State Exchange Update: What State Advocates Need to Know

JoAnn Volk
Georgetown University
Health Policy Institute
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Objectives of this Series

- To help advocates understand how the Affordable Care Act (ACA) will affect their care
- To help advocates understand what the ACA will mean for health care in their state
- To arm advocates with the tools they need to make sure ACA implementation in their state meets the needs of patients
Objectives of Webinar

- Provide an overview of state health insurance exchanges
- Discuss requirements and options for states under federal law and rules
- Provide an overview of state action to date
- Review options for advocates to engage in their states
Affordable Care Act: 3 Parts

- To improve the quality of health care
  - Change the way health care is delivered
- Make health coverage work better for those who have it
  - New rules for health insurance
- Expand health coverage
  - Medicaid expansion
  - New marketplaces – exchanges – for individuals and small businesses
Why Do We Need Health Insurance Exchanges

- Most people get coverage through large employer plans – works relatively well for most people
- Individuals – especially low wage – and small businesses face hurdles to getting coverage
- Exchanges, together with insurance reforms, will provide better way for individuals and small businesses to get coverage
Exchanges and Health Insurance Reforms

- All insurance market reforms apply to the exchanges
  - Early reforms, effective 2010: dependent coverage to age 26, no lifetime limits on benefits, no pre-existing condition exclusions for kids, no rescissions
  - 2014 reforms: no annual limits, no pre-existing condition exclusions, rating limits, guaranteed issue, essential health benefits
- Exchanges as market within larger market
What Will Exchanges Do for Individuals?

- One stop shopping - gateway to coverage for 30 million people
- Allow consumers to make apples to apples comparisons – easier shopping, clearer choices among four levels of benefits
- Federal subsidies for premiums and out-of-pocket costs for people below 400% poverty
  - $45,000 for an individual (premium max $4,275)
  - $92,000 for a family of four (premium max $8,740)
What Will Exchanges Do for Small Businesses?

- Give small business owners more choices
- Give their workers more choices
- Allow employers to pick amount to pay toward coverage and let workers choose plan: gives employer certainty of cost
- Federal tax credit for small, low wage firms (fewer than 25 workers, average wage less than $50,000)
Funding for States to Set up Exchanges

- Early Innovator grants: to 6 states and multi-state consortium; to fund IT development that other states can learn from
- Planning grants: to all but 4 states (AL, FL, LA, NH)
- Establishment grants:
  - Level I: to 34 states; one year of funding, with option for a second year if needed to meet criteria for Level II grants
  - Level II: to RI; to fund through 12/31/2014 if meet criteria
    - Established governance structure
    - Budget and initial plan for financial sustainability by 2015
    - Plan to prevent waste, fraud and abuse
    - Plan for consumer assistance
Federal Rules

- After public comment opportunity, final rule will take effect 5/29/2012
- Overall, gives states considerable flexibility around key design choices
- Sets minimum standards that all exchanges must meet
- Outlines areas where states can use their discretion or rely on existing state insurance rules and practices
Minimum Standards for all Exchanges

- To allow for easy plan comparison
  - 4 coverage tiers based on patient out-of-pocket costs, ranging from high deductible plans to more comprehensive coverage
  - Essential Health Benefits
- To enroll individuals
  - Navigators: for outreach, funded by exchange
  - Multiple ways to enroll: in person, online, by phone
  - One simple application
Minimum Standards, cont’d

- Plan Management:
  - Certify plans meet standards to participate ("qualified health plans")
    - Rate and benefit review
    - Provider networks (known as "network adequacy")
    - Marketing rules
    - Quality improvement
    - Accreditation
  - Discretion to "act in the interests of consumers"
  - Ongoing monitoring
Minimum Standards, cont’d

- Coordinate with Medicaid and CHIP
  - “No wrong door” standard
- Protect against adverse selection
  - Reinsurance, Risk-Adjustment and Risk-Corridors, known as the 3 Rs: systems designed to re-allocate funding among health plans to make cherry picking less profitable
  - Even if well done, they may not offer sufficient protection so states can do more
State Choices

- The “whether” options
  - Whether to operate state exchange, enter partnership with federal government or punt to federal government
  - Whether to operate separate exchanges for individuals and businesses (SHOP exchange) or combine them
  - Whether to operate state-wide exchange, multiple exchanges within state, or regional exchange with other states
State Choices, cont’d

- The “how” options
  - How to set up the governance of exchange
    - Public agency, non-profit, or quasi-gov’t entity
  - How to define eligible business
    - Default is employers with up to 100 employees
    - States can define as up to 50 employees
    - In 2017, can allow businesses with more than 100 employees
  - Whether to operate a Basic Health Plan for those up to 200% of poverty ($22,300 for individual, $46,000 for family of 4)
State Choices, cont’d

- How to contract with plans: selective contracting or clearinghouse approach
  - Use discretion to act in interest of consumers
  - Many opportunities to use discretion
    - Greater standardization (Massachusetts ex.)
    - Web-based tools (promote or reward high quality plans)
    - Impose greater quality standards
Rules Still to Come

- Federally facilitated exchange: what will a federal exchange look like, and what can states expect if they partner with the federal government
  - Federal officials previewed options for states to partner
    - States do plan management
    - States do “select consumer assistance functions”
    - States do both
  - In all cases, federal gov’t does eligibility and enrollment (and share info with state agencies)
Where are States Now?

- None are partnering with another state
- 2 states won’t operate their own (LA, AR)
- 15 states established exchange
- 3 states plan to establish an exchange
- 19 states studying options
- 12 states have taken no significant actions
Tally of States Understates Variety of Situations

- States that have established: CA, CO, CT, DC, HI, MD, MA, NV, NY, OR, RI, UT, VT, WA, WV
  - All via legislation except RI and NY (Exec Order)
- Plans to establish: IL, VA via legislation, MS via Executive Branch
- States studying options: AL, AZ, DE, ID, IN, IA, KY, ME, MI, MN, MO, MT, NE, NJ, NM, NC, PA, TN, WY (only ME, MO, MT, WY via legislation)
- AR has said they will do partnership model
More about that Variety

- “Established” -- from CA’s legislation signed in 2010 to NY’s Executive Order issued last month over State Senate’s objections
- “Studying” includes ME where legislature passed reforms that conflict with federal law and NM which ground to a halt recently
- “No activity” includes KS, where insurance commissioner perseveres with public input
What Should You Keep in Mind?

- Flexibility given states is opportunity and challenge
- Federal exchange isn’t necessarily a better option
- Some functions will be entirely new for states, but necessary given new responsibilities
- The political challenges will continue
What Can Advocates Do Now?

- If your state has a process, track it and find opportunities to engage
- If your state hasn’t made progress, get to know your insurance commissioner now
- Pick your battles and prioritize your goals: not everything can be done by day 1
- Keep options open/don’t tie hands of exchange (so they can use that discretion)
Resources You Can Use

- For status of exchanges in each state, see:
  

- For state-specific profiles of state work, including next steps, see:
  