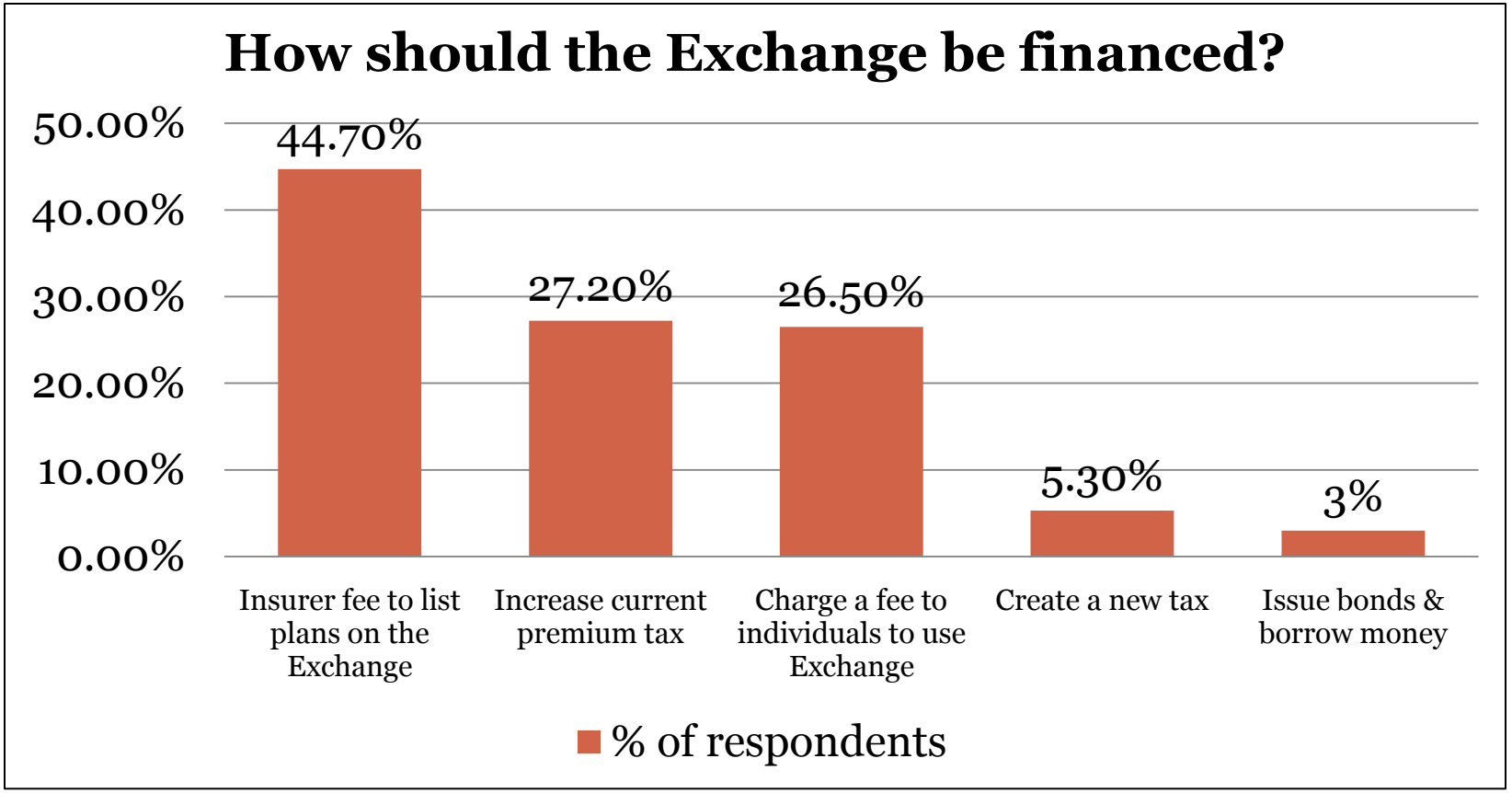


Exchange Questionnaire: Exchange Data



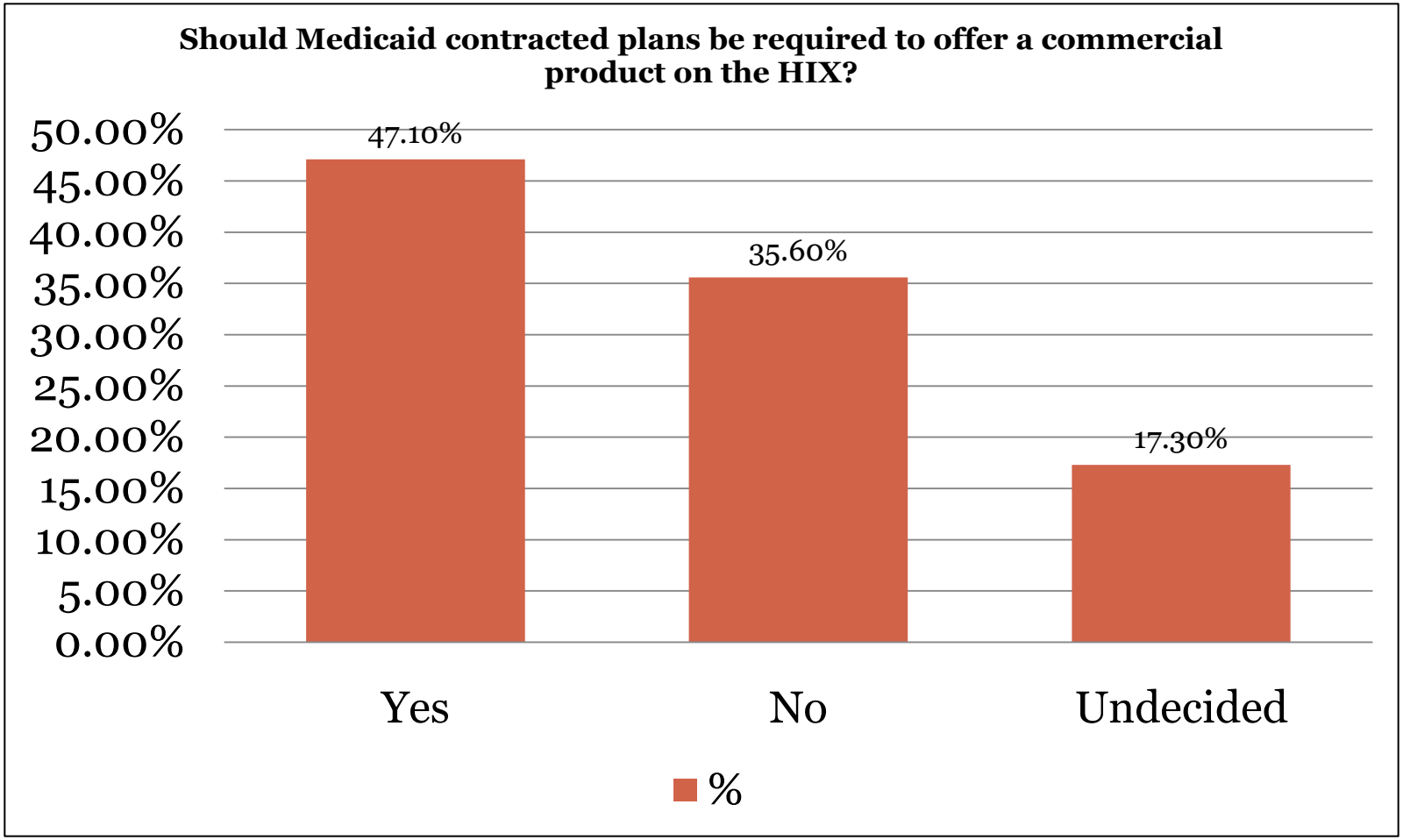
- 41% of respondents are not willing to pay any increase in premium cost for quality data reporting that goes above and beyond the federal requirements.

