



## Presentation for Licensed Producers

# The Affordable Care Act

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# Affordable Care Act

The ACA was passed by Congress and *signed into law* by President Obama in 2010.



# What happened next?

- In 2012 the U.S. Supreme Court *upheld the ACA* as constitutional.

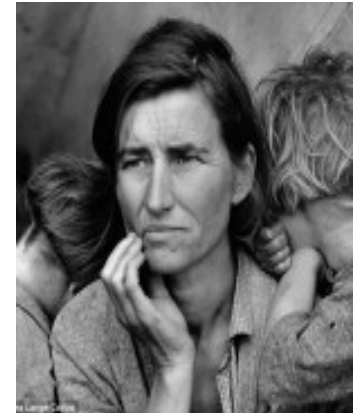


- In the same ruling, the court nonetheless ruled that the federal government *couldn't force states to expand* their Medicaid programs.

# Why Health Care Reform Is Needed

- **Poor Health Status of Arkansans**

- Ranked 48<sup>th</sup> on health indicators (3<sup>rd</sup> worst)
- High rates of chronic disease



- **Health Care Costs**

- Premium care costs have doubled in the past ten years.
- Many are paying > 10% of income on health care.
- 25% of adult Arkansans, under age 65, are uninsured (over 500,000)

# The Affordable Care Act

The Affordable Care Act of 2010 was created to decrease health costs and improve health outcomes through:

- Public and Private Coverage Expansions\*
- Change in Benefits and Access to Care
- Insurance Issuer Market Reforms
- New Individual Responsibility
- Establishment of **Health Insurance Marketplace**

# The Affordable Care Act

## Individual Responsibility

- Most must purchase health insurance
- Reduces the cost for many
- Assistance is available (premium tax credits)
- No penalty if not required to file a tax return

## Public (Medicaid) and Private Coverage Expansions

- Additional 250,000 could be covered under Medicaid
- Additional 211,000 likely to obtain Private Coverage in 2014
- Billions of dollars will come into Arkansas

# How the Affordable Care Act Has Already Helped Consumers



Children can stay on their parents insurance policy until the age of 26.

- Insurance companies can no longer deny coverage of a child under age 19 due to his/her health conditions.
- Lifetime benefit limits are eliminated and annual benefit limits on insurance coverage are regulated until 2014.
- Rescinding coverage by insurance companies is prohibited unless due to fraud.

# How the Affordable Care Act Has Already Helped Consumers

- Recommended preventive services, such as mammograms, colonoscopies, wellness visits, etc. now at no cost to certain consumers.
- Rebates on health insurance premiums paid if the insurance company does not pay enough on health care claims.
- Relief for more than a half-million Arkansas seniors who hit the Medicare “donut hole”.
- Consumer Assistance Program established at AID.





# How the Affordable Care Act Will Help Consumers in the Future

- Insurance companies cannot deny coverage *for anyone* due to health conditions or personal health history.
- No annual or lifetime benefit limits.
- Begin to close gaps in prescription drug coverage for Medicare (Gaps will be eliminated by 2020).
- Premiums cannot be increased due to gender, health conditions or personal health history.

# How the Affordable Care Act Will Help Consumers in the Future



- Premiums can only be increased due to age, geography, tobacco use, and type of coverage.
- Eligibility determinations are “real time.”
- Primary care physicians will be paid no less than 100% of Medicare payment rates for primary care services.

