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Update on

Federally-facilitated Health Benefits Exchange Partnership Planning in Arkansas

July 18, 2012

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Topics/Format for Today's Update

Update

- Why is change needed?
- What does Supreme Court Decision regarding Affordable Care Act mean for Arkansans?
- What has already changed due to Affordable Care Act?
- What more will change January 1, 2014?
- What is status of Health Benefits Exchange Partnership Planning in Arkansas?

Questions and Comments

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Why is Change Needed?

- Poor Health Status of Arkansans
  - Ranked 48th on health indicators (3rd worst)
  - High rates of chronic disease

- Health Care Costs
  - Growing much faster than inflation/Consumer Price Index
  - Cost of insurance has doubled in past ten years resulting in a large and growing percentage of uninsured residents in AR (25% of 19-64 y/o's)
  - 49 million Americans spend >10% income on healthcare

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How is Consumer Affected?

- Limited Access to Health Care
  - Local clinics and hospitals face closing
  - Fewer clinicians
- Limited Choices
  - Health care
  - Life changes
- Poorer Health Outcomes

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Arkansas is Working to Decrease Health Costs and Improve Health Care Outcomes

Coordinated Effort Among Public-Private Leaders to address critical health system improvement needs:

- Workforce – *Assuring Access to Providers*
- Information Technology – *SHARE, and more*
- Payment and Quality – *Bundled Services, and more*
- **Expand Health Care Coverage – *Public and private***

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The Affordable Care Act

The Affordable Care Act of 2010 was created to decrease health costs and improve 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 Exchanges**

*Challenged to U. S. Supreme Court

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How Has ACA 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.

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How Has ACA Already Helped Consumers?

- You are eligible to receive recommended preventive services, such as mammograms, colonoscopies, wellness visits at no cost to you.
- You are eligible for a rebate on health insurance premiums paid if your insurance company did not pay enough on health care claims (*$7.8 million in AR for 2011).*
- Small business health insurance tax credits provided.
- Consumer Assistance Program established at AID.

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How Has ACA Already Helped Consumers?

- Coverage for Early Retirees (55-64 years)
- Relief for more than a half-million Arkansas seniors who hit the Medicare “donut hole”
- Decreased premiums for 446,000 Arkansans not enrolled in Medicare Advantage
- 50% discount when buying Part D covered drugs until 2020

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U.S. Supreme Court Decision
June 28, 2012

Key Components of the U.S. Supreme Court Decision

The Individual Mandate

The Court ruled that the ACA requirement for individuals to have insurance or pay a penalty ***is*** constitutional under federal taxing authority.

Medicaid Expansion

The Court struck down a provision requiring Medicaid expansion by states. States can choose ***not*** to expand Medicaid to 133% of FPL without placing all federal Medicaid funding at risk.

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What if Arkansas Decides Not to Expand Medicaid in 2014?

- ***Waiting for federal ruling*** on whether Arkansas residents with incomes between ~17% of the federal poverty level (FPL) and 100% of the FPL will receive a subsidy.
- ***Billions of dollars in Medicaid funds will not come to Arkansas*** – continuing unfunded care burden for local providers and loss of potential economic gain for local communities.

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Federally-facilitated Exchange Partnership in Arkansas

What is a Health Insurance Exchange?

- Competitive marketplace where individuals and small employers can shop for, select and enroll in high quality, affordable private health plans that meet their specific needs at competitive prices.
- Exchanges 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.

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Requirements for Health Insurance Exchange

- Lawfully present residents in every state will have a health insurance exchange available to them with open enrollment beginning October 1, 2013 and full coverage effective January 1, 2014.

- If a state does not elect to operate a Health Insurance Exchange, the federal government will operate an Exchange in that state.

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Arkansas is Planning Partnership Exchange Model

- Arkansas did ***not*** elect to have a State-run Exchange and will therefore have a Federally-facilitated Exchange.

