Planning and Establishing the North Carolina Health Benefit Exchange

TAG Kick-Off Meeting

January 5, 2011

MERCER

OLIVER WYMAN

Discussion Roadmap

- Introductions
- Overview of Project
- Expectations for TAG
- North Carolina Landscape
- Presentation of Key Priority Areas
- Discussion of Key Questions in the Priority Areas
- Next Steps

Discussion Roadmap

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Manatt/Mercer Project Team

MELINDA DUTTON – *Project Director*

- Extensive experience in public health insurance programs and the healthcare safety net.
- Assists health centers, hospitals, home care agencies and other providers with issues related to business strategy, reimbursement, licensure and regulatory compliance.
- Provides policy analysis and research support to foundations, think tanks and advocacy organizations.
- Engages in a wide variety of national and state-based projects involving use of health information technology to improve the quality and efficiency of health care.
- Advises states, providers, foundations and other stakeholders on implementation of health care reform.

SHARON WODA – *Project Manager*

- Advises public-sector clients on how to implement new healthcare programs and works with payers to understand opportunities as a result of changing legislation.
- Extensive project management experience, having managed numerous engagements on behalf of states, payers, providers and the federal government.
- Experience with engaging, coordinating, and facilitating stakeholder work groups and summarizing stakeholder findings.
- Currently working on health reform implementation.

ALLISON GARCIMONDE – *Project Support*

- Provides strategic business and regulatory advice, policy analysis and project oversight to public and private-sector clients on federal-state collaborative health initiatives, health information technology, Medicaid and Medicare.
- Experience convening state-level officials and stakeholders for planning and implementation of health programs, including North Carolina's recent HIE effort.
- Currently providing advisory and analytic support to states, providers and other stakeholders on implementation of health care reform.

JOEL ARIO – *Subject Matter Expert*

- Has played critical leadership roles in the insurance sector at the state and federal levels for over a decade.
- As the former director of the Office of Health Insurance Exchanges at HHS, served as the point person in leading health insurance exchange initiatives under the ACA and spearheaded the development of the regulatory framework for health benefit exchanges.
- Formerly served as Pennsylvania Insurance Commissioner and Oregon Insurance Administrator.

SUDHA SHENOY – *Subject Matter Expert*

- Extensive experience providing actuarial project management and support to states and other healthcare stakeholders.
- Currently working on Exchange modeling and actuarial analysis for other state health benefit exchanges, including the District of Columbia (D.C.) and Nebraska.
- Leads Medicaid rate setting projects for various states including North Carolina, Louisiana and D.C.

About Us

- Manatt Health Solutions
- Policy and business advisory division of Manatt, Phelps, Phillips, LLP focused on:
  - Federal Health Reform
  - Health Coverage & Access
  - Federal & State Policy
  - Advocacy
  - Health Information Technology Strategy
  - Strategic Planning & Analysis
  - Stakeholder Engagement & Facilitation
  - Healthcare Financing & Reimbursement
  - Strategic Partnerships

- Mercer Gov't Human Services Consulting (Mercer)
- Actuarial, policy, operations and regulatory consulting practice within Mercer Health & Benefits LLC focused on:
  - Federal Health Reform
  - Health Insurance Exchange Strategy
  - Actuarial & Financial Consulting
  - Cost Effective Quality Health Care
  - Informatics
  - Integrated Medicaid & Medicare Managed Care
  - Reporting and Monitoring
  - Uninsured Consulting

Project Goal and Meeting Objectives

Project Purpose: *Develop policy options and considerations and identify areas of consensus to inform the NC DOI recommendations to the NCGA on Exchange-related market reform policies.*

(pursuant to North Carolina Session Law 2011-391)

"It is the intent of the General Assembly to establish and operate a State-based health benefits Exchange that meets the requirements of the [ACA]...The DOI and DHHS may collaborate and plan in furtherance of the requirements of the ACA...The Commissioner of Insurance may also study insurance-related provisions of the ACA and any other matters it deems necessary to successful compliance with the provisions of the ACA and related regulations. The Commissioner shall submit a report to the...General Assembly containing recommendations resulting from the study."

