Affordable Care Act: Exchanges

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The Supreme Court May Rule Today

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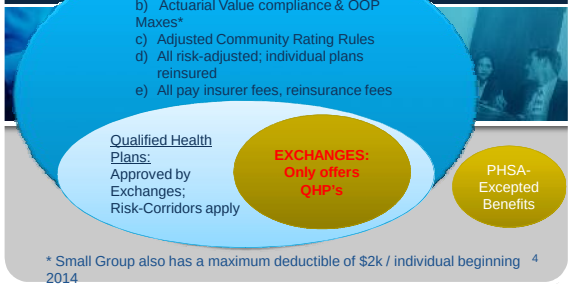
Outline

- Market Reforms
- Partnership Models and Exchange Functions
- Timeline and Current Status
- Specific Issue #1: QHPs and Certification
  - QHP Certification
  - Cost-sharing reduction plans
  - Rate Review and Stakeholder Co-ordination
- Specific Issue #2: Exchange Eligibility Determinations

2014 Individual and Small Group Markets



* Small Group also has a maximum deductible of $2k / individual beginning 2014

Partnership Models

State-Based Exchange	State Partnership Exchange	Federally-Facilitated Exchange
State operates all Exchange activities. States can use Federal services for: * PTC and CSR * Exemptions * Risk Adjustment * Reinsurance	State Operates Activities: * Plan Management * Consumer Assistance *Both Federal government may: * Reinsurance Program * Medicaid / CHIP eligibility	HHS Operates, but States may perform: * Reinsurance * Medicaid / CHIP eligibility

"3 R's" And Exchanges

- Risk Adjustment: States have the option ONLY if they run their own Exchange
  - Federal parameters published, October, 2012
  - Application Deadline: November, 2012
  - Final Federal Notice: January, 2013
  - States can NOT change Payment and Transfer Module
- Reinsurance: States can run, regardless of Exchange administration
- Risk Corridors: Federal program

Exchange Functions

Consumer Assistance
- Call Center
- Internet Website
- Navigators
- Agents / brokers / Web brokers

Plan Management
- QHP Certification, Recertification, Decertification within FFE parameters
- Issuer Account management
- Oversight and monitoring, including marketing
- Accreditation status monitoring
- Quality Data reporting
- Coordinate with HHS on quality rating and enrollee satisfaction

Exchange Functions

Eligibility And Enrollment
- Streamlined Applications: Individual and SHOP
- Notices, data matching, annual redeterminations
- Verifications
- Affordability Determinations (Fed) and Advanced Premium Tax Credits (PTCs)
- Mandate Exemption Determinations (Fed)

Other
- SHOP Premium Aggregation
- Finance and Accounting
- Technology
- Oversight and Monitoring

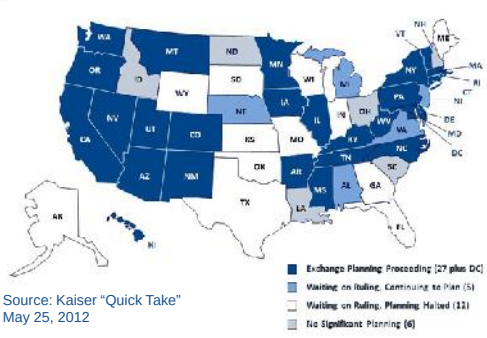
Exchange Revenues

- "User fees" frequently estimated to be between 2.5% - 4% of Premium
- Fees cannot be charged to Exchange enrollees exclusively
- Exchanges can pursue other funding sources
- Uncertainty regarding federal charges for Data Hub and other services

Timeline

- May 16, 2012: Federally-Facilitated Exchange Guidance
- November 16, 2012:
  - Exchange Model Declaration Letter
  - Exchange Application (beg. 9/14/12)
- HHS Exchange Approval Deadline (1/1/13)
- 2013: Readiness assessments, plan certifications.
- October 1, 2013: Go LIVE!

Status of Exchange Planning



Source: Kaiser "Quick Take" May 25, 2012

Status of Exchange Planning

Source: Kaiser Family Foundation, as of June 18, 2012

Specific Issue #1: QHP Certification

Issuer Level Review

- Licensure / Good Standing
- Network Adequacy
- Essential Community Providers
- Accreditation
- Program Attestations

Plan Level Review

- Essential Health Benefits
- Actuarial Value Standards
- **Cost-Sharing Reduction Plans**
- Discriminatory Benefit Design
- Meaningful difference
- Service Area
- Rate Review

Qualified Health Plan Certification Timeline

Issuer Level Review

- Model Application Available in 2012
- Application available in Early 2013
- Agreement completion, late Summer, 2013

Plan Level Review

- Rate and Benefit data submission module published, early 2013
- Begins in spring, 2013

Cost-Sharing Reduction (CSR) Plans: **HHS** Annual Step 1

- Establish and Adjust OOP Maximums specified in PPACA, S. 1402

Household Federal Poverty Level	Out of Pocket Maximum Relative to Base Silver	Plan Actuarial Value
100-150% FPL	1/3	94%
150%-200% FPL	1/3	87%
200%-250% FPL	1/2	73%
250%-300% FPL		70%
300%-400% FPL		70%

Cost-Sharing Reduction (CSR) Plans: **HHS** Annual Step 2

- Build a Model Silver Plan and potentially *raise* out-of-pocket maximums (announced in Annual Payment Notice

