Health Benefits Exchange

Staff Presentation Health Benefits Exchange - Budget Update May 28, 2014

Introduction

- History
 - Committee Review
 - Background and Implementation
 - Budget Revisions
- Key Unresolved Issues
 - Short-term operations cost and funding
 - State vs. federal functionality & cost
 - Long-term sustainability

Health Benefits Exchange

House Finance Committee Review

- March 27, 2013: FY 2014 Budget Hearing
- June 13, 2013: Health Benefits Exchange Implementation Follow-Up
- September 12, 2013: Follow-up Hearing on Health Benefits Implementation
- March 19, 2014: FY 2015 Budget Hearing
- May 28, 2014: Status

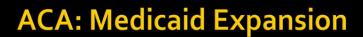


Background and Implementation

- Patient Protection and Affordable Care Act of 2010. Also called ACA, Obamacare
- Aims at decreasing the number of uninsured individuals
- Requires that all individuals have medical coverage or pay a penalty

ACA: Medicaid Expansion

- Allows states to extend Medicaid benefits to non-disabled, adults without dependent children at or below 138% of poverty as of Jan. 1, 2014
 - 2013 Assembly adopted legislation
- 100% federally funded until Dec. 2016
 - State's share to grow from 5% in 2017 to 10% in 2020



- Other States:
- 26 states and DC expanded Medicaid
- 19 states currently opposed
- 5 states currently undecided/debating (Indiana, Missouri, Pennsylvania, Virginia and Utah)

Source: Kaiser Family Foundation, March 26, 2014

Exchange:

Background & Implementation

- State-Based Exchange
 - Operate its own health exchange and perform all related activities – 17 states including Washington D.C. initially opted for this
- State-Federal Partnership
 - Shared responsibilities and states will manage certain aspects 7 states
- Federally-Facilitated Exchange
 - HHS will assume primary responsibilities 27 states

Exchange: Background & Implementation

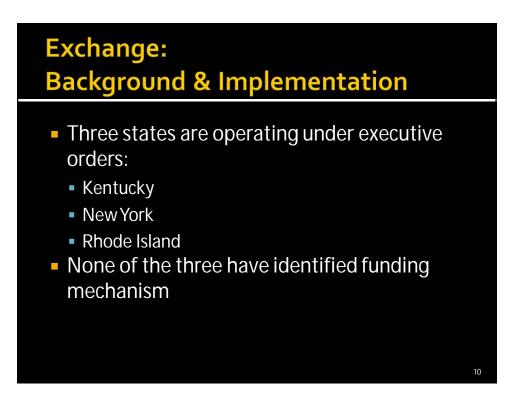
- Federally-Facilitated Exchange
 - Federal government determines the sources and methods for financing
 - Currently charges 3.5 % of value of premiums written through the exchange
- State-Federal Partnership
 - States would be responsible for financing functions that they are managing
 - Small Business Health Options Program (SHOP)

Exchange: Background & Implementation

 14 states and D.C. have adopted legislation for operations of their exchanges

Arkansas*	California
Colorado	Connecticut
Hawaii	Idaho
Maryland	Massachusetts*
Minnesota	Nevada
Oregon	Utah
Vermont	Washington*

* States that have not identified financing



Exchange:

Background & Implementation

- Massachusetts, Maryland and Oregon
- Experienced technical problems/failures with systems
- In process of fixing/replacing
- Moving to federally-facilitated marketplace on a temporary basis

Exchange: Background & Implementation

- Marketplace for individuals and small businesses can compare policies and premiums, and purchase health insurance
 - Individual/Families
 - Small Businesses through SHOP

Exchange:

Background & Implementation

Unified Health Infrastructure Project (UHIP)

- OHHS Project
- In coordination with HealthSource RI to implement ACA and other assistance programs: RI Works, child care & SNAP
- Eventually one system to apply for benefits
 - Replace multiple existing state eligibility systems
 - Efficiency and consistency with data entry and verification