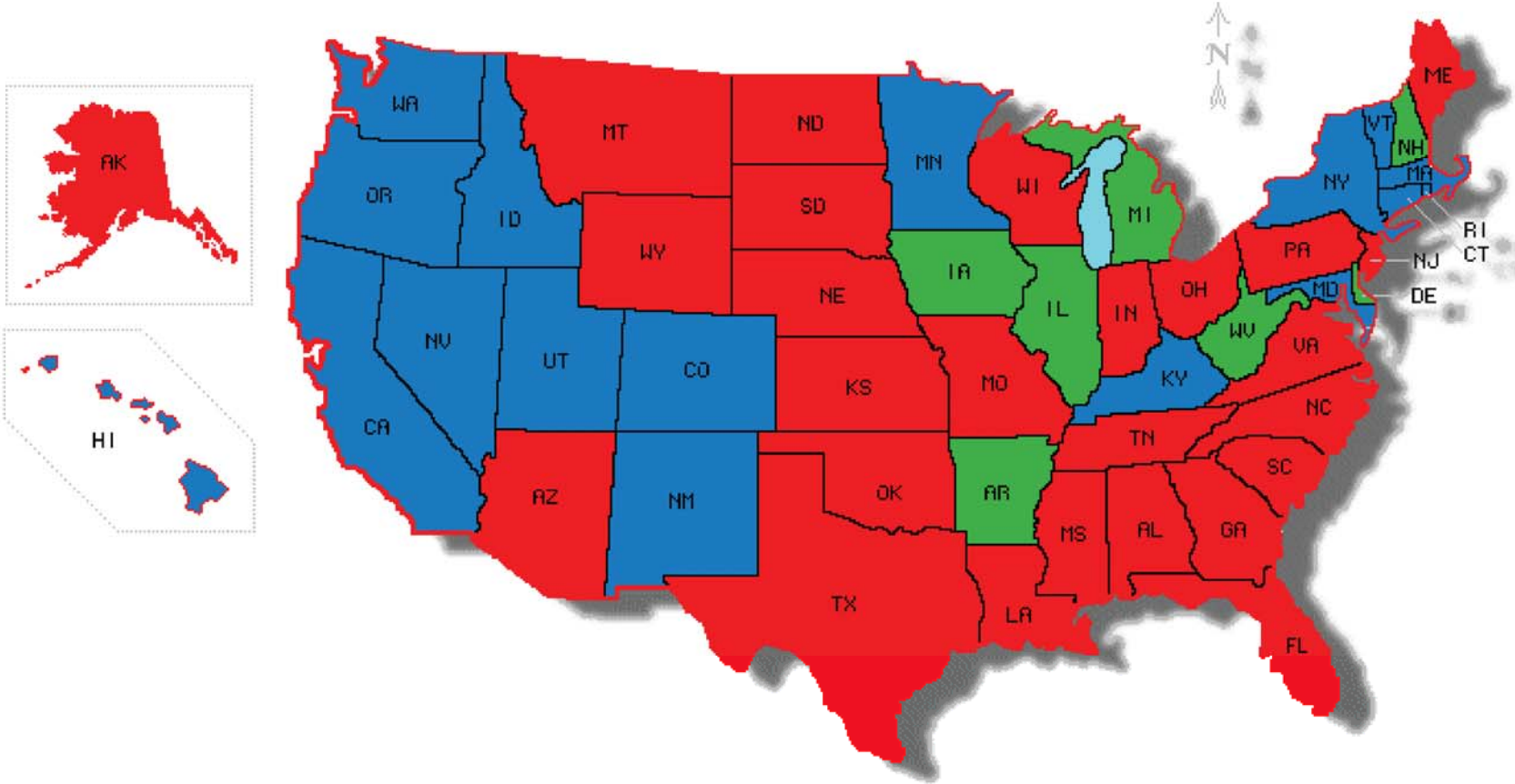
# What is a Health Insurance Marketplace (Exchange)?

- Competitive marketplace where individuals, families and small employers can shop for, select and enroll in high quality, affordable **private** health plans that meet their specific needs at competitive prices.
- Marketplaces will also help eligible individuals receive premium tax credits and cost sharing reductions or help them enroll in other state or federal public health programs.

