

ALABAMA HEALTH INSURANCE EXCHANGE STUDY COMMISSION RECOMMENDATIONS

ALABAMA DEPARTMENT OF INSURANCE

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Report to Stakeholders on the Recommendations Approved by the Alabama Health Insurance Exchange Study Commission

The purpose of this summary report is to review the process the State used to develop recommendations for the establishment of an Alabama Health Insurance Exchange. As part of its process, the State convened a 110-member stakeholder task force to provide input on the role, functions, and structure for an exchange that would best meet Alabama's needs. To brief members of this task force about key design options and the process the State would use to plan an Alabama Exchange, a forum was held on May 10, 2011. This forum highlighted major design options and elicited feedback and preferences from these stakeholders about these options. Following this forum, the LMI team conducted research on the uninsured, the current small group and individual insurance markets, and conducted focus groups with stakeholders. The LMI team then prepared technical papers on options for integrating current programs and for structuring and financing an exchange that would best meet Alabama's needs.¹ Following Governor Bentley's establishment of the Alabama Health Insurance Exchange Study Commission on June 2, 2011, the LMI team presented the results of its studies and reviewed options for the principal decisions the State would need to make regarding the role, functions, and structure of an Alabama Exchange. This report summarizes the results of that process.

To further the State's efforts related to planning an Alabama Exchange, the Governor established the Office of the Health Insurance Exchange to support the Study Commission and named Richard Fiore as its Executive Director. This office would be responsible for the overall oversight and management of the Health Insurance Exchange.

FOCUS GROUPS

Following the stakeholder forum in May, the State recruited insurers, agents and brokers, small employers, providers, and advocacy group representatives to participate in six focus group sessions held during June 2011. These sessions elicited the various groups' preferences on the governance model, type of exchange (market organizer versus selective contractor), marketing, enrollment, and long-term financing.

STUDY COMMISSION

In the Executive Order establishing the Alabama Health Insurance Exchange Study Commission, Governor Robert Bentley charged this Commission with making recommendations on the following to the Governor and Legislature by December 1, 2011:

1. Whether to create the Alabama Exchange within an existing governmental agency, as a new governmental agency, or as a not-for-profit private entity,
2. The make-up of a governing board for the Alabama Exchange,

¹ For a brief summary of the LMI products, see Appendix. Copies of these reports can be found on the Department of Insurance website. <http://www.aldoi.gov/Consumers/HealthInsReform.aspx>

3. An analysis of resource needs for operating and sustaining the Alabama Exchange,
4. A delineation of specific functions to be conducted by the Alabama Exchange; and,
5. An analysis of the potential effects of the interactions between the Alabama Exchange and relevant insurance markets or existing health programs and agencies, including Medicaid and Public Health.

The Commission co-chairs were Representative Jim McClendon and Senator Greg Reed. The members of the Commission, the seat they represented, and their appointing authority are listed in Table 1.

Table 1.

Commission member	Seat	Appointed by
Richard Brockman	Alabama Nursing Home Association	Alabama Nursing Home Association
Grace Bush	Consumer	Governor
Noel Carden	Non-Profit Insurers	Speaker of the House
Craig Christopher, M.D.	Physician Providers	Medical Association of the State of Alabama
Rosemary Elebash	Small Business Community	President Pro Tempore of the Senate
Jim McClendon, O.D.	Chair of the House Health Committee	Ex-officio member
R. Bob Mullins, M.D.	Medicaid Commissioner	Ex-officio member
Ron Perkins	Business Community	Speaker of the House of Representatives
Greg Reed	Chair of the Senate Health Committee	Ex-officio member
Jim Ridling	Insurance Commissioner	Ex-officio member
Shane Spees	Alabama Hospital Association	Alabama Hospital Association
Deborah Tucker	Consumer	Governor
Margaret Whatley	Finance Director Designee	Ex-officio member
Bart Yancey	For-Profit Insurer	Governor
Thomas Younger	Independent Insurance Agents of Alabama	President Pro Tempore of the Senate

The Commission held five meetings beginning on September 16, 2011 with an organizational meeting that included remarks by Governor Bentley and guidance from the two Commission co-chairs.

On October 7, 2011, the Commission held an educational session where LMI provided background information to help guide the decisions the Commission must make regarding an Alabama Health Insurance Exchange. The session covered the following topics:

- ◆ Current and future sources of health insurance coverage in Alabama
- ◆ Role and structure of the Alabama Exchange
- ◆ Stakeholder views on the Alabama Exchange

- ◆ Alabama’s current insurance market
- ◆ Exchange functions.