- Arkansas ***did*** elect to begin planning for a Federally-facilitated Partnership Exchange—an option provided for states not electing a State Exchange.

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Federally – facilitated Partnership Exchange

Allows Arkansas to protect and serve Arkansans by:

- Continuing to approve and regulate all insurance plans offered to Arkansans, including those offered through the Exchange;

- Providing consumer assistance functions to include enrollment assistance and post-enrollment complaint resolution.

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How Many Will Be Affected?

- An estimated 572,000 Arkansans will be eligible for exchange coverage beginning January 1, 2014.

- It is conservatively estimated that
  - 328,000 more nonelderly Arkansans will enroll (resulting in a 60% decrease in uninsured post-ACA).
  - There will be a $615 million reduction in uncompensated care among nonelderly (a 68% change post ACA).
  - There will be $478 million in federal subsidies provided for Arkansans to purchase insurance.

Source: *State Progress Toward Health Reform Implementation: Slower Moving States Have Much to Gain*, Timely Analysis of Immediate Health Policy Issues, January 2012 Urban Institute analysis, HIPSM

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Who Will Be Affected?

- Individuals/Families
- Small Businesses with 50 or fewer full time equivalent (FTE) employees

Both will be eligible for tax credits or other cost reductions in 2014 *if they shop through the Exchange.*

Small Business Health Option Program (SHOP)

- Businesses with up to 100 employees will be Exchange eligible in 2016.
- Businesses with over 100 employees will be Exchange eligible at State option beginning in 2017.

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What Will Be New About Coverage Beginning in 2014?

- 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.
- Premiums can only be increased according to age, geography, tobacco use, and individual/family plan.
- Eligibility determinations are “real time.”

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All Plans Offered through the Exchange will be "Qualified Health Plans (QHP)"

QHPs must provide *Essential Health Benefits* in ten categories:

1. Ambulatory Services
2. Hospitalization
3. Emergency Services
4. Maternity and Newborn Care
5. Mental Health and Substance Use Disorder Treatment
6. Prescription Drugs

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Essential Health Benefits (EHB) – con't.

7. Rehabilitative and Habilitative Services/Devices
8. Laboratory Services
9. Preventive, Wellness, and Chronic Disease Management
10. Pediatric Services, Including Oral and Vision Care

EHBs are evaluated according to a *benchmark plan* chosen by each state.

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Essential Health Benefits Package (EHB)
(Considers Evidence-Based Practices, Population Health, Ethics, Economics)

- Affordable for consumers, businesses, and taxpayers
- Maximizes the number of people covered
- Protects most vulnerable
- Encourages better care practices
- Advances stewardship of resources
- Addresses medical concerns of greatest importance to enrollees
- Protects against the greatest financial risk due to catastrophic events or illnesses

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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.

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QHP Levels Allowed on Exchange

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.

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Consumers with Incomes 100% - 400% of Federal Poverty Level (FPL) are Eligible for Federal Tax Subsidies

- Subsidy amounts change according to cost of premium and consumer's Modified Adjusted Gross Income (MAGI).
- No asset testing is required.
- Individual consumers should not pay >9.5% (mostly less) of income for insurance premium.
- Advance tax credits are available to help with premium costs – consumer settles with IRS with tax return.

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2011 DHHS Poverty Guidelines

(Contiguous 48 States and DC)

Size of Family	100%	138%	200%	400%
1	$10,890.00	$15,028.20	$21,780.00	$43,560.00
2	$14,710.00	$20,299.80	$29,420.00	$58,840.00
3	$18,530.00	$25,571.40	$37,060.00	$74,120.00
4	$22,350.00	$30,843.00	$44,700.00	$89,400.00
5	$26,170.00	$36,114.60	$52,340.00	$104,680.00
6	$29,990.00	$41,386.20	$59,980.00	$119,960.00
7	$33,810.00	$46,657.80	$67,620.00	$135,240.00
8	$37,620.00	$51,915.60	$75,240.00	$150,480.00
Each Additional Person	$ 3,820			

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Closer Look at Eligibility Criteria for Premium Tax Credits

- Household income 100% - 400% FPL
  ($22,350 - $89,400) for a family of four
- Individuals must be enrolled in a QHP through Insurance Exchange.
- Individuals must be lawfully present and not incarcerated.
- Individuals must not be eligible for other coverage such as Medicare, Medicaid, or employer-sponsored insurance.

