

# Rhode Island Health Benefits Exchange

Staff Presentation to  
House Finance Committee  
March 27, 2013

➤ Affordable Care Act

➤ RI Health Benefits Exchange

# Affordable Care Act

- Patient Protection and Affordable Care Act of 2010
  - ❖ Overview
  - ❖ Medicaid Expansion

# Affordable Care Act

- Aims at decreasing the number of uninsured individuals
- Requires that all individuals have medical coverage or pay a penalty
  - ❖ Exceptions (Undocumented immigrants, members of Indian Tribes, incarcerated)

# Affordable Care Act – *Uninsured*

(in thousands)	<b>Number</b>	<b>% of Population</b>
Connecticut	364	10.3%
Maine	128	9.7%
New Hampshire	140	10.8%
Massachusetts	288	4.4%
Rhode Island	125	12.0%
Vermont	56	9.1%
United States	49,146	16.0%

*U.S. Census, Sept. 2012*

# Affordable Care Act – *Key Provisions*

- Insurers are prohibited from imposing dollar limits on benefits, like hospital stays or testing
- Dependent children can remain on parents' plans until 26<sup>th</sup> birthday
- Insurers are prohibited from dropping policyholders when they get sick
- Insurers are prohibited from excluding pre-existing medical conditions
- New plans must cover preventive care and medical screening

# Affordable Care Act – *Medicaid Expansion*

- Allows states to extend Medicaid benefits to non-disabled, childless adults ages 19-64 at or below 138% of poverty as of Jan. 1, 2014
- Article 19 (Hearing Feb. 13)
  - ❖ Governor includes \$69.8 million in federal funds
- 100% federally funded until Dec. 2016
  - ❖ State's share to grow from 5% in 2017 to 10% in 2020

# Affordable Care Act – *Medicaid Expansion*

<b>SFY</b>	<b>State Share of Extended Benefits</b>	<b>Total</b>	<b>General Revenues</b>
2015	0.0%	\$152.0	\$-
2016	0.0%	\$165.3	\$-
2017	2.5%	\$180.0	\$4.5
2018	5.5%	\$194.0	\$10.8

# Affordable Care Act – *Medicaid Expansion*

Newly Eligible	80,983
Assume initial enrollment of 25%	20,170
Per Member/Per Year Cost	\$6,929
Annual Cost	\$139.7 million
Cost beginning January 1, 2014	\$69.8 million

# Affordable Care Act – *Medicaid Expansion*

## Other States:

- 27 states, including District of Columbia support Medicaid expansion
- 17 states opposed
- 7 states are weighing options (Kansas, Kentucky, South Dakota, Tennessee, Utah, West Virginia and Wyoming)

# Affordable Care Act

- Mechanisms to reduce health insurance costs
  - ❖ Can purchase health insurance through exchanges
  - ❖ Subsidies to individuals/families
  - ❖ Tax credits to employers

# RI Health Benefits Exchange

- *What it is*

- Who is doing what

- Who can use it

- How it works

- What's left to decide

# RI Health Benefits Exchange

- Marketplace for individuals/families and small businesses to compare policies and premiums, and purchase health insurance
- Must be in place and ready to function on January 1, 2014
  - ❖ Ready to begin accepting applications in October 2013

# RI Health Benefits Exchange

## *Core Functions*

<b>Consumer Assistance</b>	Consumer support, education and outreach
<b>Plan Management</b>	Collection and analysis of plan rate and benefit package information
<b>Eligibility</b>	Accept application; conduct verifications of applicant information and determine eligibility in Medicaid, CHIP
<b>Enrollment</b>	Enroll consumers into qualified health plans; transmission of information to initiate advance payments of the premium tax credit and cost-sharing reductions
<b>Financial Management</b>	User fees; financial integrity

Source: Centers for Medicare and Medicaid Services

# RI Health Benefits Exchange: *Options*

## ➤ State-Based Exchange

- ❖ Operate its own health exchange and perform all related activities – 18 states

## ➤ State-Federal Partnership

- ❖ Shared responsibilities and states will manage certain aspects – 7 states

## ➤ Federally-Facilitated Exchange

- ❖ HHS will assume primary responsibilities – 26 states
- ❖ Can transition to state-based after Jan. 2014 <sup>15</sup>