-- Session Law 2011-391

Goals for Today's Meeting

- Introduce Key Project Staff and Overall Project Approach
- Establish Expectations of TAG and Describe Process for TAG Engagement
- Review North Carolina Landscape in light of ACA
- Develop Consensus Around Tier 1 Issues for TAG Deliberations

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Three Topic Areas for TAG Deliberations

Leveling the Playing Field to Mitigate Adverse Selection

Risk Adjustment and Reinsurance

Small Group Market Considerations

Tier 1 Policy Decisions:

Must be addressed by the NCGA in the 2012 Legislative Session and/or require input now to inform later decision-making

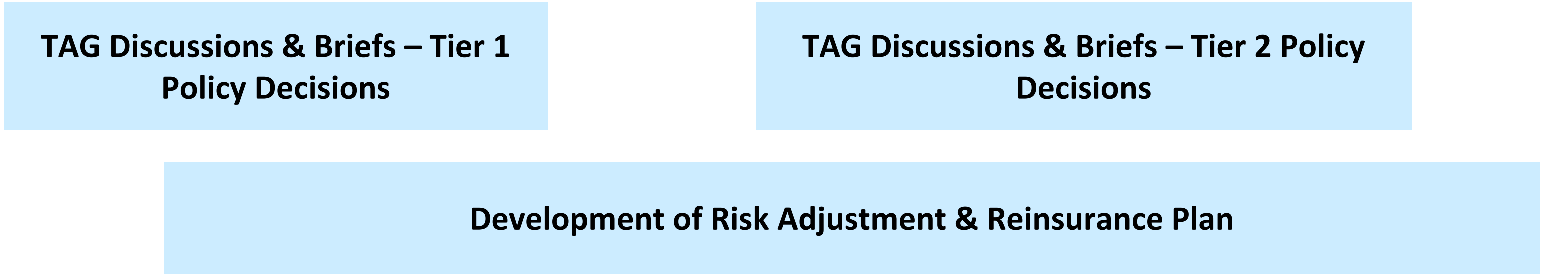
Tier 2 Policy Decisions:

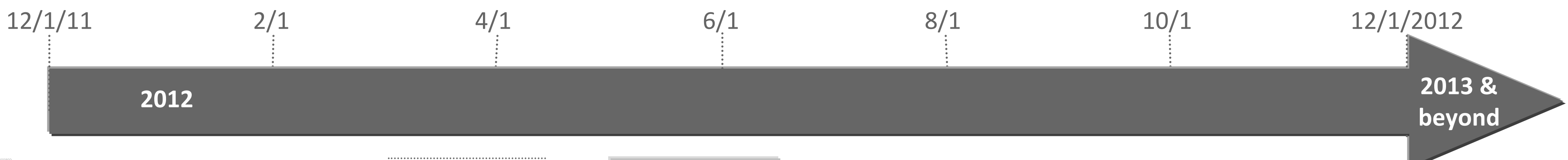
May be addressed in 2013 Legislative Session, may be accomplished administratively and/or require detailed technical analysis

Topic areas and policies will be addressed in more detail later in the presentation