The Commission held three meetings in October 2011 and November 2011 to review specific options related to developing recommendation on the structure and governance for an Alabama Exchange and on the specific functions and associated costs for operating and sustaining this Exchange. The Commission’s recommendations are summarized below.

RECOMMENDATIONS

Exchange Role and Structure

The first choice facing the Commission was whether to recommend that the State establish its own Exchange or, alternatively, have the federal government operate a federally facilitated exchange in Alabama—which, under the Patient Protection and Affordable Care Act (ACA), the federal government will do if the State fails to establish its own exchange. **The Commission unanimously voted to recommend that the State establish its own Exchange.**

The Commission then considered whether Alabama should establish the free market facilitator, the selective contracting agent, or the active purchaser model for the Alabama Exchange. **The Commission unanimously voted to recommend that the Alabama Exchange use a free market facilitator model.**

The ACA requires the establishment of a Small Business Health Options (SHOP) exchange to serve small businesses and an Individual exchange to serve the individual marketplace. The Commission discussed whether to establish one administrative entity for both Exchanges or to establish separate entities to administer each Exchange. **The Commission unanimously voted to recommend that the State establish one administrative entity to oversee both Exchanges.**

Further, to emphasize the unique features of the Alabama Exchange, the Commission unanimously voted to recommend that the Exchange be called the Alabama Health Insurance Marketplace.

The Commission considered the following four governance options for an Alabama Exchange:

- ◆ Existing state agency
- ◆ New state agency
- ◆ Quasi-public authority
- ◆ Non-profit organization.

The Commission voted unanimously to recommend that Alabama establish a new quasi-public authority to operate its Exchange.

Governing Board Composition

The Commission discussed options regarding the size of the Board and the balance of expertise and stakeholder representation. To meet ACA requirements concerning Board composition, Alabama would need to limit stakeholder representatives to constitute less than a majority of the total number of Board members.

The Commission unanimously voted to recommend that the following representatives be considered for inclusion as either voting or advisory members on the Board:

- ◆ Alabama Department of Insurance
- ◆ Alabama Medicaid Agency
- ◆ Alabama Department of Public Health
- ◆ Non-profit insurer
- ◆ For-profit insurer
- ◆ Providers
- ◆ Insurance brokers and individual agents
- ◆ Small business
- ◆ Large business
- ◆ Legislators
- ◆ Consumers
- ◆ Subject matter experts including actuaries, accountants, and information technology.

Interactions between the Alabama Exchange and Insurance Market

The Commission considered whether to recommend a single or combined risk pool for the individual and small group market segments. **The Commission unanimously voted to recommend that the two risk pools remain separate.**

The Commission also considered whether to keep the definition of “small employer” as 2 to 50 employees as currently defined under Alabama law (Ala. Code 27-52-21(c)). **By a vote of 10–2, the Commission recommended keeping the definition of small employer as it currently reads under Alabama law (between 2–50 employees) until 2016 when the definition required under the ACA will require the state to increase this number to 100 employees.**

The financial resources needed to plan, implement and operate the Alabama Exchange during the first year of operations—which commences with open enrollment in October 2013 and runs through the end of December 2014—will be provided by the federal government through cooperative agreements administered by the federal Center for Consumer Information and Insurance Oversight within the Centers for Medicare and Medicaid Services.

The Commission considered the following funding sources as options to sustain the Alabama Exchange in 2015 after federal funding ends:

1. Alabama general fund
2. Assessments on hospitals and other providers
3. Assessments on all insurers selling health insurance in Alabama
4. Assessments on all products sold in the small group and individual markets, including those sold inside and outside the Exchange
5. Assessments on the small group and individual products sold through the Alabama Exchange.

By a vote of 9–6, the Commission recommended that the Exchange be funded through option four, which would assess all products sold in the small group and individual markets, including those sold inside and outside the Exchange. By a unanimous voice vote, the Commission noted that the Commissioners voting “no” supported option five, an assessment on only those small group and individual products sold through the Alabama Exchange.

The Study Commission approved the final Recommendations Report by a unanimous vote. This report will be used by Governor Bentley to prepare legislation to be introduced in the Alabama legislative session beginning February 7, 2012.

Continuing Role for Alabama Stakeholders

The Department of Insurance and the LMI team acknowledge the gracious support and guidance provided by Alabama stakeholders for the design of the Alabama Health Insurance Marketplace. The success of this Exchange will depend on the continued support of these stakeholders as the State moves from the design to the implementation phase.

