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

Health Benefits Exchange

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

ACA: Medicaid Expansion

- 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
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

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

<table>
<thead>
<tr>
<th>States</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas*</td>
<td>California</td>
</tr>
<tr>
<td>Colorado</td>
<td>Connecticut</td>
</tr>
<tr>
<td>Hawaii</td>
<td>Idaho</td>
</tr>
<tr>
<td>Maryland</td>
<td>Massachusetts*</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Nevada</td>
</tr>
<tr>
<td>Oregon</td>
<td>Utah</td>
</tr>
<tr>
<td>Vermont</td>
<td>Washington*</td>
</tr>
</tbody>
</table>

* States that have not identified financing

Exchange:
Background & Implementation

- Three states are operating under executive orders:
  - Kentucky
  - New York
  - Rhode Island
- None of the three have identified funding mechanism
Massachusetts, Maryland and Oregon
- Experienced technical problems/failures with systems
- In process of fixing/replacing
- Moving to federally-facilitated marketplace on a temporary basis

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

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

<table>
<thead>
<tr>
<th></th>
<th>Gen. Rev.</th>
<th>Fed. Funds</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td><strong>FY 2014 Enacted</strong></td>
<td>$3.8</td>
<td>$18.6</td>
<td>$22.4</td>
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<tr>
<td><strong>FY 2014 Gov. Rev.</strong></td>
<td>$8.6</td>
<td>$27.5</td>
<td>$36.1</td>
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<tr>
<td>OHHS</td>
<td>$4.8</td>
<td>$25.2</td>
<td>$30.0</td>
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<tr>
<td>DHS</td>
<td>$3.9</td>
<td>$2.3</td>
<td>$6.1</td>
</tr>
<tr>
<td><strong>FY 2015 Total</strong></td>
<td>$10.1</td>
<td>$29.0</td>
<td>$39.1</td>
</tr>
<tr>
<td>OHHS</td>
<td>$5.7</td>
<td>$25.9</td>
<td>$31.7</td>
</tr>
<tr>
<td>DHS</td>
<td>$4.4</td>
<td>$3.1</td>
<td>$7.5</td>
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### Exchange: Background & Implementation

#### Monthly Premiums

<table>
<thead>
<tr>
<th>Monthly Premiums</th>
<th>Individual Market</th>
<th>Small Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>N/A</td>
<td>$222-$1,133</td>
</tr>
<tr>
<td>Gold</td>
<td>$166-$847</td>
<td>$177-$916</td>
</tr>
<tr>
<td>Silver</td>
<td>$136-$696</td>
<td>$134-$751</td>
</tr>
<tr>
<td>Bronze</td>
<td>$106-$530</td>
<td>$134-$751</td>
</tr>
<tr>
<td>Catastrophic</td>
<td>$95-450</td>
<td>N/A</td>
</tr>
</tbody>
</table>
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

Small Group – Enrollment

- 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

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Exchange – Funding

<table>
<thead>
<tr>
<th>Federal Grants - LT. Gov., DBR, HBE</th>
<th>Award Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>$1.0</td>
</tr>
<tr>
<td>Level 1</td>
<td>37.8</td>
</tr>
<tr>
<td>Level 2</td>
<td>72.7</td>
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<tr>
<td>New Award</td>
<td>29.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$140.5</strong></td>
</tr>
</tbody>
</table>

In Millions
## Exchange – Funding

<table>
<thead>
<tr>
<th>Total (millions)</th>
<th>FY 2012-FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>Est. Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140.5</td>
<td>$60.2</td>
<td>$50.3</td>
<td>$11.0</td>
<td>$19.0</td>
</tr>
</tbody>
</table>

## Exchange – Budget Revisions

- Governor’s FY 2015 budget assumes extension from CMS
  - Would allow use of federal funds from January 1 – June 30, 2015
  - Formal agreement ???
- Awarded a total of $140.5 million in federal funding to date
  - Includes new grant of $29.0 million
### Exchange – Funding