Overall Project Timeline

Work Streams





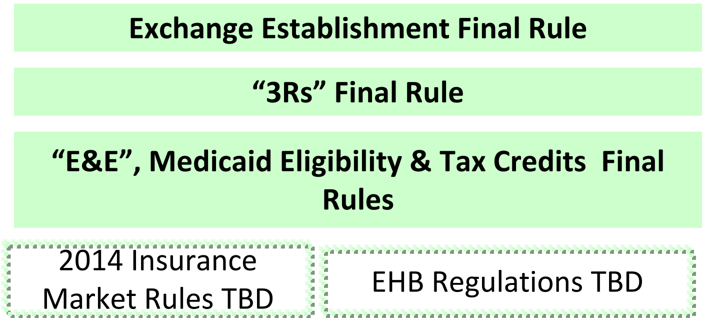
NC Leg. Activity

Federal Guidance and Activity

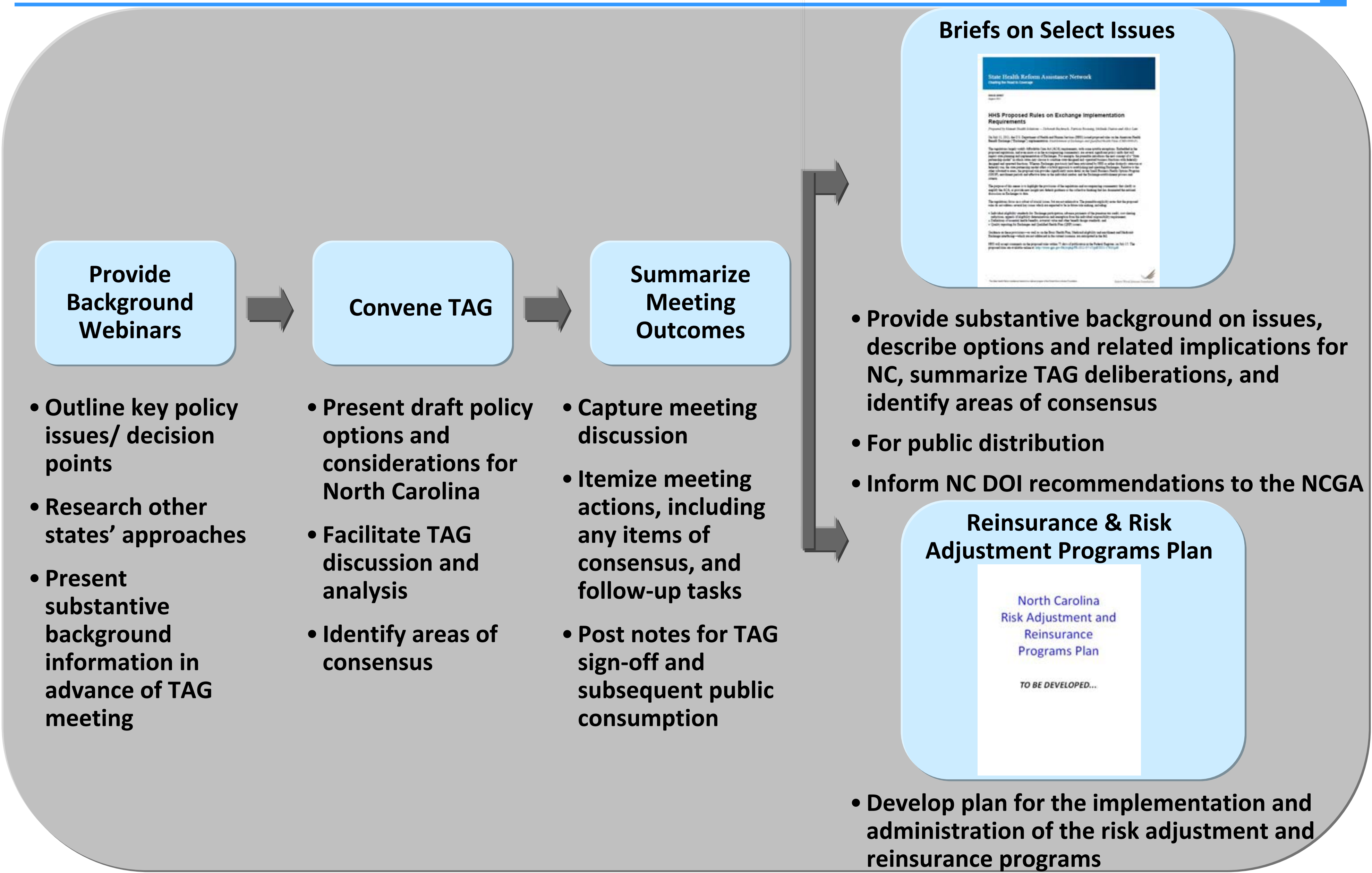
Relevant Guidance Already Issued

- Establishment of Exchanges and Qualified Health Plans NPRM (July 2011)
- "3R's" Reinsurance, Risk Corridors & Risk Adjustment NPRM (July 2011)
- "E&E Rule" Exchange Functions in the Individual Market: Eligibility Determinations; Exchange Standards for Employers NPRM; Medicaid Eligibility Changes under the ACA NPRM; Health Insurance Premium Tax Credit NPRM (August 2011)
- CMS Guidance on Federal Partnership Model (Sep. 2011)
- EHB Bulletin (Dec. 2011)