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What are Penalties for Not Enrolling?

- ACA imposes $95 or 1% of adjusted gross income *per adult*, whichever is greater. This increases to $325 or 2% *per adult* in 2015, and it rises again to $695 or 2.5% *per adult* in 2016.
- The nonpartisan Congressional Budget Office (CBO) estimates 4 million individuals will pay penalties to the IRS in 2016 (no information is available for other years). This represents about 1.2 % of the total population, according to projections from the Census Bureau.
- Limited penalty exemptions

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How Do Penalties Compare With Subsidies?

- The CBO estimated that 16 million people will be paid in subsidies in 2016, about 5% of the population.

- So… about 1% will pay penalties and about 5% will receive financial help to make insurance affordable.

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Example: Family of 4 with income of $50,000 at 224% of FPL

	If Family Purchases Benchmark Plan:	If Family Purchases Less Expensive Plan:	If parent(s) between the ages of 55 and 64
Expected Family Payment	$3,570	$3,570	$3,570
Premium for Benchmark Plan	$9,000	$9,000	$14,000
Premium Tax Credit (Amount Paid by Government)	$5,430 ($9,000 - $3,570)	$5,430 ($9,000 - $3,570)	$10,430 ($14,000 - $3,570)
Premium for Plan Family Chooses	$9,000	$7,500	$14,000
Actual Family Payment (Monthly)	$3,570 ($297.50)	$2,070 ($172.50)	$3,570 ($297.50)

Adapted from CMS Office of Public Affairs, Press Release Dated 8/12/2011

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What Are Employer Requirements?

- No requirement to provide insurance for employers with fewer than 50 FTE employees.

- If > 50 FTE employees, employer must provide affordable insurance options for full-time employees (affordable = <9.5% of employee's wages). *Flexible Spending Accounts (FSAs) are capped at $2,500.*

- Beginning in 2018, employer plans with costs above specified limits will pay an excise tax on their excess spending ("Cadillac Plan").

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What are Employer Penalties?

- Less than 50 full-time employees
  - No requirement for providing insurance, therefore, no penalty.
- Greater than or equal to 50 full-time employees
  - If does not offer QHP coverage to every full-time employee and *any one* employee receives tax-subsidized coverage through an individual exchange, the employer must pay a $2,000 penalty for *every* full-time employee. (The first 30 employees are not counted in figuring the penalty.)
  - Employee is offered coverage but obtains tax-subsidized coverage through the individual exchange, the employer must pay a $3,000 penalty for that employee. (*While any employee is free to decline the employer plan and shift to the exchange, 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.)*

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What is Arkansas Doing to Prepare?

- Exchange Planning Grant – Background Research, including Marketplace Studies

- Level One Cooperative Agreement
  - Plan Management Development
  - Consumer Assistance Program Development
  - Information Systems Development

Both with Governor's Support and federal funding spending approval by Arkansas Legislature.

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Plan Management Activities

- Select EHB Benchmark Plan
- Define QHP Certification Criteria
  - Issuer offers at least one Gold and one Silver Plan.
  - Issuer provides a directory that notifies whether or not a provider is accepting new patients.
  - Issuer establishes an adequate network of providers that includes essential community providers, mental health and substance use disorder providers, and those providing EHBs.
  - State can require other plan requirements for certification.

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Plan Management Activities

- Collect QHP and issuer data and assure compliance with rate and quality requirements.
- Integrate with FFE website, call center, eligibility and enrollment, and premium processing.
- Verify ongoing quality accreditation of QHPs.
- Monitor QHP performance, including complaints.
- Provide technical assistance to issuers.