Household Federal Poverty Level	Out of Pocket Maximum Relative to Base Silver	Plan Actuarial Value
100-150% FPL	**Max >=**1/3	94%
150%-200% FPL	**Max >=**1/3	87%
200%-250% FPL	**Max >=**1/2	73%
250%-300% FPL	Base EHBP Maximum	70%
300%-400% FPL	Base EHBP Maximum	70%

Cost-Sharing Reduction (CSR) Plans: **Exchange** Annual Step 3

- Each Silver QHP must have 3 additional companion plans approved

Household Federal Poverty Level	Out of Pocket Maximum	Cost-Sharing Parameters	Plan Actuarial Value
100-150% FPL	**Less than HHS Max (for 100-150%) Plans**	Each parameter <= same parameter in 150%-200% Plan	92%-96%
150%-200% FPL	**Less than HHS Max (for 150%-200% plans)**	Each parameter <= same parameter in 200%-250% Plan	85%-89%
200%-250% FPL	**Less than HHS Max (for 200-250% plans)**	Each parameter <= same parameter in Base	71%-75%
250%+ FPL	Base Silver	Base	68%-72%

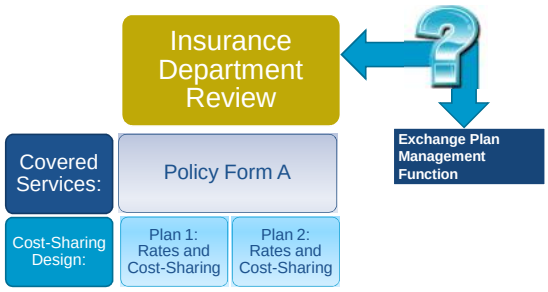
Special QHP's

- Stand-alone Dental Plans
- CO-OP plans: OPM regulated
- Multi-state plans: OPM Regulated

How Deep is the Partnership?

- "States can choose to be responsible for the day-to-day management of the plan management and/or consumer assistance functions … ***however, HHS, by law, retains authority over each FFE***"
- HHS will "retain authority over … certification of specific QHP's, selection of Navigators, etc."

Rate Filing and Approval: Exchange Interaction Unclear



Market Regulation Co-Ordination

- Metallic Actuarial Value testing at Plan level
  - Failed plans cannot be offered; *how do plans adjust cost-sharing over time in the individual market?*
- What happens to members on decertified QHPs? (Exchange will terminate enrollment)
- Do non-QHP's have to comply with QHP "meaningful difference" rules?
- In Active Purchaser Exchange markets, what non-QHP's exist?

Co-ordination: Exchanges and Issuers

- Who "Owns" Exchange Membership?
  - Direct Purchaser Model v. Open Market
  - Enrollment Incentives and Commissions
  - Member Communications
  - "Source of Truth" for Enrollment and Premiums
- What will the "shopping" experience be like for CSR-approved individuals?
- Issuers may need to combine three premium flows (Individual market):
  - Adv. Premium Tax Credit (PTC) from IRS, Exchange-approved level
  - Residual amount paid by enrollee, Exchange-approved amount
  - State Mandate payments, if applicable
- 3-month Grace Period and 2-month Retroactivity

Rate Review – New Stakeholders

- US Treasury: QHP Risk-Corridor risk (2014-2016)
  - Will this require a Bid process for rates? Who reviews?
- Other Carriers: Risk-Adjustment may increase Systemic Pricing Risk
- MLR and interaction with "3 R's"

Specific Issue #2: Eligibility Determinations

Determination	Verifications Supporting Eligibility	Entity Responsible for Eligibility Determination
QHP Enrollment	*Residency *Citizenship/Immigration *Incarceration	Exchange
Medicaid and CHIP (MAGI)	Same as QHP plus … *MAGI and household size	Exchange or State Medicaid / State CHIP agency (IFR)
Advance payments of the Premium Tax Credit (PTC) and Cost-Sharing Reductions (CSR)	Same as Medicaid plus … * Eligibility for other minimum essential coverage * Indian Status	Exchange or HHS

Insurance Affordability Determination

- Applicant supplies:
  - Information on Employer offer(s)
  - Household income
  - Household size
- Exchange:
  - Concurrently(?) verifies information (via data hubs)
  - Notifies applicant of subsidy status (up to a 12 month certification)
  - Notifies employer of potential liability

Affordable Employer Offers

- Applicants must know a lot:
  - What is the lowest cost employer offer that satisfies the Minimum Value test?
  - What is the employee's financial contribution?
    - Always calculated as if they had no dependents
  - What is the plan's renewal month?
  - What is the employer's identification number?
  - Does the plan cover dependents?
  - This information is required for all employers of household members
- CCIIO, 4/26/12 Guidance

Will there be a Federally-Managed Verification Approach?

- Idea floated in November 29, 2011, Q&A
- Will employers really volunteer to facilitate?
- Can employer requirements under new IRC sections 6055 and 6056 be leveraged?
  - Submitted in 2015, with data covering 2014
  - Some employers exempt
  - IRS has asked for comments and ideas

How will Employers Appeal Adverse Determinations?

- Employer's W-2 safe harbor test
  - Employers may not be liable even if the applicant gets a subsidy
- Waiting periods
- General Timing Issues
- Much is still unknown about the impact on Employers

- Questions?