Vermont Exchange Advisory Group Meeting 5

September 12, 2011

MINUTES

Present: Peter Sterling and Donna Sutton Fay (VT Campaign for Health Care Security), Trinka Kerr (VT Health Care Ombudsmen), Kevin Goddard and Catherine Hamilton (Blue Cross and Blue Shield of Vermont), Floyd Nease (Vermont Association for Mental Health), Denis Barton (Bi-State Primary Care Association), Senator Claire Ayer, Senator Jane Kitchel, Senator Sally Fox, Sonia Tagliento and Sundaina Menawat (MAXIMUS), Susan Gretkowski (McLean, Meehan and Rice for MAXIMUS and MVP), Heather Shouldice (William Shouldice and Associates LLC), Theo Kennedy (Otis and Brooks), Jill Olson and Cory Gustafson (Vermont Association of Hospitals and Health Systems), Tasha Wallis (Vermont Retail Association), Betsy Bishop (Vermont Chamber of Commerce), Dr. Tim Tanner, Paul Harrington (Vermont Medical Society), Mark Hage (Vermont NEA), Peter Cobb (Vermont Assembly of Home Health Agencies), Bill Lambrukos (Delta Dental Plan of Vermont/Northeast Delta Dental) and George Richardson (Vermont Dental Society) Philene Taormina (AARP VT), Jeanne Kennedy (JB Kennedy Associates LLC/CIGNA), Lucie Garand (Downs, Rachlin and Martin), Jill Guerin (KSE Partners), Timothy Ford (VIAA and Hackett & Valine), Richard Davis (Vermont Citizens Campaign for Health), Craig Fuller (Employers Health Alliance), Kelly Stoddard (American Cancer Society),

Staff and consultants: David Mannis & Georgia Maheras (Banking, Insurance, Securities and Health Care Administration, BISHCA), Betsy Forrest & Mark Larson (Department of Vermont Health Access, DVHA)Anya Rader Wallack & Robin Lunge (Agency of Administration), Jennifer Carbee & Katie McLinn (Legislative Council), Nolan Langweil (Joint Fiscal Office) , Beth Waldman, Joshua Slen, Brendan Hogan, Amy Lishko and Erica Garfin (Bailit Health Purchasing)

I. Introductions

Robin Lunge convened the meeting and participants introduced themselves.

II. Updates from the Vermont Agency of Administration (Robin Lunge, VT Agency of Administration)

Interagency work teams have been engaged in an intensive research phase. Actuarial studies that are currently underway are: analyses of 50 vs. 100 small group size; allowing additional plans to operate outside of the Exchange; and merging individual and small groups. Their findings will be provided to the Advisory Group when they become available.

Robin has started to do outreach to various groups, especially employer groups. She welcomed the Advisory Group to contact her with suggested groups. She also meets with the Medicaid Advisory Board to keep them informed about the Exchange.

III. Health Benefit Exchange model options discussion (Robin Lunge)

A PowerPoint handout was used as the basis for Robin's presentation. It is available on the Exchange website at http://dvha.vermont.gov/administration/hbe-vermonts-exchange-09-12-11-ppt.pdf . After some discussion of Qualified Health Plans

(*see slides 14 – 18*), the presentation and discussion focused on models under consideration for the SHOP (Small Business Health Options Program) Exchange (*slides 19-38*).

The states are still awaiting guidance from the federal government about Essential Health Benefits and levels of coverage. Until that guidance is available, little work can be done on Vermont's benefit design, including determining the cost of maintaining all of Vermont's state-mandated benefits that are not included in the federal essential health benefit package. Ideally, a "price tag" will be ready in time for the 2012 legislative session. No legislative action is required unless changes are made to existing state mandates. A potential use of health savings accounts, HSAs will be considered during discussions with legislators, individuals, and employers about benefit design. A comment was made that the amount of increase in federal funding is tied directly to having more Vermonters inside the exchange. The challenge is the current Medicaid waiver populations and the exchange.

Several questions were raised during the discussion of Qualified Health Plans.