# Types of Exchanges (Marketplace)

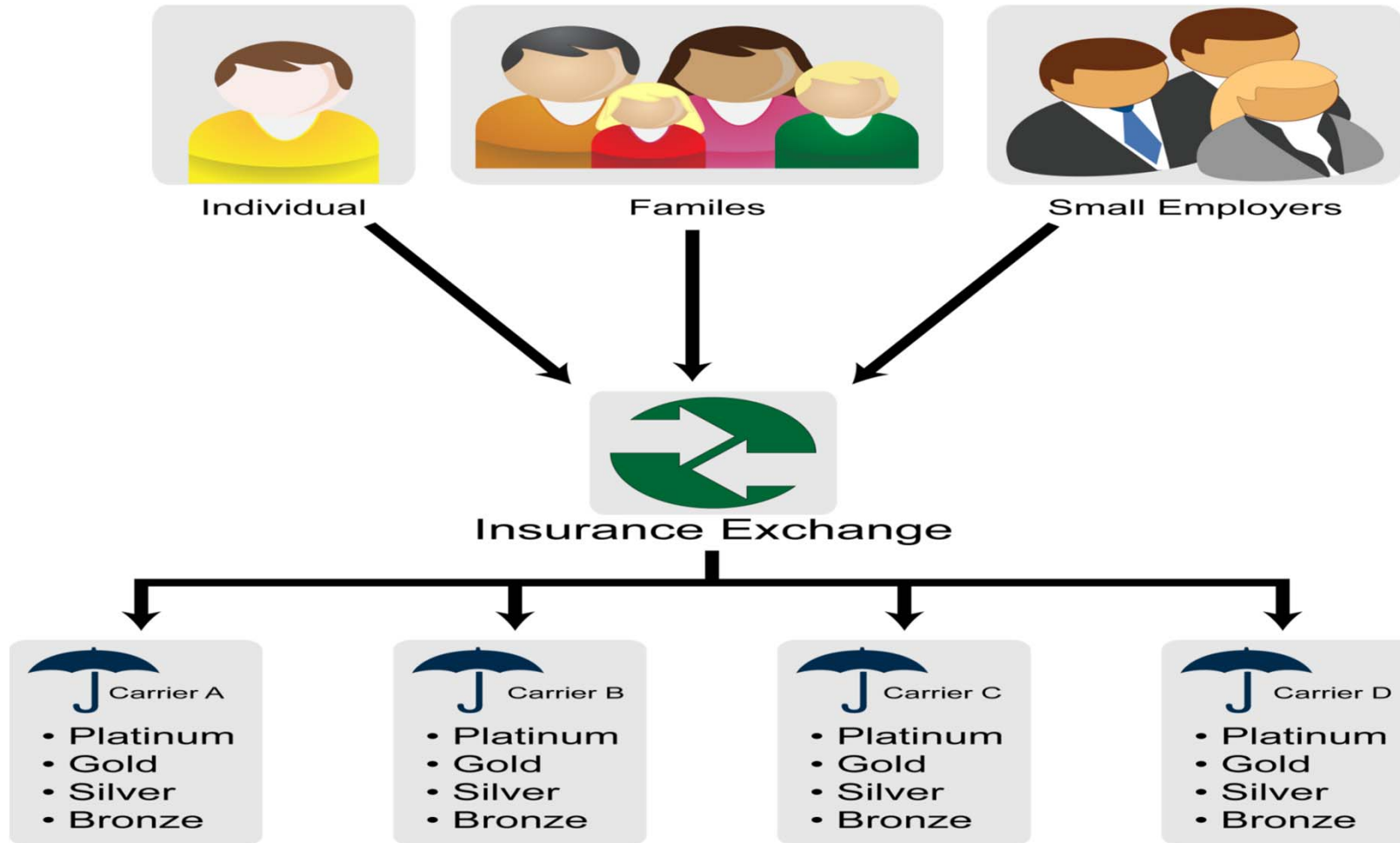
- **State-Based Marketplace (SBM)** – State is responsible for all functions (QHP, Premium fees, oversight/Monitoring, eligibility/enrollment, IT, outreach/education, consumer complaint, In-Person assistance and the call center).
- **Partnership Marketplace** – Marketplace is operated by the federal government, however State retains responsibility for Plan Management and/or Consumer Assistance functions.
- **Federally-facilitated Marketplace** – All functions are the responsibility of the federal government.