Appendix

Products Developed by the LMI Team to Support the Alabama Exchange Planning Process²

1. Alabama's Exchange Roadmap, June 2011.
This report, prepared by Robert Carey of Public Consulting Group under LMI subcontract, serves as the overarching framework to help the state plan, design, and implement an Exchange. It discusses the goals for the Exchange, describes its functions and responsibilities, reviews important milestones, and identifies key features and requirements needed to establish and operate a fully functioning, self-sustaining Exchange.
2. Stakeholder Views on the Alabama Health Insurance Exchange, August 2011.
This report, prepared by David Helms of LMI, provides a summary of the stakeholder engagement process. Alabama officials viewed stakeholder engagement as a key component of the planning process for establishing an Exchange tailored to the State's unique needs. In addition to outlining the process for stakeholder engagement, this report reviews the responses stakeholders provided during a stakeholder forum and six focus groups with insurers, agents and brokers, small businesses, providers and advocacy organizations. Participants in this process believed that the current level of uninsured, limited competition and affordability of insurance in the small and individual markets are all significant problems. They supported both the establishment of an Alabama Exchange and the use of federal funds to subsidize cost of health plans offered through this Exchange. They preferred the market organizer model with a quasi-public entity for the Alabama Exchange.
3. Current and Future Sources of Health Insurance for Alabama Residents, September 2011.
This report, prepared by Deborah Chollet of Mathematica Policy Research under LMI subcontract, provides a snapshot of the Alabama population under age 65 who, under provisions of the ACA are likely to become eligible for Medicaid, private individual coverage through an exchange, or private group coverage available through a Small Business Health Option Programs (SHOP) exchange.
4. Alabama's Current Insurance Market, September 2011.
This report, prepared by Deborah Chollet of Mathematica Policy Research under LMI subcontract, describes Alabama's current insurance market. The goal of the report is to help Alabama policy makers anticipate carrier participation in the individual and SHOP exchange and the changes that current carriers may need to make in order to comply with the ACA's provisions regarding, in particular, the minimum medical loss ratio for individual and small group products and coverage of essential services. The report includes six chapters. In Chapters 2 and 3, the report identifies the carriers that write coverage in both the individual or small group markets in 2010, and trends in each market between 2006

² Copies of these reports are available on the Department of Insurance website at <http://www.aldoi.gov/Consumers/HealthInsReform.aspx>.

and 2010. Chapter 4 describes the major carriers' current benefit packages offered to individuals and small groups. Chapter 5 describes other characteristics of Alabama's market with implications for the entry of new carriers or the emergence or growth of coverage in arrangements that might fall outside either the exchange or the insured individual and small group markets more broadly. Chapter 6 includes a summary and discussion of findings.

5. Design Options for an Alabama Exchange, September 2011.

This report, prepared by Robert Carey of Public Consulting Group under LMI subcontract, provides the Alabama Department of Insurance (DOI) with a detailed assessment of the functions and responsibilities of a health insurance exchange, and outlines options for state officials to consider as they seek to establish an exchange that works best for Alabama residents and businesses. The Alabama Exchange needs to be operational by October 2013 in order to be able to assess eligibility and enroll qualified participants in coverage that will take effect starting January 1, 2014. This report reviews the major components of an exchange—pursuant to the Patient Protection and Affordable Care Act (ACA) and federal guidance—and offers options that would meet Alabama's unique needs.

6. Current Programs and Integration Opportunities, September 2011.

This report, prepared by Robert Carey of Public Consulting Group under LMI subcontract, provides the an analysis of program integration requirements and opportunities with the goal of aligning or standardizing benefit packages to minimize coverage disruptions and maximize care continuity. As Alabama continues to plan for implementing the 2014 requirements of the ACA expanding the state's Medicaid program, and establishing the Exchange, the state will need to coordinate a number of activities across Medicaid, ALL Kids, and the Exchange. This report focuses on seven key areas of potential program integration: eligibility, appeals of eligibility, outreach, education and enrollment, call center and customer service, and covered benefits, private networks and health insurers.

7. Finance Functions of the Alabama Exchange, November 2011.

This report, prepared by Robert Carey of RLCarey Consulting under LMI subcontract, outlines the provisions required of the state health insurance exchange by the ACA to comply with provisions regarding financial management and program integrity. The Alabama Exchange will have a range of financial obligations and responsibilities and will interact with market partners and affiliates, such as health insurers, producers (agents and brokers), navigators, state agencies, and consumers. Some of the areas discussed in detail within this report include internal controls and financial management, premium billing, collection and remittance and the requirement for navigators.

8. Financial Sustainability of the Alabama Exchange, November 2011.

This report, prepared by Robert Carey of RLCarey Consulting under LMI subcontract, estimates the costs associated with operating the Alabama Exchange and discusses options for how to sustain its operation in 2015 when federal funding ends. The report also reviews how the two existing public exchanges are financed and identifies key variables that will affect the financial sustainability.