Exchange Financing

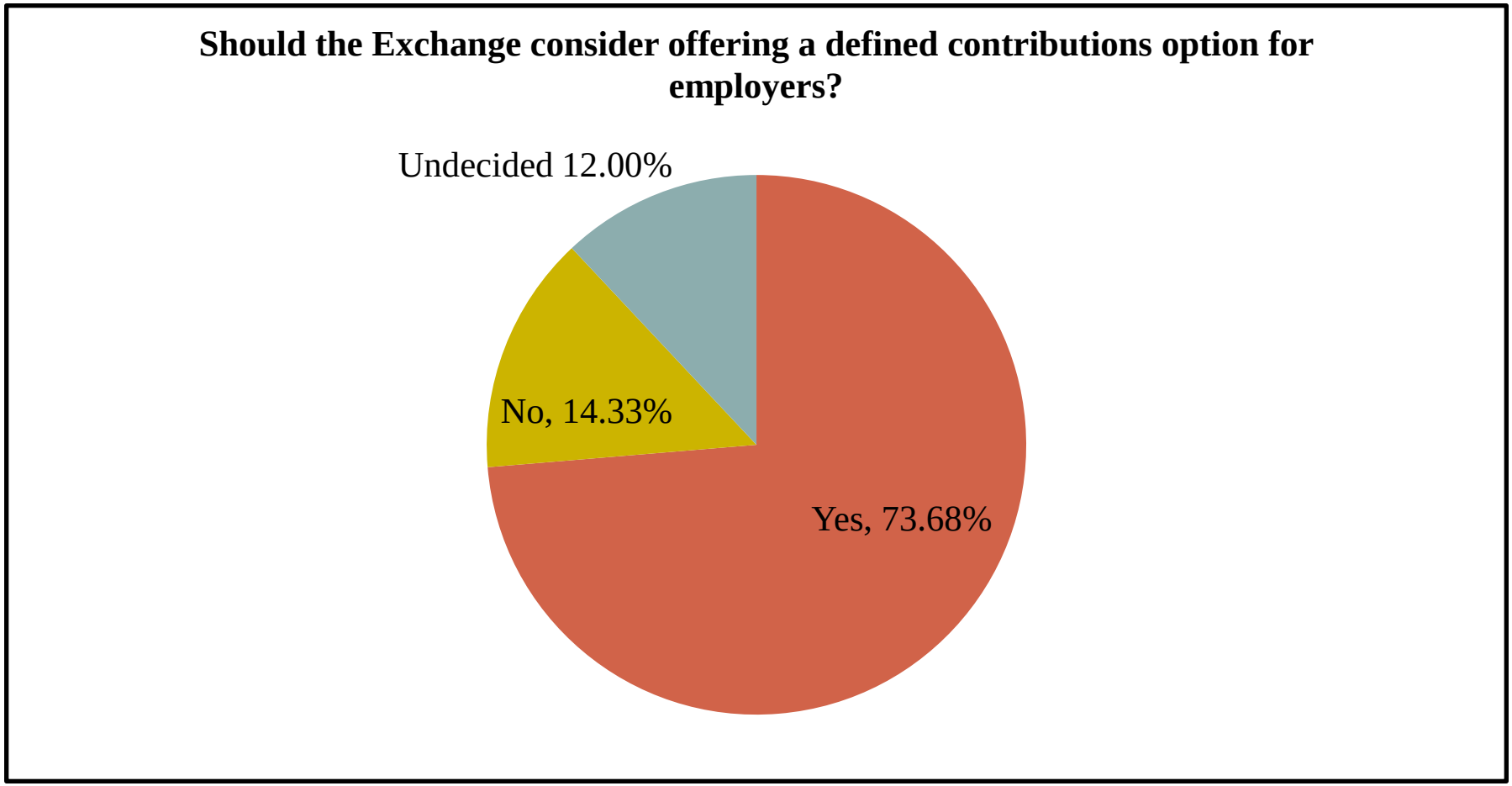


- Respondents commented that if the Exchange was going to cost additional tax payer funds, then the State should not consider implementing it.

