

# 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

3

## 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

4

## 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

5

## 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*

6

## 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

7

## 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)

8

## Exchange: Background & Implementation

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

Arkansas*	California
Colorado	Connecticut
Hawaii	Idaho
<i>Maryland</i>	<i>Massachusetts*</i>
Minnesota	Nevada
<i>Oregon</i>	Utah
Vermont	Washington*

\* States that have not identified financing

9

## Exchange: Background & Implementation

- Three states are operating under executive orders:
  - Kentucky
  - New York
  - Rhode Island
- None of the three have identified funding mechanism

10

## 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

11

## Exchange: Background & Implementation

---

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

12

## 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

13

## 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

14

## Exchange: Background & Implementation

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

15

## 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

16



## 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

17

## 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

18

## 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

19

## 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
<b>Total</b>	<b>\$140.5</b>

*In Millions*

20

## 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 – 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

22

## 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
<b>Total</b>	<b>\$28.3</b>	<b>\$52.4</b>	<b>\$24.1</b>	<b>\$23.4</b>	<b>(\$4.9)</b>
<b>FTEs</b>	<b>15.0</b>	<b>25.0</b>	<b>10.0</b>	<b>25.0</b>	<b>10.0</b>

\*6.0 positions are in Office of the Governor

23

## Exchange – Contracted Services

	FY 2014 Revised	FY 2015 Gov. Rec.
Deloitte	\$17.1	\$7.5
Connexions (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
<b>Total</b>	<b>\$49.2</b>	<b>\$19.0</b>

24

## 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	Connexions

25

## 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.

26

## 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

27

## Federal Facilitated Exchange: Funding Model Example

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

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

28

## Federal Facilitated Exchange

<i>2015 Est.</i>	<b>Enrolled</b>	<b>Avg. Mo Premium</b>	<b>3.5% Charge</b>	<b>Annual Charge</b>	<b>Total</b>
Indiv. Market	30,578	\$365.30	\$12.79	\$153.48	\$4.7M
Small Group	26,990	\$440.46	\$15.42	\$185.04	5.0M
<b>Total</b>	<b>57,568</b>				<b>\$9.7M</b>

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

29

## 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

30

## 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

31

## 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?

32



## 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?

33

## 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?

34

## 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?

35

## Health Benefits Exchange

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

---