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Key Plan Management Activities

- Implement strategies to assure both healthy and sick people enroll (prevent adverse selection).
- Decrease financial start up risks for issuers:
  - Risk Adjustment
  - Reinsurance (temporary)
  - Risk Corridor (temporary).

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Consumer Assistance

- In-Person Assisters (IPA)
  - Navigators
  - Enrollment assisters
  - Licensed agents and brokers (producers)
- Arkansas Insurance Department will:
  - Certify, recertify, decertify individual IPAs
  - Oversee IPA training and performance
  - Contract with IPA entities

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In-Person Assisters

- Will provide outreach/education and enrollment assistance to hard-to-reach populations.
- Focus on identifying uninsured and uninformed individuals and clearly inform them of the benefits and responsibilities related to FFE enrollment.

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In-Person Assisters

- Assist consumers in understanding insurance choices and federal tax subsidies, public plans, etc.
- Facilitate QHP enrollment *but only consumers shall make decisions about in which plan to enroll.*
- Provide information in a respectful manner.
- Provide information in a way consumers can understand.
- Provide insurance information in a fair and impartial manner.

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In-Person Assisters

- Must avoid any conflict of interest.
- Receive no financial consideration, direct or indirect, from issuers.
- Protect consumer personal information.
- Facilitate referrals for complaint resolution.

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State – FFE Partnership Connection

- Assure seamless consumer experience (Medicaid, Private Plans and FFE).
- Assure Partnership entities follow privacy and security standards.
- Assure adequate technology infrastructure and bandwidth to support Exchange activities as performed by FFE.
- Assure Partnership entities are able to track and report performance and outcome measures.

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Stakeholder Engagement

- Staff/Consultants
- Health Agency Leaders and State Partners
- Intentional, Well-planned Stakeholder Engagement Process
  - Consumer Assistance Advisory Committee
  - Plan Management Advisory Committee
  - Steering Committee

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FFE- Partnership Planning

- Consumer-focused
- Transparent
- Inclusive
- Data-based Decision Making
- Continuous Improvements According to New Developments and Lessons Learned

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Advisory Committee Co-Chairs Represent Designated Groups

Consumers:	Individuals
	Small Employers
Insurance Industry:	Issuers
	Producers/Brokers
Providers:	Private Practice
	Public Health/Health Disparity

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Steering Committee

The Steering Committee meets once monthly and includes representation of the following:

- Insurance Department (2)
- Department of Human Services (2)
- Arkansas Health Agency Leaders
- Department of Finance & Administration
- Advisory Committee Co-Chairs (6)
- State Legislature (2)
- Governor's Office
- Stakeholders At Large (3)

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Aggressive Planning Timelines through end of 2012 for Each Advisory Committee

- Research / Alternatives Analysis
  Staff/Vendors/Advisory Committees
- Develop Recommendations with Alternatives
  Advisory Committees
- Final Recommendation to Insurance Commissioner
  Steering Committee

Meeting calendars and other planning information on Website : www.hbe.arkansas.gov

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Key Milestones

- EHB Determination – September 30, 2012
- QHP and Navigator Certification and Operational Processes Design Complete by September 15, 2012
- Design Review – Fall 2012
- Blueprint Application and Declaration Letter – No later than November 16, 2012 (*30 business days earlier to obtain FFE staff review and edit opportunities)*

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Key Milestones - Continued

- DHHS Conditional Approval as Partnership FFE by January 1, 2013
- Implementation Review – Summer 2013
- Open Enrollment October 1, 2013
- Fully Operational Partnership Exchange by January 1, 2014

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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 some.
- More enhancements will become effective January 1, 2014 including access to quality, affordable insurance coverage through the FFE.
- Send us your feedback and stay tuned for future updates!

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Questions/Comments

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