# Status of Marketplaces



- State-Based Marketplace
- Federal Marketplace
- Partnership Marketplace

# What is a Health Insurance Marketplace?



# Premium Tax Credit Eligibility

- Household income 138% - 400% FPL (\$32,499-\$94,200 for a family of four).
- Must be enrolled in a QHP through the Marketplace.
- Must be lawfully present and not incarcerated.
- Must not be eligible for other coverage such as Medicare, Medicaid, or employer-sponsored insurance.
- Subsidies are based on the second lowest cost silver plan (actuarial value of 70%)

# Arkansas Benchmark Plan



# Options for AR EHB Benchmark for 2014

- One of the three largest federal plans by enrollment
- One of the three largest state small group plans by enrollment
- One of the three largest state employee plans by enrollment
- The largest HMO in State by enrollment
- ***If state doesn't choose by September 30, 2012, the federal default plan is the state's largest small group plan by enrollment.***

# Arkansas EHB Benchmark Plan for 2014

- Commissioner Bradford announced the EHB Benchmark Plan Selection on September 21, 2012.
  - **Arkansas Blue Cross Blue Shield Health Advantage Point of Service Plan (POS)**
  - **QualChoice Federal Plan Mental Health and Substance Abuse Benefits** for the mental health benefit due to the POS Benefit not being sufficient to meet the requirements under federal law.
  - **Arkansas Child Health Insurance Plan (CHIP), AR Kids First** for the pediatric dental benefit not provided under the POS plan.
  - **Arkansas Blue Cross Blue Shield Federal Pediatric Vision Plan** as the POS does not cover pediatric vision benefits and the only supplementation option is the federal plan with the highest enrollment.
- The EHB was submitted to CCIIO through the HIOS upload on September 26, 2012.
- Details related to each of these plans may be found at <http://hbe.arkansas.gov/>

# Qualified Health Plan Benefits (QHPs)

All health insurance plans offered on the Marketplace will be “Qualified Health Plans”, meaning that payments made by the insurance company towards health care costs must meet at least 60% of actuarial value and the following ***Essential Health Benefits*** must be provided:

1. Ambulatory Services
2. Hospitalization
3. Emergency Services
4. Maternity and Newborn Care
5. Mental Health and Substance Use Disorder Treatment
6. Prescription Drugs
7. Rehabilitative and **Habilitative** Services/Devices
8. Laboratory Services
9. Preventive, Wellness, and Chronic Disease Management
10. **Pediatric Services, Including Oral and Vision Care**

# QHP Levels Allowed on the Marketplace

- QHP Levels are based on Actuarial Value.
- The insurance company will pay:
  - Platinum – 90%
  - Gold – 80%
  - Silver – 70%
  - Bronze – 60%
- Catastrophic plans available for adults under 30.

# QHP Pediatric Dental Plans

- Stand Alone Pediatric Dental Plans-
  - Must demonstrate reasonable annual limitation on cost sharing (*without regard to Out of Network*)
  - Must demonstrate benefit level 75% - 85% (+/- 2%) certified by actuary (may not use AV calculator)—*note this is different than metal tier AV levels*
  - Coverage for Pediatric Dental until age 19

# Rating Factor Limitations

Rates for a particular plan may vary based on the following factors:

- Whether coverage is for individual or family
- Geographic Rating Area- 7 rating areas in Arkansas
- Age
- Tobacco Use- Arkansas 20% max rate up  
(Individual Plans Only)

# Rating Factor Limitations Cont'd

## Uniform Age Bands

- Child Age Bands- Single Age Band 0 to 20 years
- Adult Age Bands- One Year Age bands starting at 21 years and ending at 63
- Older Adult Age Bands- Single Age Band for individuals from 64 and older