Guidance Forthcoming



Overview of TAG Process



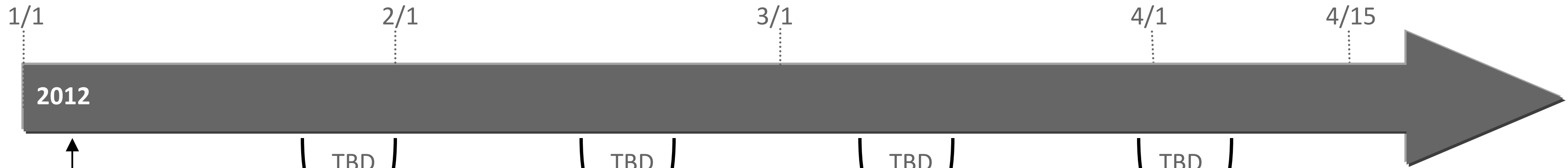
NOTE: Technical working sessions will be held on an as-needed basis throughout the duration of the project.

TAG Deliberations – Work Plan for 2012 NCGA Session

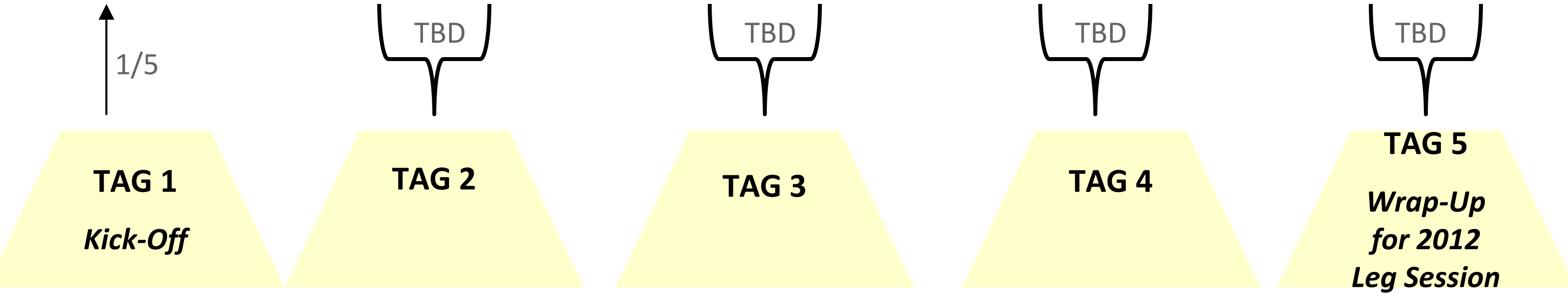
Work Streams

TAG Discussions & Briefs – Tier 1 Policy Decisions for 2012 Legislative Session

Development of Risk Adjustment & Reinsurance Plan



TAG Meetings & Topics



TAG Webinar *(in prep for TAG 2)*

TAG Webinar *(in prep for TAG 3)*

TAG Webinar *(in prep for TAG 4)*

TAG Webinar *(in prep for TAG 5)*

Working Sessions

Tech working session- as needed

Tech working session- as needed

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Role and Expectations of the TAG

- The purpose of the TAG is to provide technical expertise and stakeholder input to support implementation of market reforms under the ACA.
  - Not all Exchange implementation issues are under the purview of the TAG.
- The TAG will identify policy options and considerations for the NC DOI; the NC DOI will develop recommendations to the NCGA.
- TAG will prioritize policy issues that must be addressed in the 2012 legislative session.
- TAG will seek to identify points of consensus.
  - In cases where consensus is not reached, the TAG will put forth a balanced consideration of the pros and cons of an issue.

Role and Expectations of TAG Participants

- TAG members will
  - Be a consistent presence
  - Meet timelines
  - Contribute expertise
  - Consider perspectives from diverse stakeholder groups
  - Be solution-oriented
  - Respect the opinions and input of others
  - Work toward consensus
- Though remote access will be available for all meetings, members are *strongly encouraged* to attend meetings in person.