# RI Health Benefits Exchange

## ➤ Where We Are:

	<i>Rhode Island</i>	<i>Other Options</i>
Exchange Decision	<i>State Based Exchange</i>	<i>State/Federal or Federally Facilitated</i>
Approval Status	<i>Conditional Approval</i>	<i>N/A</i>
Structure	<i>Operated by State</i>	<i>Quasi or non-profit</i>
Type of Exchange	<i>Active Purchaser</i>	<i>Clearinghouse</i>

# RI Health Benefits Exchange

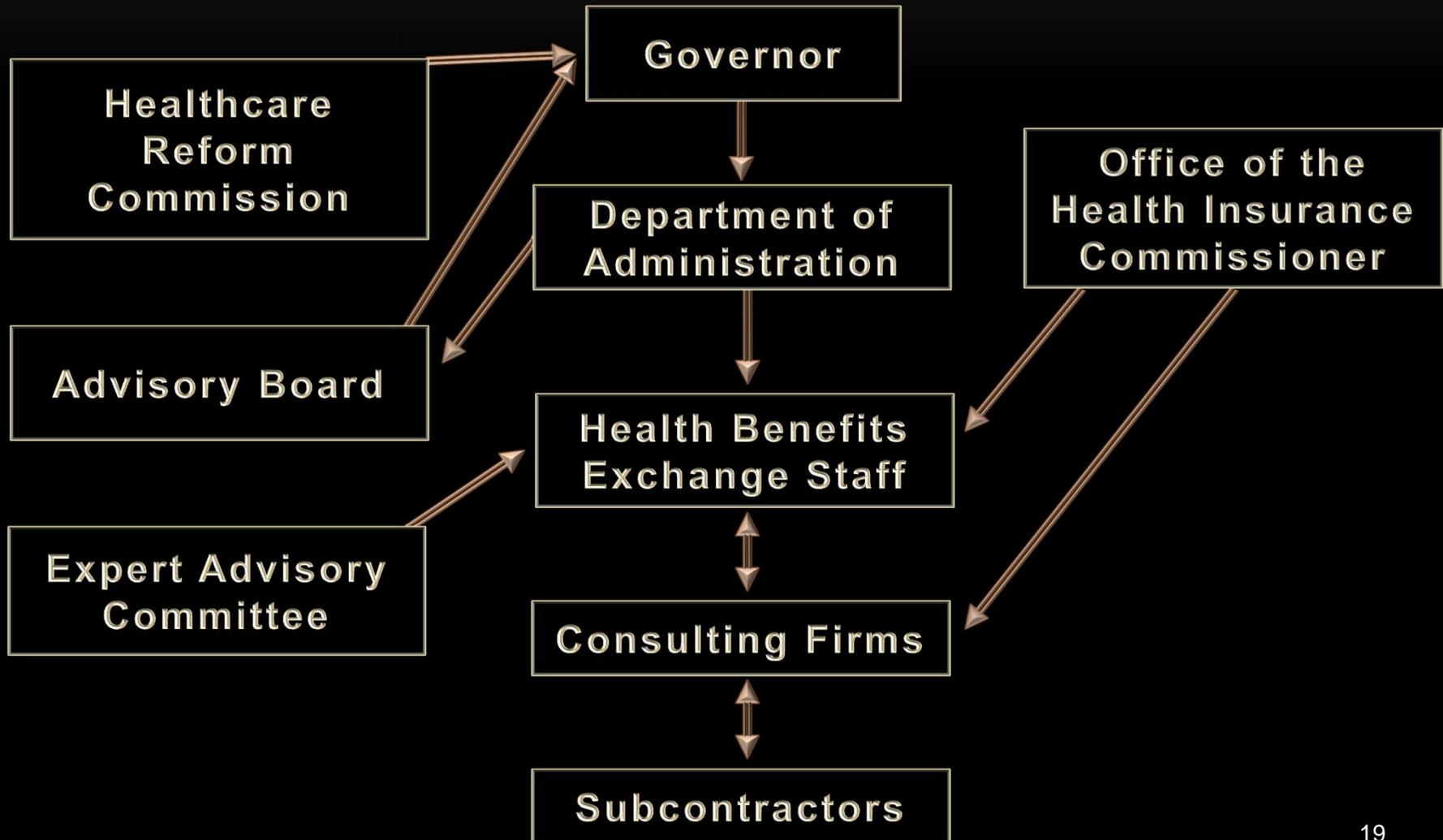
- *What it is*
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# RI Health Benefits Exchange