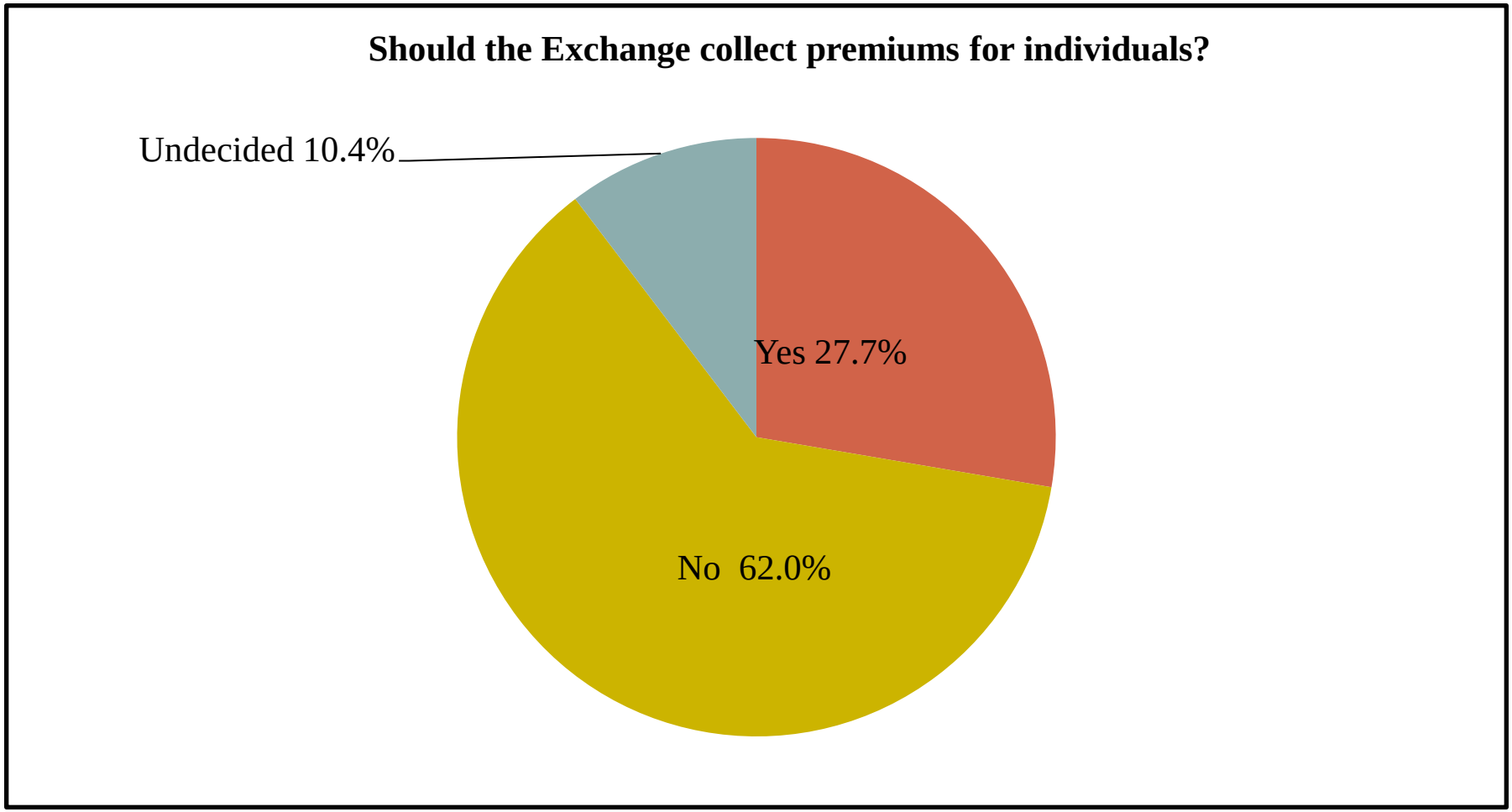
Exchange Questionnaire: Exchange and Medicaid