# Rating Factor Limitations Cont'd

AGE	PREMIUM RATIO	AGE	PREMIUM RATIO	AGE	PREMIUM RATIO
0-20	0.635	35	1.222	50	1.786
21	1.000	36	1.230	51	1.865
22	1.000	37	1.238	52	1.952
23	1.000	38	1.246	53	2.040
24	1.000	39	1.262	54	2.135
25	1.004	40	1.278	55	2.230
26	1.024	41	1.302	56	2.333
27	1.048	42	1.325	57	2.437
28	1.087	43	1.357	58	2.548
29	1.119	44	1.397	59	2.603
30	1.135	45	1.444	60	2.714
31	1.159	46	1.500	61	2.810
32	1.183	47	1.563	62	2.873
33	1.198	48	1.635	63	2.952
34	1.214	49	1.706	64 and older	3.00



# Rating Factor Limitations Cont'd

## *Individual Marketplace Premiums:*

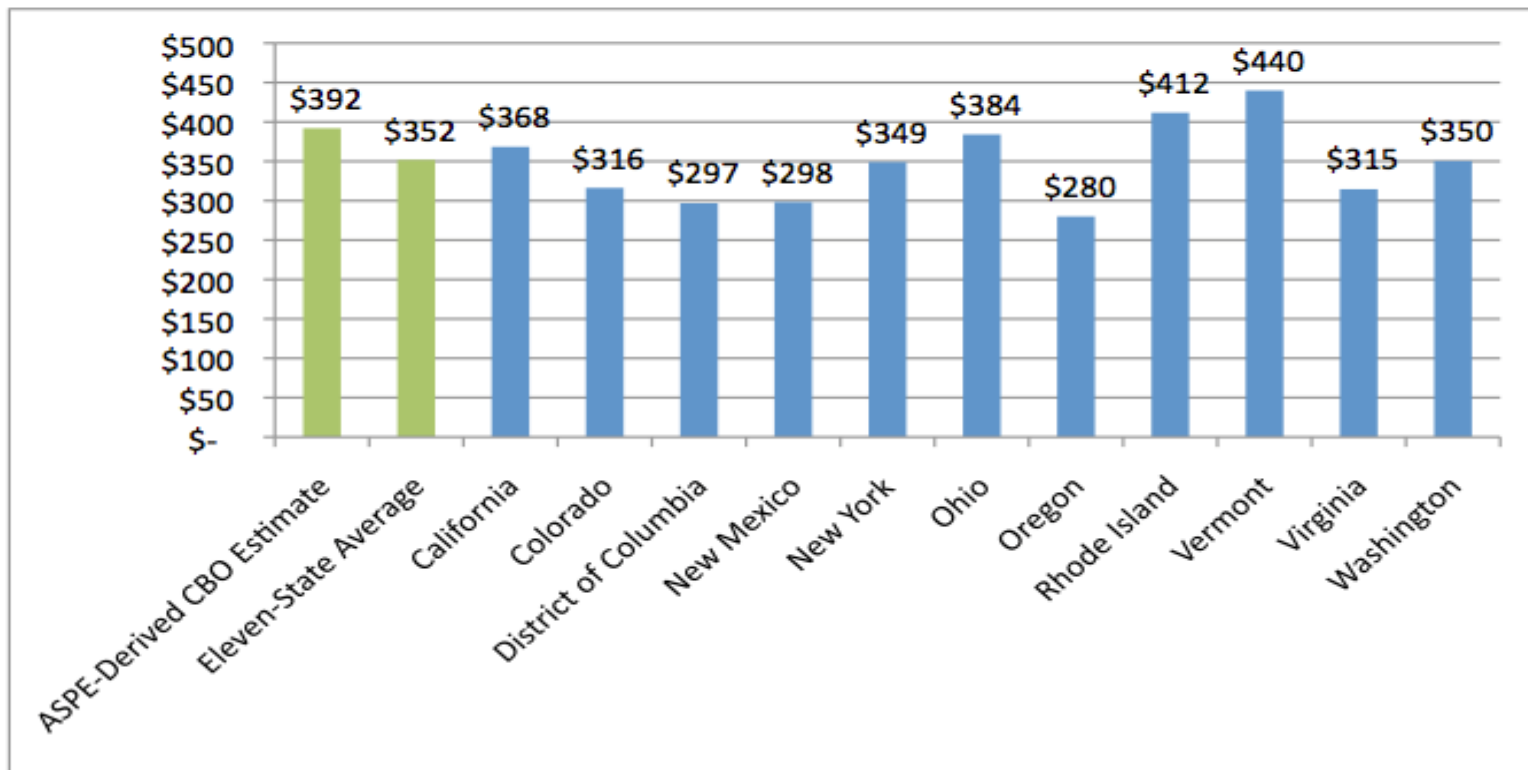
- *In determining the total premium for families, rates would include all the adults and the three oldest covered children who are less than 21 years old.*