## ➤ *Who is doing what*

- ❖ Governance and Structure
- ❖ Funding
- ❖ Unified Health Infrastructure Project

# RI Health Benefits Exchange



# RI Health Benefits Exchange

- Established by Executive Order 11-09
- Advisory Board
  - ❖ Makes recommendations to the Governor on how to run and set up the Exchange
  - ❖ 13 member board:
    - 9 members are appointed by the Governor
    - Directors or designees from DOA and DOH, Health Insurance Commissioner and Secretary of OHHS

# RI Health Benefits Exchange

## ➤ Expert Advisory Committee

- ❖ Consists of 22 members
- ❖ Includes members with expertise in Rhode Island's health care system
- ❖ Provide insight and advice to the Exchange Board and staff

# RI Health Benefits Exchange

<b>Agency</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>Staffing</b>
Administration	\$28.8	\$28.3	<b>15.0</b>
Business Reg.	3.4	1.7	<b>5.0*</b>
Office of the Lt. Gov.	0.1	0.1	<b>1.3*</b>
<b>Total</b>	<b>\$32.4</b>	<b>\$30.2</b>	<b>21.3</b>

*\*Some staff work on other ACA programs*

# RI Health Benefits Exchange

- Governor recommends 15.0 full-time positions in the Department of Administration: 8.0 positions are filled
  - ❖ Director - Appointed by the Governor
    - Responsible for organizing, administering and managing the operations of the Exchange

# RI Health Benefits Exchange

## ➤ Other positions

- ❖ Deputy Director: Responsible for the oversight of the technical implementation during the build of the Exchange
- ❖ Assistant Director: Responsible for operational development and managing contracts
- ❖ Other positions include a legal counsel, senior policy, marketing specialist and finance

# Office of the Health Insurance Commissioner

- Initial administration of Exchange Planning and Establishment I grants
  - ❖ Expires May, 2013; OHIC requested federal extension
- Shares staff with Exchange
- Administers two related ACA grant programs
  - ❖ OHIC staff and contractors developing systems for insurance product rate review and consumer protection

# OHIC: Affordable Care Act Grants

- Rate Review: Develop policies and operations for premium and rate review of health insurance companies operating within RI's borders
- Consumer Assistance Planning: Establish state insurance consumer assistance and data collection program

# RI Health Benefits Exchange

- System Integrator cost is estimated at \$59.3 million
- RI Health Benefits Exchange is contracting out the work through various vendors
  - ❖ Independent verification and validation contract
  - ❖ Call center

# RI Health Benefits Exchange

<b>Tasks</b>	<b>Contractors</b>
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	To be determined

# Unified Health Infrastructure Project

- Unified Health Infrastructure Project (UHIP)
  - ❖ Office of Health and Human Services project to implement a new assistance enrollment system that ties into the Health Benefits Exchange
- Estimated cost of \$236.0 million project through CY 2020

# Unified Health Infrastructure Project

- Unified Health Infrastructure Project (UHIP)
  - ❖ In coordination with the Health Benefits Exchange to implement ACA
  - ❖ Apply through the Exchange and if Medicaid eligible will be directed to UHIP
  - ❖ Eventually create one system to apply for medical and cash assistance benefits

# RI Health Benefits Exchange

- What it is
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- ***Who can use it***
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# RI Health Benefits Exchange

- Who can use it
  - ❖ Small Businesses
  - ❖ Individuals/families
    - Medicaid Integration

# RI Health Benefits Exchange

## Small Businesses

- Business with less than 25 full-time employees
- Credit took effect for tax year 2010
- If offer affordable health insurance to employees
  - ❖ Credits are worth up to 35% of the cost of the premiums
  - ❖ Would increase to 50% in 2014
  - ❖ Obtain credit through tax return