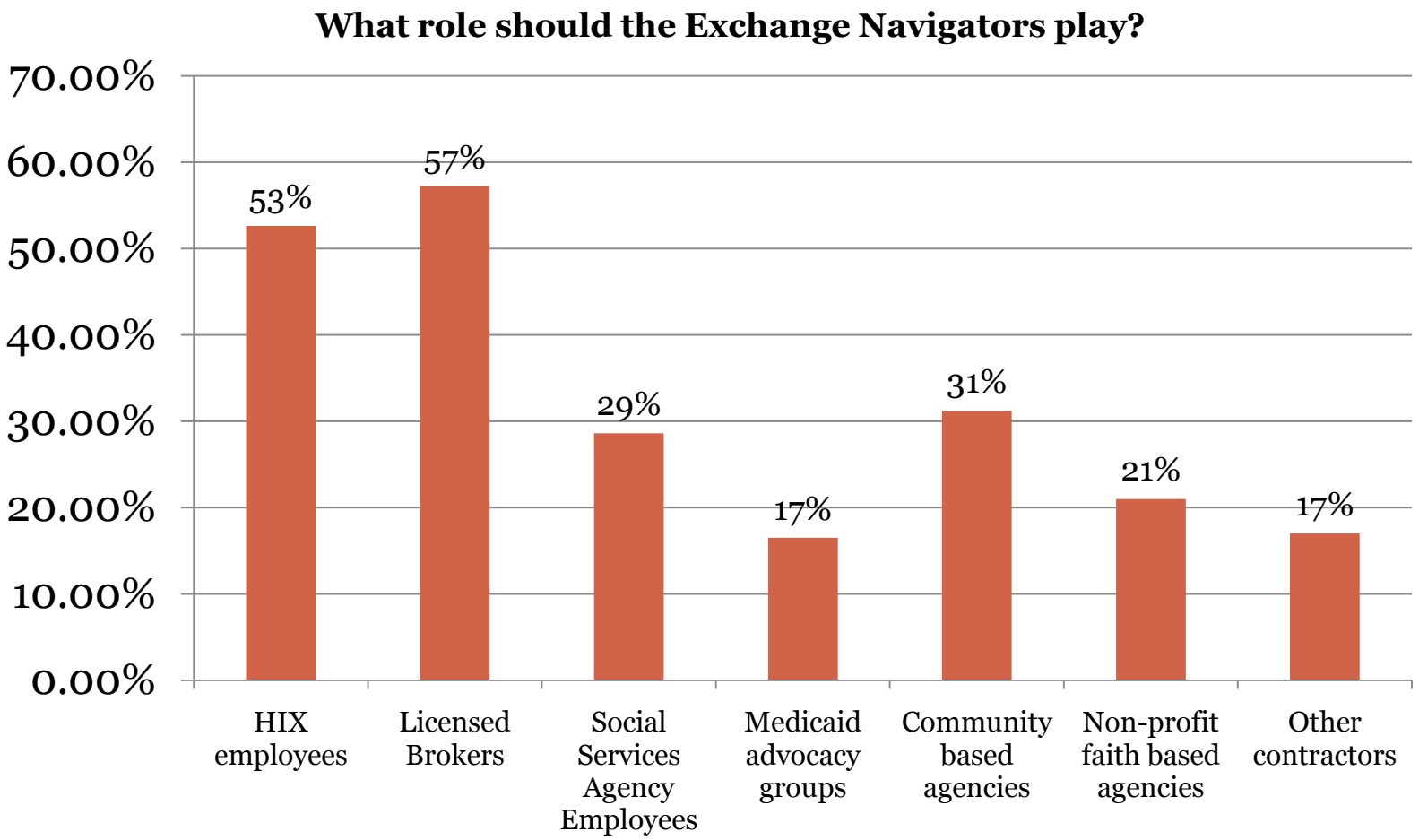
Exchange Questionnaire: SHOP Exchange



Exchange Questionnaire: Premiums and Health Plan Enrollment



Exchange Questionnaire: Brokers and Navigators



Respondents could select multiple options; this is the average among all four respondent groups.