Exchange: Background & Implementation

UHIP

- Estimated project cost \$209.4 million through CY 2020
 - \$157.5 million from federal funds
 - \$51.9 million from general revenues
 - Mixed Medicaid match about 70/30
- HealthSource is responsible for \$51.3 million of total project costs
- Eventually one system to apply for benefits

Exchange: Background & Implementation

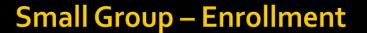
UHIP	Gen. Rev.	Fed. Funds	Total
FY 2014 Enacted	\$3.8	\$18.6	\$22.4
FY 2014 Gov. Rev.	\$8.6	\$27.5	\$36.1
OHHS	\$4.8	\$25.2	\$30.0
DHS	\$3.9	\$2.3	\$6.1
FY 2015 Total	\$10.1	\$29.0	\$39.1
OHHS	\$5.7	\$25.9	\$31.7
DHS	\$4.4	\$3.1	\$7.5

Exchange: Background & Implementation

Monthly Premiums	Individual Market	Small Group
Platinum	N/A	\$222-\$1,133
Gold	\$166-\$847	\$177-\$916
Silver	\$136-\$696	\$134-\$751
Bronze	\$106-\$530	\$134-\$751
Catastrophic	\$95-450	N/A

Small Group – Offered Plans

- 3 Insurers
 - Blue Cross & Blue Shield
 - UnitedHealth Care
 - Neighborhood Health
- 16 Plans are available
 - Three platinum
 - Six gold
 - Five silver
 - Two bronze



- 1,319 small employers have initiated application process (March 31 data)
 - 175 small employers have enrolled
 - 103 offer full employee choice
 - 700 covered employees with 1,110 covered lives
 - Enrollment
 - No deadline

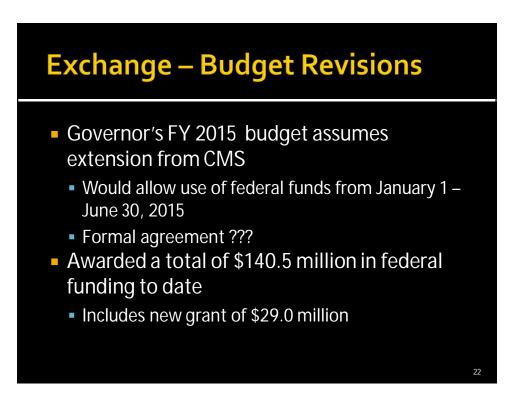
Exchange – Funding

- Federal funds are supporting the planning, establishment and initial operations of the Exchange through December 31, 2014
 - Covers one year of operations from opening
- Awarded a total of \$140.5 million in federal funding to date – multiple state agencies
 - Includes new grant of \$29.0 million

Exchange – Funding

Federal Grants - LT. Gov., DBR, HBE	Award Amount
Planning	\$1.0
Level 1	37.8
Level 2	72.7
New Award	29.0
Total	\$140.5
n Millions	

Exchange – Funding						
Total (millions)	FY 2012- FY 2014	FY 2015	FY 2016	Est. Balance		
\$140.5	\$60.2	\$50.3	\$11.0	\$19.0		
					21	



Exchange – Funding						
	FY 2014 Enacted	FY 2014 Gov. Rev.*	Chng. to Enacted	FY 2015 Gov. Rec.*	Chng. to Enacted	
Sal. & Ben.	\$2.3	\$2.2	(\$0.1)	\$3.4	\$1.1	
Cont. Serv.	25.5	49.2	23.7	19.0	(6.5)	
Operating	0.6	1.0	0.4	1.0	0.4	
Total	\$28.3	\$52.4	\$24.1	\$23.4	(\$4.9)	
FTEs	15.0	25.0	10.0	25.0	10.0	
*6.0 positions are in Office of the Governor						