# RI Health Benefits Exchange

## Small Business

- Exempts small business with less than 50 employees
- ACA Penalties:
  - ❖ \$2,000/employee for not offering benefit but excludes first 30 employees
  - ❖ \$3,000/employee if coverage does not cover at least 60% of the covered services or exceeds 9.5% of employee's income

# RI Health Benefits Exchange

- Act requires that insurers offer plans within four levels of coverage
- Plans get scored – based on a specified share of the full actuarial value
- All must cover essential benefits (such as ambulatory services, emergency care, and prescription drugs)

# RI Health Benefits Exchange

Type	Covering Value
Bronze	60.0%
Silver	70.0%
Gold	80.0%
Platinum	90.0%

# RI Health Benefits Exchange

- Subsidies
- If qualify, subsidy received will be based on the premium for silver plan
- If an individual wants to purchase a gold or platinum, will have to pay the difference between premium credit and the cost of the expensive plan

# RI Health Benefits Exchange

## **Subsidies for low income individuals & families**

- 133% and up to 400% of federal poverty level
  - ❖ Will receive federal subsidies if purchase through exchange
- Income from 133% to 150% of federal poverty level
  - ❖ Will pay premium cost of 3% to 4% of income

# RI Health Benefits Exchange

<b>Income (% of FPL)</b>	<b>Salary (Family of 3)</b>	<b>Premiums (% of Income)</b>	<b>Annual Premiums</b>
133%	\$24,352	3.00%	\$731
150%	\$27,465	4.00%	\$1,099
200%	\$36,620	6.30%	\$2,307
250%	\$45,775	8.05%	\$3,685
300%	\$54,930	9.50%	\$5,218
350%	\$64,085	9.50%	\$6,088
400%	\$73,240	9.50%	\$6,958

# RI Health Benefits Exchange

## ➤ ACA Individual/Family Penalty Phase-in

Year	Penalty	Greater of	
		Up to	% of Income
2014	\$95 per adult & \$47.50 per child	\$285	1.0%
2015	\$325 per adult & \$162.50 per child	\$975	2.0%
2016	\$695 per adult & \$347.50 per child	\$2,085	2.5%
2016+	Increase annually by COLA		

# Rlte Care Eligibility

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	<b>Children</b>	<b>Parents</b>
Rlte Care Income Threshold	Up to 250% of poverty	Up to 175% of poverty
ACA Maintenance of Effort	Up to 250% until Sept. 30, 2019	Up to 175 % until 1/1/2014

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# Rite Care Cost Sharing

<b>Income Threshold Fed. Poverty Level</b>	<b>Monthly Cost Sharing*</b>	<b>Annual Cost Sharing</b>
Up to 150%	No requirement	No requirement
150% up to 185%	\$61	\$732
185% to 200%	\$77	\$924
200% to 250%	\$92	\$1,104

\*one payment per family regardless of family size enrolled

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# RI Health Benefits Exchange