Q1 *How long is the open enrollment period for individuals?*
A *Initial enrollment will run from October 2013 through March 2014, with shorter enrollment periods in subsequent years.*

Q2 *Employers will have a rolling enrollment with annual renewal. Will there also be a rolling deductible? There is an impact on HSAs.*
A *Discussion of deductibles has not started yet. Massachusetts uses a rolling deductible.*

Q3 *Does the SHOP Exchange mean plans in or out of the Exchange?*
A *SHOP is the federal language. In Vermont there will be a single Exchange.*

Q4 *Where does the ultimate decision about the model rest in Vermont?*
A *With the administration.*

Q5 *Will Health Savings Accounts be part of the examination and analysis?*
A *Yes*

Q6 *Will the design include silver level and above or will it include bronze?*
A *Although the state passed a state statute stating it would be silver plans and above the state is still faced with a potential federal preemption issue*

Five plan selection options were presented, with questions and discussion following each. Robin asked the group to consider, while reviewing these 5 options, whether it makes a difference if the plan is purchased by an employer or an employee. A comment was made that no rules are available currently on the national plan requirements and whether or not it needs to be a domiciled plan.

Option A: Employer selects tier and product

Q7 Is a "tier" the same as a "product"?
A It is assumed that there will be more than one product design in each tier.

Q8 Is Medicaid included here?
A At this point, it is just the private insurance market.

Q9 Are there additional advantages or disadvantages to this option?
A Employers would have absolute ability to compare products. It is anticipated that products will be the same for individuals and families.

Q10 Will employees be able to determine the bottom line cost for their premium contribution and out-of-pocket costs?
A Yes, but in this option the employee has no choice.

Q11 Will other plans be available outside of the Exchange?
A That is under analysis.

Option B: Employer selects tier; employees select product

No discussion.

Option C: Employer selects insurer; employees select their tier and product

Q12 Is there some impact on tax credits if an employee selects a higher tier plan?
A No.

Option D Employer selects tier to base payment; employees can select any product

Q13 What about ERISA impacts for this option?
A This needs further analysis

Discussion followed about how the employer penalty is at $12,000/year but the employee contribution is at $20,000 year. There is not penalty for groups of people under 50. Employer groups of under 50 has a complex federal formula and it is 50 FTE's and to calculate the penalty you have to look at all of the FTEs

Option E Defined contribution

Q14 What are the tax implications? Does the employer pay tax if it gives a contribution to the employee?
A We will try to get an answer to that.

Q15 *The slide about the impact of this option should include an additional bullet to note that individuals would become eligible for premium subsidy. If more people take this option, more federal money comes to the state. From a fiscal standpoint for the state and employers, this is an attractive option.*

A *Individuals will have to do their own analysis of paying pre- or post-tax in addition to whether they are eligible for the premium subsidy.*

Q16 *What would the employer contribution be?*

A *This is unknown. There will be a penalty for 50-100 member groups if the employer contribution is too small, but not for groups under 50. Some employers may decide to pay the penalty if it less than the defined contribution or premium share.*

Q17 *How are part-time employees counted in calculating group size?*

A *Part-time employees will be added up to get full-time equivalents for purposes of calculating group size. Employers will not be required to provide insurance to part-time employees.*

Additional discussion occurred about the risk adjustment mechanisms under ACA that stabilize risk. The carrier doesn't pay all of the risk as the federal government has a premium redistribution formula that state during the first 3 years of the exchange insurers will have risk corridors where they cannot gain or lose a certain amount. This process is done through a retrospective reconciliation process. This has occurred in New York State in the past and it took 10 years for complete reconciliation, but hopefully in Vermont it will be easier as we have fewer options.

The Advisory Group was asked for their initial reactions to the five options, and an open discussion ensued.

Q18 *What is the relationship between medical and dental choice in the five options?*

A *That has not been looked at yet.*

Q19 *If the state sees this as a platform for moving to fewer payers that should be seen as an important criterion. Can this be accomplished in steps?*

A *Yes. Employers may be more interested in a gradual shift with an interim step that is not very different from today's world.*

Q20 *What happens to the risk adjuster calculation in options where the employer is not choosing the insurer?*

A *The idea of the adjuster is to exclude all factors except the risk of a particular individual in order to prevent discrimination based on health status. Any insurers that have insured a large proportion of high-risk individuals will receive payments from insurers who cover individuals with the lowest risk. This is usually done through a retrospective reconciliation between insurers. New York uses this approach, but because they have a lot of insurers, it took 10 years to do the first*

reconciliation. The federal law also requires risk corridors for the first three years so plans cannot lose or gain more than a certain amount.