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Topic Area #1- Leveling the Playing Field to Mitigate Adverse Selection

- **Adverse selection refers to the risk that the HBE could enroll a mix of members that is less healthy, on average, than the non-HBE market, impacting the long-term viability of the exchange.**
- **Milliman findings show that adverse selection is likely to occur in the HBE given the demographics of the individuals likely to enroll:**
  - 45% of the individuals expected to enroll in the NC HBE are uninsured and may have “pent up” demand for access to covered services
  - The average age of the NC HBE market is projected to be 35.8, while the average age of the non-HBE market is 29.9, with older individuals normally higher utilizers of services
  - 75% of the individuals expected to enroll in the NC HBE are eligible for subsidies (< 400% of the FPL) and lower-income individuals tend to have poorer health status
  - Collectively, individuals who are likely to enroll in the NC HBE will have poorer health than individuals who are likely to stay in the non-exchange individual market (1.09 risk score to .97 risk score)
- **The TAG will consider strategies that will ensure the success of a vibrant health insurance market that encourages competition and meets the needs of citizens**
  - Includes strategies that “level the playing field” between the non-HBE and the HBE market
  - Risk Adjustment and Reinsurance are considered separately

Source: Milliman, North Carolina Health Benefit Exchange Study, July 18, 2011

Topic Area #1- Leveling the Playing Field to Mitigate Adverse Selection

ACA-Requirements

- Standard geographic rating area definition and implementation of age band, tobacco band *(PHSA 2701)*
- Guaranteed issue and renewability of coverage in the individual market (both inside and outside of the exchange) *(PHSA 2702; 2703)*
- Prohibiting discrimination against individuals based on health status-related factors (claims experience, etc.) *(PHSA 2705)*
- Prohibiting discrimination against providers operating in their scope of practice and against individuals/ employers who receive subsidies or provide information to government investigators *(PHSA 2706)*
- All QHPs must include EHB and comply with annual cost-sharing limits *(PHSA 2707)*
- If an insurer participates in one of the Exchange tiers, they must also offer that coverage as a plan open to children under age 21. *(PHSA 2707)*
- Coverage for individuals participating in approved clinical trials *(PHSA 2709)*
- Rating reforms must apply uniformly to all health insurance issuers and group health plans *(PPACA 1252)*
- Certification of QHPs that meet certification criteria which must at a minimum include requirements related to marketing rules, network adequacy, accreditation, quality, standardization and transparency **(*PPACA 1311*)**

Source: Manatt Analysis and NAIC, Patient Protection and Affordable Care Act, Section by Section Analysis; May 12, 2011

Topic Area #1 – Leveling the Playing Field to Mitigate Adverse Selection

Policy Options

1. **Defining Geographic Rating Areas**
   - How many rating areas are reasonable and how should those areas be defined?
2. **Options for Insurer Participation in the Exchange, including:**
   - Mandatory insurer participation (e.g. if an insurer is in the non-exchange individual market they must also participate in the exchange)
   - Requirement or incentive related to what plans insurers offer both inside and outside of the exchange (e.g. insurers that offer a plan outside must offer the same plan inside)
   - Requirement or incentive for insurer participation across all four benefits tiers or a targeted number of tiers in the exchange (e.g. insurers that offer catastrophic coverage must also offer a bronze option)
   - Requirement or incentive to limit the number of benefit designs within each benefit tier (e.g. insurer must offer no more than 3 plans at each metal tier)
3. **Standards for QHP Certification**
   - Should NC impose network adequacy requirements, marketing rules, and/or other criteria above federal requirements?
4. **Open Enrollment period both inside and outside of the exchange**
   - Should the open enrollment periods be the same inside and outside the exchange?

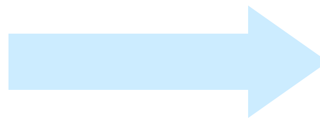
Topic Area #1- Leveling the Playing Field to Mitigate Adverse Selection

Example Issue:

Mandatory carrier participation in the exchange

Potential TAG Option:

1. Require participation or make recommendations as to what "level" of participation is acceptable (by products, by tiers)



Potential TAG Considerations:

- Insurer participation in the exchange might be accelerated, perhaps attracting more consumers to the exchange and perhaps limiting adverse selection among insurers
- Some insurers might exit the NC market, such as smaller insurers

Source: Milliman, North Carolina Health Benefit Exchange Study, July 18, 2011

Topic Area #2- Risk Adjustment and Reinsurance (RR)