## ➤ How it works

- ❖ Sellers

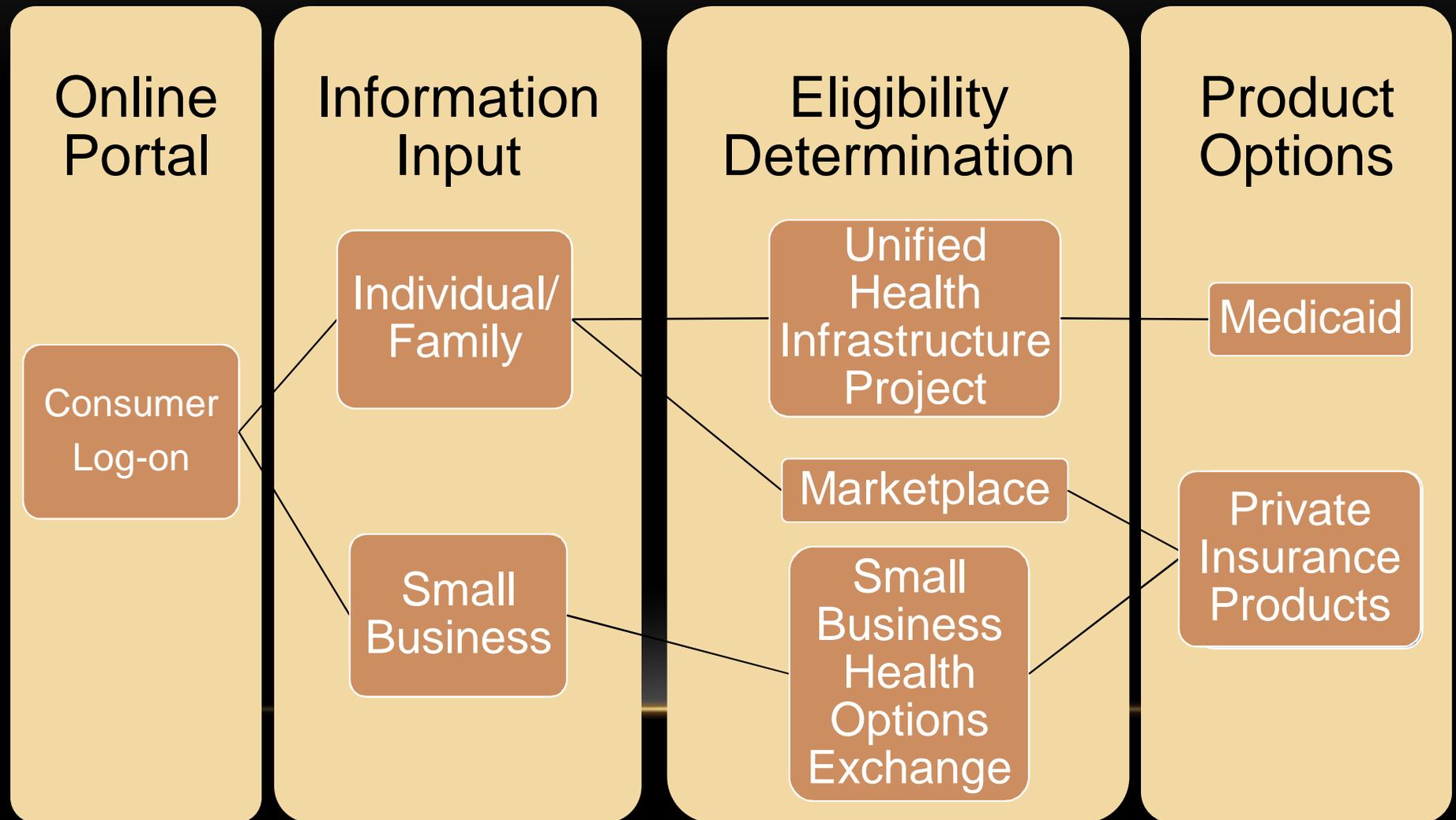
- ❖ Buyers: individuals/families and small businesses

# RI Health Benefits Exchange

## ➤ Sellers

- ❖ Insurers offering health plans
- ❖ Health care plans must cover essential health benefits: ambulatory services, emergency services, hospitalization, maternity and newborn care, prescription drugs, preventative and wellness service, laboratory services,
- Office of the Health Insurance Commissioner – making sure plans meet standards

# RI Health Benefits Exchange



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# RI Health Benefits Exchange

## **Federal guidance**

- Plan definitions
- Regulations

# RI Health Benefits Exchange

## Sequestration Impact:

- Planning and establishment grants are subject to the sequester
  - ❖ Possible 5.1% reduction
  - ❖ Awaiting further information

# RI Health Benefits Exchange

## Sustainability

- Federal funds are supporting the planning, establishment and initial operations of the Exchange through the end of 2014
  - ❖ Covers one year of operations from opening
- Exchange must find way to support its operations

# RI Health Benefits Exchange

## Sustainability

- FY 2014 – FY 2018 Estimate
  - ❖ Governor's five-year forecast does not assume operating costs for the Exchange
- What are expected operating cost?
  - ❖ Staffing
  - ❖ Vendor contracts
- Who will determine those costs?

# RI Health Benefits Exchange

## ➤ References and Other Materials

- ❖ <http://www.governor.ri.gov> – Overview, frequently asked questions, board members, meetings and schedules
- ❖ <http://healthreform.kff.org/> - State decisions and analysis
- ❖ <http://www.ncsl.org> – PPACA, state analysis
- ❖ <http://ffis.org> – federal funds for states

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