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Sal. &amp; Ben.</td>
<td>$2.3</td>
<td>$2.2</td>
<td>($0.1)</td>
<td>$3.4</td>
<td>$1.1</td>
</tr>
<tr>
<td>Cont. Serv.</td>
<td>25.5</td>
<td>49.2</td>
<td>23.7</td>
<td>19.0</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Operating</td>
<td>0.6</td>
<td>1.0</td>
<td>0.4</td>
<td>1.0</td>
<td>0.4</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$28.3</strong></td>
<td><strong>$52.4</strong></td>
<td><strong>$24.1</strong></td>
<td><strong>$23.4</strong></td>
<td><strong>($4.9)</strong></td>
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<tr>
<td>FTEs</td>
<td>15.0</td>
<td>25.0</td>
<td>10.0</td>
<td>25.0</td>
<td>10.0</td>
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* 6.0 positions are in Office of the Governor

### Exchange – Contracted Services

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Deloitte</td>
<td>$17.1</td>
<td>$7.5</td>
</tr>
<tr>
<td>Connections (Call Center)</td>
<td>6.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Wakely Consultant</td>
<td>6.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Faulkner Consultant Group</td>
<td>2.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Outreach &amp; Enrollment Support</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td>CSG</td>
<td>1.0</td>
<td>0.4</td>
</tr>
<tr>
<td>RDW Group</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>To be determined</td>
<td>13.5</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$49.2</strong></td>
<td><strong>$19.0</strong></td>
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</tbody>
</table>
### Health Benefits Exchange

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and implementation of integrated eligibility system</td>
<td>Deloitte</td>
</tr>
<tr>
<td>Technical &amp; financial assistance</td>
<td>Wakely Consultant</td>
</tr>
<tr>
<td>Consumer assistance and procurement development</td>
<td>Day Health Strategies</td>
</tr>
<tr>
<td>Policy development for system development</td>
<td>Faulkner Consultant Group</td>
</tr>
<tr>
<td>Independent verification and validation</td>
<td>CSG Consulting</td>
</tr>
<tr>
<td>Call Center</td>
<td>Connextions</td>
</tr>
</tbody>
</table>

### 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

<table>
<thead>
<tr>
<th>As of March</th>
<th>Enrolled</th>
<th>Avg. Mo Premium</th>
<th>3.5% Charge</th>
<th>Annual Charge</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiv. Market</td>
<td>27,961</td>
<td>$365.30</td>
<td>$12.79</td>
<td>$153.48</td>
<td>$4.3M</td>
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<tr>
<td>Small Group</td>
<td>1,075</td>
<td>$440.46</td>
<td>$15.42</td>
<td>$185.04</td>
<td>0.2M</td>
</tr>
<tr>
<td>Total</td>
<td>29,036</td>
<td>$440.46</td>
<td>$15.42</td>
<td>$185.04</td>
<td>$4.5M</td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th>2015 Est.</th>
<th>Enrolled</th>
<th>Avg. Mo Premium</th>
<th>3.5% Charge</th>
<th>Annual Charge</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiv. Market</td>
<td>30,578</td>
<td>$365.30</td>
<td>$12.79</td>
<td>$153.48</td>
<td>$4.7M</td>
</tr>
<tr>
<td>Small Group</td>
<td>26,990</td>
<td>$440.46</td>
<td>$15.42</td>
<td>$185.04</td>
<td>5.0M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>57,568</td>
<td></td>
<td></td>
<td></td>
<td><strong>$9.7M</strong></td>
</tr>
</tbody>
</table>

- 57,568 enrollment is 70.2% of non-group and small group market (HSRI)
  - $9.7M would be 2.7% effective tax rate

Health Benefits Exchange

- 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
Key Unresolved Issues

- Short-term operations cost and funding
  - As noted, even upcoming budget still unresolved, though federal support appears more secure
  - Essentially provides more time to decide future
- State vs. federal functionality & cost
  - Long-term sustainability

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Key Unresolved Issues

- 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?

Health Benefits Exchange

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