## *Small-group marketplace Premiums:*

- *The total premium charged to a small-employer group shall be determined by summing the premiums of all plan members based on the same calculation used for the individual market.*

# Premiums for Second Lowest Cost Silver Plan

**Figure 2: Comparison of ASPE-Derived CBO 2014 Premium Estimate to Individual Market Second Lowest Cost Issuer's Silver Premium, Weighted by Expected 2014 Individual Market Age Distribution**



From The Washington Post 7/18/13

# Grandfathered Plans

Grandfathered and non-grandfathered plans:

Many health plans that existed before the ACA was passed (March 10, 2010) do not have to implement many aspects of health care reform. These plans are considered to be “grandfathered.” Plans that do not meet the standards to be considered grandfathered and are, therefore, required to implement all applicable ACA regulations are called “non-grandfathered” health plans.

# Grandfathered Plans Cont'd

## What Causes an Existing Group Health Plan to Lose Grandfathered Status?

- Elimination of all or substantially all benefits to diagnose or treat a particular condition.
- Any increase in a percentage cost sharing requirement (coinsurance)
- Any increase in fixed dollar cost-sharing (deductibles & out of pocket expenses) in excess of the rate of medical inflation since March 23, 2010 plus 15 percentage points.
- Any increase in co-payments in excess of the greater of a) the rate of medical inflation, plus 15% or b) \$5.00, increased by medical inflation.
- Any decrease in employer contributions towards any tier of coverage by more than 5 percent of the contribution rate in effect on March 23, 2010 (cumulative).
- Certain changes in Annual Benefit Limits

# Individual Marketplace

# Benefits To Using The Marketplace

- More than half a million Arkansans will be eligible for marketplace coverage beginning January 1, 2014.
- Individual with incomes between 138% - 400% of the federal poverty level (FPL) may be eligible for assistance in paying the premium.
- Individuals with incomes between 0% & 138% of FPL will be eligible for private plans (high level silver plan) with Medicaid funding the premiums.
- No asset testing is required.
- Consumer premium cost  $\leq$  9.5% (mostly less) of household income.

# 2013 Federal Poverty Guidelines

FAMILY SIZE	100%	138%	200%	400%
1	\$11,490	\$15,856	\$22,980	\$45,960
2	\$15,510	\$21,404	\$31,020	\$62,040
3	\$19,530	\$26,951	\$39,060	\$78,120
4	\$23,550	\$32,499	\$47,100	\$94,200
5	\$27,570	\$38,047	\$55,140	\$110,280
6	\$31,590	\$43,594	\$63,180	\$126,360
7	\$36,610	\$49,142	\$71,220	\$142,440
8	\$39,630	\$54,689	\$79,260	\$158,520
For each Additional person, add	\$4,020	\$5,347	\$8,040	\$16,080

# Premium Limits Based on Income

INCOME	PREMIUM LIMIT
0 - 138% FPL (Medicaid Expansion)	0
100 - 138% FPL (non-Medicaid eligible)	2% of income
138 – 150% FPL	3 – 4% of income
150 – 200% FPL	4 – 6.3% of income
200 – 250% FPL	6.3 – 8.05% of income
250 – 300% FPL	8.05 – 9.5% of income
300 – 400% FPL	9.5% of income