Exchange – Contracted Services

	FY 2014 Revised	FY 2015 Gov. Rec.
Deloitte	\$17.1	\$7.5
Connextions (Call Center)	6.6	2.2
Wakely Consultant	6.3	2.4
Faulkner Consultant Group	2.2	1.1
Outreach & Enrollment Support	1.4	0.4
CSG	1.0	0.4
RDW Group	1.0	-
To be determined	13.5	5.0
Total	\$49.2	\$19.0

Health Benefits Exchange

Tasks	Contractors
Development and implementation of integrated eligibility system	Deloitte
Technical & financial assistance	Wakely Consultant
Consumer assistance and procurement development	Day Health Strategies
Policy development for system development	Faulkner Consultant Group
Independent verification and validation	CSG Consulting
Call Center	Connextions

Exchange – Funding

- Nov. 2013, State Properties Committee voted to allow HealthSource to request for proposals
 - 15,000 square-foot office space in Providence
 - Five bids received
 - Signed a 7-month lease: June 1 Dec. 31
 - 4-Year option to renew
 - \$20,500/month 8,500 sq. ft.

Exchange – Funding

- Federally-Facilitated Marketplace Exchanges
- 3.5 percent fee of monthly premiums for 2014 and 2015
 - Fee assessment is not an add-on to exchange plans
 - Cost for a plan offered by insurer in/out of exchange must be the same
 - Spread across all plans
- H 7817 returns RI HBE to the feds

Federal Facilitated Exchange: Funding Model Example

As of March	Enrolled	Avg. Mo Premium		Annual Charge	Total
Indiv. Market	27,961	\$365.30	\$12.79	\$153.48	\$4.3M
Small Group	1,075	\$440.46	\$15.42	\$185.04	0.2M
Total	29,036				\$4.5M

- 29,036 enrollment is 35.6% of non-group and small group market (HSRI)
 - \$4.5M would be 1.2% effective tax rate

Federal Facilitated Exchange

2015 Est.	Enrolled	Avg. Mo Premium		Annual Charge	Total
Indiv. Market	30,578	\$365.30	\$12.79	\$153.48	\$4.7M
Small Group	26,990	\$440.46	\$15.42	\$185.04	5.0M
Total	57,568				\$9.7M

 57,568 enrollment is 70.2% of non-group and small group market (HSRI)

• \$9.7M would be 2.7% effective tax rate



- Updated Budget Moving target
- HealthSource estimated the costs to operate from January 1 – June 30, 2015 is \$9.0 million
 - Federal support was not secured
- Last 2 weeks there was a suggestion of the need for \$4.7 million in state support – retracted yesterday
 - Based on further conversations with federal government





State vs. federal functionality & cost

What does RI gain from running its own exchange?

 What is the value of having more than just a transaction based exchange?

What functions does the state vs federal perform?

How can that be measured and evaluated?

Can Rhode Island do it for the same or less than the federal government would charge?

- How does enrollment affect these projections?

Key Unresolved Issues

- State vs. federal functionality & cost
 - What other costs are incurred beyond the direct operations of the Exchange?
 - One-time and ongoing costs to insurers
 - Data interfaces?
 - Premium billing ?
 - How are the costs spread across users and marketplace?

Key Unresolved Issues

- Can the Exchange activities be divided?
 - Federally Facilitated portion?
 - SHOP run by state?
 - Medicaid interface
- Can previously state-based exchange partner with another state?
 - RI has created highly regarded and successful system
 - Would another state want to work with RI?
 - How would that work?
 - Does it reduce operating costs, generate income?

Key Unresolved Issues

- Long-term sustainability
 - How well positioned is a state-based exchange to deal with changing federal policies
- Distinguish development and start-up costs from ongoing operations expectations
 - Are core operations still \$23.4 million?
 - Is that core operating budget sustainable?
 - Can the costs be considered on functional basis?
 - Ability to pare services to meet ability to self sustain?



Staff Presentation Health Benefits Exchange - Budget Update May 28, 2014