Q21 *The issue is who collects the premiums rather than options for individuals. If the employer has to pay premiums to a variety of health plans, rather than paying a single bill, that presents a burden.*

A *There is no one option that works best for employees, employers, and insurers. Outreach and solicitation of input will be very important to the design process. Employers would make a single payment to the Exchange, which will distribute payments to the plans. Employers will still have to collect the employees' share from their paychecks. At the least, the Exchange will give employers the tools to figure out the employee share, or potentially could give the employer the precise amount for each employee.*

Q22 *In the decision-making process, doesn't the decision about the benefit package have to come first?*

A *Not necessarily.*

Q23 *Has there been any guidance from the feds? PPACA stressed that choice was important.*

A *No. Vermont is different from those states whose goal is to preserve the status quo to the greatest extent possible.*

Q24 *If the state ultimately settles on Option ABC or D, can the employer still choose to do Option E?*

A *Yes.*

Q25 *Variability of what the employer has to pay for different employee choices would be a problem. Is there a fixed payment by employers?*

A *This could be done either with a fixed amount or a defined percentage of the premium. The latter would be difficult to manage, and most employers prefer predictability.*

Comment *Most school districts pay a percentage of premium, but it can be done either way.*

Additional comment – option D puts more pressure on employers

Q26 *Option E would be a viable alternative if there is the ability to purchase plans outside the Exchange. What works for a business with 35 employees is very different than one with 500.*

A *Employers will have the choice to be self-insured, though that is often not a viable option for smaller groups.*

Q27 *Option D is important for employers who want to offer employee choice, but without going to Option E. Why couldn't they do Options ABCD and E?*

A *That would be very costly to administer. Theoretically, it would seem that administration of Option D would be costly because of the extent of employee choice, but that is hard to predict. With other insurance, like car insurance, people tend to choose a plan and stay with it for a long time. Employers change plans more frequently.*

Q28 *Associations try to keep annual cost increases in check to keep employers from jumping from one plan to another every year. Will the state try to keep those annual increases in check?*

A *Pools shift. Currently, plan design drives premium cost. With the federal law, the pool will be much larger, so the pressure will be reduced.*

Q29 *People are very confused by the difference between the percent of premium that employers pay (e.g. 80% of premium) with the level of coverage (e.g., gold at 80%). I couldn't make a decision until I can look at the actual premium cost.*

A *The website will show the amount of the employer contribution, and no decisions will have to be made until you know both the premium cost and employer contribution. Each level will have to be within certain parameters and offer the essential benefits.*

Comment *With Options B and D, employer questions about billing will have to go directly to the state rather than the plans because the plans will not know anything about the total bill for the employer.*

Comment *Consumer choice is always desirable, but choosing between the 9 options in Option D is overwhelming and almost becomes no choice. It will be a nightmare for outreach people and navigators to explain all of the options. It is better to find a middle ground where employees have some choice—perhaps 2 or 3 options—but not among carriers and tiers. Choices will be narrower for those receiving the premium subsidy.*

Comment *Option D seems to include the ability to also do Options A, B and C. This argues again Option D.*

Comment *Our goal is to reduce administrative complexity and reduce costs. Administrative requirements should be a big consideration. This argues against Option D.*

Comment *Compared to today's world, the Exchange will make choosing easier through standardized products and apples to apples comparisons. The real issue is administrative complexity and transitioning businesses into the new world.*

Comment *Those who would rather decide up front to pay a bit more for the premium in order to reduce out-of-pocket exposure would not like Option A or B.*

Comment *The starting point should be the layout of the consumer decision-making tool. It should be as short and simple as possible.*

Comment *If the products all offer the same benefits, the choices people will make are between cost-sharing arrangements and networks, which is very different than today's choices. Most school districts in Vermont offer 3-4 choices, but people have trouble understanding cost-sharing arrangements even when the benefit package is the same for all. Most people do not want to make the choice on a computer and will opt for one-on-one assistance.*

IV. Exchange implementation grant application (Beth Waldman)

Vermont's planning grant ends on September 30. The state will submit a one-year Level One implementation grant proposal on September 30. The implementation grant would help to design the SHOP Exchange and develop an implementation plan. Grant funds would support state staff, consultants, actuarial analyses, and IT. The grant proposal will be shared with the Advisory Group at the next meeting. It was noted that 10 states have passed exchange legislation, including Vermont. Vermont is further along in the planning process than many other states. Some states may end up having to rely on a federally run exchange option.

V. Next steps (Robin Lunge)

Monthly Advisory Group meeting will be scheduled for the fall. Meeting dates will be sent out in the near future.