# Examples of Contributions & Tax Credits

Coverage Tiers	Federal Poverty Level	Yearly Income	Maximum Premium Contribution	Estimated Monthly Premium	Consumer Monthly Payment	Monthly Tax Subsidy Amount
<b>SELF</b>	100%	11,170	2%	\$466	\$19	\$447
	200%	\$22,340	6.3%	\$466	\$117	\$349
	300%	\$33,510	9.5%	\$466	\$265	\$201
	400%	\$44,680	9.5%	\$466	\$353	\$113
<hr/>						
<b>FAMILY OF FOUR</b>	100%	\$23,050	2%	\$1,308	\$38	\$1,270
	<b>200%</b>	<b>\$46,100</b>	<b>6.3%</b>	<b>\$1,308</b>	<b>\$242</b>	<b>\$1,066</b>
	300%	\$69,150	9.5%	\$1,308	\$547	\$761
	400%	\$91,970	9.5%	\$1,308	\$728	\$580

*Above numbers are estimated and rounded*

# Arkansas Medicaid Expansion

- April 23, 2013- **Health Care Independence Act** signed by Governor Beebe.
- Only State privatizing Medicaid
- Represents truly private coverage fully integrated within the Marketplace (not a Medicaid product)
- Expected to add 250,000 or more to the private marketplace

# Health Care Independence Act

- Medicaid will purchase private, qualified health plan (QHP) coverage on the Marketplace for certain MAGI eligible beneficiaries.
- Effectuated through a Transition to Market
  - Cost sharing for individuals at 50-100% of FPL
  - Additional Medicaid eligible populations will come into the private option

# Private Option Eligible Individuals in 2014

- Childless adults ages 19-65 with incomes below 138% FPL
- Parents ages 19-65 with incomes between 17% and 138% FPL
- Who are **not** on Medicare
- Who are **not** disabled
- Who have not been determined to be more effectively covered under the standard Medicaid program, such as an individual who is medically frail or other individuals for whom coverage through the Health Insurance Marketplace is determined to be impractical, overly complex or would undermine continuity or effectiveness of care

# Private Option Enrollees Will Enroll in Silver Plans

- Eligible individuals will be permitted to shop among and enroll in QHPs offered at the Silver metal level in the Marketplace, at the following actuarial value variations:

## Eligible Individuals with Incomes from 0-100% FPL

**Year 1: Zero Cost Sharing Silver Plan Variation (100% actuarial value)**  
**Year 2: Transition to cost-sharing for individuals with incomes from 50-100% FPL**

## Eligible Individuals with Incomes from 101-138% FPL

**Years 1 and 2: High-Value Silver Plan Variation (94% +/- 1% actuarial value)**

# What are Penalties for Not Enrolling?

- 2014 - \$95 or 1% of adjusted gross income, whichever is greater, for each adult in the household.
- 2015 - \$325 or 2%, whichever is greater, for each adult in the household.
- 2016 - \$695 or 2.5%, whichever is greater, for each adult in the household.
- There are limited penalty exemptions.
- The Congressional Budget Office (CBO), a non-partisan agency, estimates that 4 million individuals or 1.2% of the total population will pay penalties to the IRS in 2016.

# Individual Enrollment

- Open enrollment begins October 1, 2013 through March 31, 2014 first year
- Subsequent years will be October 15 through December 7<sup>th</sup>. (*mirrors Medicare*)
- Below 138% continuous enrollment into Private Option

# SHOP

## (Small Employer Marketplace)



# Benefits To Using The SHOP Marketplace

- Businesses with less than 25 full time equivalent (FTE) employees may be eligible for tax credits or other cost reductions in 2014 (for any 2 consecutive years).

<http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>

# What Are Employer Requirements?

- No requirement to provide insurance for employers with less than 50 FTE employees.
- 2014- no requirement to provide insurance for employers with 50 or more Full Time Employees (FTEs- 30 or more hours/week).
- 2015- If 50 or more FTE employees, employer must provide affordable insurance options for full-time employees (affordable is defined as  $\leq 9.5\%$  of employee's wages for employee-only premium).