- **ACA has three mechanisms designed to mitigate the impact of potential adverse selection and stabilize premiums in the individual and small group markets as insurance reforms and health insurance exchanges are implemented.**
- **Three mechanisms are:**
  - ***Reinsurance*** is a temporary program (2014 to 2016) which will be administered by states having state-run exchanges. Reinsurance is available to all individual market plans- both in and out of the exchange- to provide protection against catastrophic claims
  - ***Risk Corridors*** are a temporary program (2014 to 2016) which will be administered by the feds. Risk Corridors is designed to limit insurer losses and gains specifically within the HBE (for both individual and small group Exchanges, separately)
  - ***Risk Adjustment*** is a permanent program (2014 and beyond) which will be administered by the states or the feds for states having a state-run exchange. Risk Adjustment is intended to protect health plans operating in the individual and small group markets- both inside and outside of the exchange- from attracting higher than average health risk
- **The TAG can provide input on the RR provisions which require state-choice, as well as other issues impacting risk.**

Source: RWJ; State Health Reform Assistance Network; Charting the Road to Coverage "Analysis of HHS Proposed Rules on Reinsurance, Risk Corridors and Risk Adjustment; July 2011

Topic Area #2- Risk Adjustment and Reinsurance

ACA- Requirements

- **Each state must establish a program of risk adjustment for all non-grandfathered plans in the individual and small group market both inside and outside of the Exchange** *(PPACA Section 1343)*
- **Each state must establish a transitional reinsurance program to help stabilize premiums for coverage in the individual market during the first three years of Exchange operation** *(PPACA Section 1341)*

Policy Options

1. **Creating a NC-specific risk adjustment model or relying on the federal model and parameters. Decisions include:**
   - Using a state model or a federal model; using state weights or federal weights
   - If NC or the feds should administer the federal model (if selected); If the exchange, or another entity, should administer risk adjustment (if NC opts to perform risk adjustment at the state level)
   - Creating the risk adjustment audit process, especially in light of no all-payer claims database
2. **Creating a NC-Specific reinsurance model based on federal parameters. Decisions include:**
   - Increase assessment collected; decision to adjust attachment point, coinsurance and cap
   - State discretion to set up or contract with reinsurance entities for administration
3. **Transitioning the high risk pool**
   - Considerations for moving the federally-funded high risk pool members into the Exchange
   - Considerations for the state-run risk pool

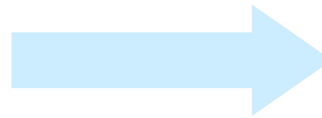
Topic Area #2- Risk Adjustment and Reinsurance

Example Issue:

Decision to use the federal risk adjustment model and, if so, if NC should administer the model.

Potential TAG Options:

1. Rely on federal model
2. Administer risk adjustment at the state level or rely on feds to administer model



Potential TAG Considerations:

- Federal model to be based off of Medicare and feds are hinting that few exceptions will be permitted
- Reliance on federal model could allow NC to focus on other priority issues for exchange establishment while also giving NC the flexibility to perform risk adjustment at a later date
- NC could opt to perform risk adjustment and tailor the program to meet state market needs

Source: Milliman, North Carolina Health Benefit Exchange Study, July 18, 2011

Topic Area #3- Small Group Market Considerations

- **The SHOP will assist qualified employers in facilitating the enrollment of their employees into qualified health plans**
  - Some employers are eligible for Tax Credits
- **Milliman estimates that the SHOP will account for 6% of total exchange enrollment**
  - 51,149 are projected to enroll in the SHOP in 2014 (about 9% of the total 1-50 small group market)
  - Overall, the small group market is expected to decline 2014 through 2016, due to the elimination of experience rating and the impact of Medicaid expansion
  - Current North Carolina law permits insurers to rate a group up or down 25% based on experience; groups with better experience will experience significant premium increases in 2014
  - By 2016, 35,398 are projected to enroll in the SHOP (about 7% of the total 1-50 small group market)
- **By 2016, small groups with 51 to 100 employees have access to the exchange**
  - By 2016, 22,676 are projected to enroll in the SHOP (about 9% of the total 51 to 100 small group market)
- **The TAG can consider the ACA-required provisions, as well as weigh in on the amount of choice employers can have in the exchange**

Source: Milliman, North Carolina Health Benefit Exchange Study, July 18, 2011

Topic Area #3- Small Group Market Considerations

ACA- Requirements

- **Prior to 2016, a state may elect to define a small group as under 51 employees {as opposed to under 101 employees).** *(PPACA Section 1304)*

Policy Options

1. **Keep the definition of the small group the same until 2016, or to expand it by 2014.**
   - Definition of "employee" in ACA and handling of groups of "1" need to be reviewed
2. **Merging the individual and small group markets.**
   - ACA gives states the option of merging the markets, but does not require a merger
3. **Determining the level of employer choice in SHOP, such as:**
   - Employer gives employees expanded choice (e.g. all available plans; access to two metal levels instead of one)
   - Employer selects a single plan/tier for all employees

Note: NC will also need to select whether to merge or keep separate the Individual and SHOP exchanges. Such a consideration is not a priority market-reform issue for the TAG to address at this time.

