

**THE NEW WORLD OF
HEALTH INSURANCE
EXCHANGES:
TO BOLDLY GO
WHERE NO ONE
HAS GONE BEFORE**

Initial Health Exchange Planning Meeting
Tuesday, December 14, 2010
Alabama Department of Insurance

THE MISSION: EXPLORE THE ALIEN WORLD OF HEALTH EXCHANGES AND DISCOVER NEW LIFE FORMS



MEANWHILE...BACK ON EARTH

- ◉ Early Retiree Reinsurance Program
- ◉ HHS web portal
- ◉ Pre-existing Condition Insurance Plan
- ◉ Patient Protections and Market Reforms (September 23)
- ◉ Rate Review and Approval (Jan. 1, 2011)
- ◉ Medical Loss Ratio (Jan. 1, 2011)
- ◉ External Review (July 1, 2011)
- ◉ Health Insurance Exchanges (2014—but really earlier than that)
- ◉ Individual mandate (2014)



HEALTH INSURANCE EXCHANGES

- Each state shall establish an American Health Benefit Exchange by Jan. 1, 2014
 - Includes both individual market and small group market Exchanges (these may be combined)
- State must notify HHS whether it will operate a qualified Exchange by Jan. 1, 2013
 - HHS wants to know in 2012
 - If a state does not choose to participate, the federal government will establish Exchange
- Grant awards from HHS to assist states in planning and establishment of the Exchange (not for operating it)



BUCKLE UP--HERE WE GO: EXCHANGE OPERATION

- ◉ Exchange must be operated by governmental or nonprofit entity
- ◉ Exchange may not make available non-qualified plans to individuals or employers (dental plan is OK)
- ◉ Exchange may offer plans with additional benefits—states must assume cost of mandates
- ◉ Exchange must provide for:
 - Initial open enrollment period
 - Annual open enrollment period
 - Special enrollment periods



PLANS AVAILABLE IN EXCHANGE

- Must be a “qualified health plan”
 - Provides essential benefits (yet to be defined in law) and is licensed
 - Agrees to offer at least one Silver and one Gold plan
 - Agrees to charge same price in AND out of Exchange
- Levels of Coverage
 - Bronze (covers 60% of actuarial value of benefits)
 - Silver (covers 70% of actuarial value of benefits)
 - Gold (covers 80% of actuarial value of benefits)
 - Platinum (covers 90% of actuarial value of benefits)
 - Catastrophic (high deductible plan for young)



SMALL GROUP (SHOP) EXCHANGE

- Small group is defined as 1-100 employees
 - State may elect to define as 2-50 until January, 2016
 - State may elect to combine non-group and small group markets
- Employees given choice of carrier
 - Employer chooses the coverage level
 - Employees choose from carriers offering at that level
 - Employee premium may vary only by age, area and tobacco use



INSIDE VS. OUTSIDE THE EXCHANGE (STAY WITHIN THE FEDERATION)

- ◉ Nothing in the law precludes the sale of insurance products outside of the Exchange
- ◉ Individuals may only receive subsidies in the Exchange
- ◉ Grandfathered plans may not be sold in the Exchange



BEAM ME UP: EXCHANGE FUNCTIONS

At a minimum, an Exchange must:

- ◉ Implement procedures for certification, recertification and decertification of health plans
- ◉ Operate toll-free hotline
- ◉ Maintain Internet website with standardized info
- ◉ Assign a rating to each plan
- ◉ Utilize standardized format for presenting options
- ◉ Inform of eligibility for Medicaid, CHIP (All Kids) or other applicable state or local programs



EXCHANGE FUNCTIONS (CON'T)

- ◉ Make available a calculator to determine the actual cost of coverage after subsidies
- ◉ Grant a certification attesting that the individual is not subject to the mandate
- ◉ Transfer to the Treasury a list of exempt individuals and employees eligible for tax credit
- ◉ Establish a Navigator program
- ◉ Publish on-line accounting of Exchange administrative costs



PLAN TRANSPARENCY: DISCLOSURE (NO CLOAKING DEVICE ALLOWED)

- Plans must submit a justification for any premium increase prior to implementation and post on website
- Plans must disclose to the public:
 - Claims payment policies and practices
 - Periodic financial information
 - Data on enrollment and disenrollment
 - Number of claims denied
 - Rating practices
 - Cost-sharing and payments for out-of-network coverage
 - Enrollee rights under Affordable Care Act
 - Other info required by the Secretary of HHS



FEDERAL REGULATIONS OR “WE’RE HERE TO HELP”

- HHS shall establish criteria for the certification of qualified health plans
- HHS shall develop a rating system to measure quality and price (also used for web portal)
- HHS shall develop an enrollee satisfaction survey system for plans with more than 500 enrollees
- HHS shall define the ESSENTIAL HEALTH BENEFITS that must be in a qualified plan



Resistance is
futile

you will be
assimilated.

KEY ISSUES FOR CONSIDERATION: ASSEMBLE THE STARSHIP'S CREW

- ◉ Exchange governance
- ◉ Roles of various State agencies
- ◉ Additional functions of Exchange
- ◉ Regulation of market outside Exchange
- ◉ Funding of Operations: Exchange must be “self-sustaining” beginning 1/1/2015



PLOTTING THE COURSE: EXCHANGE PLANNING GRANT

- ◉ Planning only!
- ◉ What will the environment look like in 2014? What does it look like now? How will the Exchange work?
- ◉ Four big areas of focus
 - Enrollment and consumer assistance
 - Administration of the Exchange itself
 - Qualified health plan administration
 - IT, IT and more IT
- ◉ Include workgroups of interested stakeholders (that's you)
- ◉ Seek the authority to establish an Exchange that will work best for Alabama



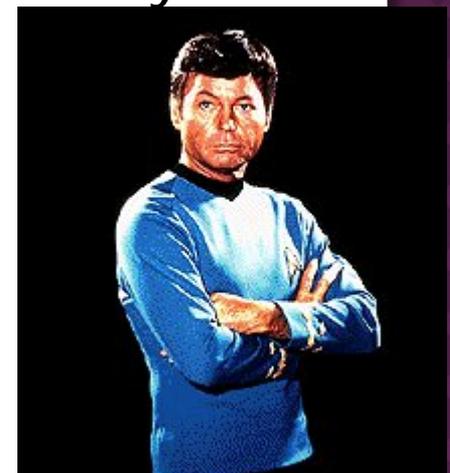
CLEAR COMMUNICATION: EXCHANGE'S REQUEST FOR PROPOSALS (RFP)

- ◉ Due December 17, 2010
- ◉ Seeking organizations to help develop a roadmap for planning, assist us with Exchange design options—provide resources to the workgroups
- ◉ Guide us in developing a workable implementation plan (including financial stability)
- ◉ A snapshot of today and picture of tomorrow: Study the uninsured and underinsured
- ◉ Assess what we have now that can help us build the future



WE'RE A REGULATOR, JIM! RATE REVIEW AND APPROVAL GRANT

- DOI has received HHS grant to establish rate review and approval authority
 - Establish rate review and approval authority
 - Standardize rate review and approval authority
 - Develop public awareness
- Legislature must grant rate approval authority otherwise HHS will step in
- “Unreasonable” rate increases submitted to both HHS and DOI



LIVE LONG AND PROSPER...AFTER YOU GET SOME LAWS IN PLACE

Upcoming legislation needs:

- ◉ Rate Review and Approval Authority
- ◉ External Review (also need internal review and utilization review to adequately get NAIC model in place)
- ◉ Create the Exchange
- ◉ Commissioner authority over federal laws and regulations as it pertains to health insurance for Alabamians



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