# What are Employer Penalties?

- $\geq 50$  full-time employees
  - If no offer of minimum coverage to every full-time employee and *any one* employee receives tax-subsidized coverage through an individual marketplace, the employer must pay a \$2,000 penalty for *every* full-time employee. (The first 30 employees are not counted in determining the penalty.)

# What are Employer Penalties Cont'd?

- $\geq 50$  full-time employees – contd.
  - Employee is offered coverage but **obtains tax-subsidized coverage through the individual marketplace**, the employer must pay a \$3,000 penalty for each such employee or \$2000 per employee after the first 30, whichever is less. (*While any employee is free to decline the employer plan and shift to the marketplace, the tax credit is available only if the worker's required contribution to the employer plan for single coverage is more than 9.5 % of the employee's income or the plan pays less than 60 percent of the cost of covered services.*)

# SHOP Marketplace Rules

2014-

- Small businesses with 2-50 FTEs will be able to shop on the Marketplace.
- No premium aggregation- employer will select one plan for all employees as today.

2015-

- Employers will choose a plan & level to determine contributions, employees will have choice among other plans offered on the marketplace for that employer.

2016-

- Businesses with up to 100 FTEs will be able to shop on the Marketplace.

2017-

- Businesses with over 100 employees at State option.

# Producers in the Marketplace

# Producer Requirements

## Training & Licensing-

Producers will be required to take two phases of training and assessments to get their licenses to write business on the Individual & SHOP Marketplace.

- Federal modules (on line) and pass a test.
- State modules (on line) and pass a test.

When- anticipate late August for release of federal on line training, followed by state release.

# Producer Requirements Cont'd

## Commissions-

- Carriers will determine how much commissions producers will receive.
- ACA requires same commissions to be paid both on and off the Marketplace for same plan.
- Producers will be paid commissions only from carriers they are appointed with as they do today.
- Producers must show all QHP plans available to consumers & small group.
- Producer portals will be available 2015.



# In Person Assister (IPA) Program

- There will be several types of “assisters” to help consumers/employers get help in understanding insurance options, determining eligibility, and facilitating enrollment:
  - Navigators
  - Guides
  - Licensed agents and brokers
  - Certified Application Counselors (CACs)
- All will be trained and certified by the Arkansas Insurance Department.
- A list of trained and certified assisters, including agents & brokers will be posted on AID website.

# Education & Outreach Campaign

Arkansas

**HEALTH**

CONNECTOR

Your Guide to Health Insurance



Arkansas  
**HEALTH**  
CONNECTOR  
Your Guide to Health Insurance

# Campaign Overview

- Overall Goal- to motivate 500,000+ uninsured and underinsured Arkansans to take action.
- The Arkansas Health Connector website will launch July 1<sup>st</sup> to help consumers and small businesses how determine eligibility and enroll into coverage.
- Statewide media effort, paid media in all 75 counties; ‘air cover’ will reach the most uninsured and underinsured Arkansans the fastest.
- Grassroots media including- local/community radio, community newspapers & direct mail.

# When?

- All before September 30
- Production of Campaign materials in June
- AETN Program June 27 to ‘kick off’
- Public awareness efforts for Education & Outreach Campaign launched July 1.
- ARHealthConnector.org website launched June 27, 2013

# Summary

- Cost and quality improvements in Arkansas's healthcare system will benefit all Arkansans.
- The Affordable Care Act has already resulted in improved coverage for many.
- More enhancements will become effective January 1, 2014, including access to quality, affordable insurance coverage through the state chosen Health Benefits Exchange model **(Open enrollment begins 10/01/13)**.
- Increased coverage will help keep health care local.
- Stay tuned for future updates!

# Additional Information

[www.arhealthconnector.org](http://www.arhealthconnector.org)

[www.HealthCare.gov](http://www.HealthCare.gov)

[www.hbe.arkansas.gov](http://www.hbe.arkansas.gov)

[www.healthy.arkansas.gov](http://www.healthy.arkansas.gov)

<http://healthreform.kff.org/subsidycalculator.aspx>

# Questions/Comments