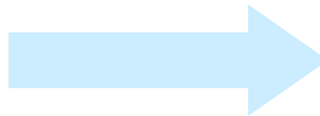
Topic Area #3- Small Group Market Considerations

Example Issue:

Decision to merge or keep separate the individual and small group markets in NC

Potential TAG Options:

1. Keep the market separate
2. Merge the market



Potential TAG Considerations:

- The small group market is more healthy than the individual market; merging likely to result in high premiums rates for small group members
- Impact would be different across insurers, based on market participation
- Merging the markets would create a larger, more stable risk pool

Source: Milliman, North Carolina Health Benefit Exchange Study, July 18, 2011

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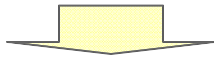
Develop and Confirm Goals for Post- ACA Market

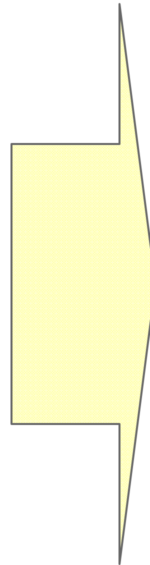
Task:

What goals or values should guide or inform the recommendations?



Options for Consideration:

- Coverage
- Cost-efficiency
- Accountability
- Quality
- Accessibility
- Transparency
- Stability of existing infrastructures
- Choice
- Others?



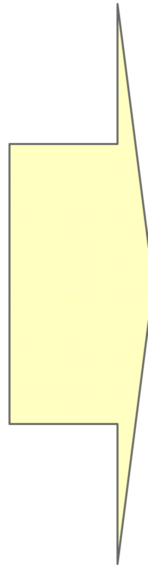
TAG Discussion:

1. ***To be discussed***
2. ***?***
3. ***?***
4. ***?***
5. ***?***
6. ***?***
7. ***?***

Topic Area #1- Issues for Consideration in Leveling the Playing Field to Mitigate Adverse Selection?

Policy Options and Choices

1. Standard rating area definition
2. Options for insurer participation in the Exchange, including: mandatory insurer participation; requirements for plans inside/outside the exchange; requirement for insurer participation across benefits tiers, limiting benefit designs w/in a tier; fair marketing rules, etc.
3. Establishing QHP certification criteria (e.g. network access)
4. Open enrollment period both inside and outside of the exchange



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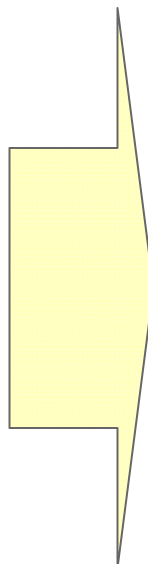
Topic Area #2- Issues for Consideration in Risk Adjustment and Reinsurance

Policy Options and Choices

1. Creating a NC-specific RA model or relying on the federal model (includes using state or federal weights)
2. Creating a NC-specific reinsurance model based on federal parameters
3. Transitioning the high risk pool
   - Federally-funded pool
   - State Pool



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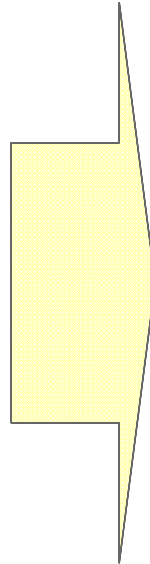
Topic Area #3- Small Group Market Considerations

Policy Options and Choices

1. Expansion of the definition of small group to include businesses with 51-100 employees prior to 2016
2. Merging the individual and small group markets
3. Determining the level of employer choice in SHOP, such as giving employees expanded choice or selecting a single plan/tier for all employees



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Next Steps

- **Read notes sent after meeting**
  - **Notes will be reviewed at the beginning of the next in-person meeting**
- **Stay tuned for dates/times of webinars and in-person meetings**
  - **To be distributed shortly**
- **Attend webinar, date TBD**