
Exchange Advisory Group: Insurance Market Planning

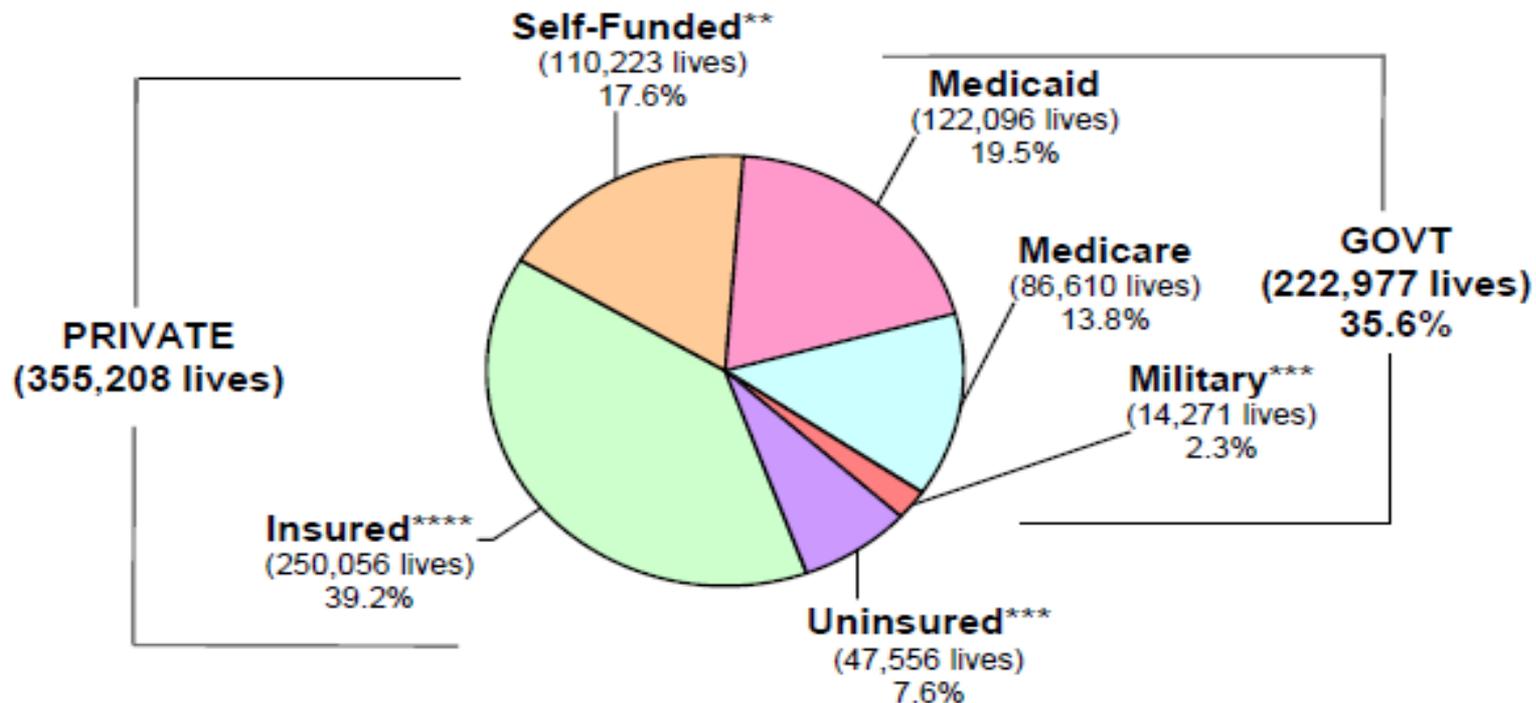
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December 16, 2011

Overview

- Review Vermont law & insurance markets
 - Facts & Figures
 - How rating of plans works today
- Review the ACA
 - Legal requirements
 - How rating works in 2014
- Act 48 study parameters & methodology
- Preliminary results & work still in progress

PRIMARY SOURCE OF HEALTH INSURANCE ALL VERMONT RESIDENTS, 2010

N=625,741 VT Residents*



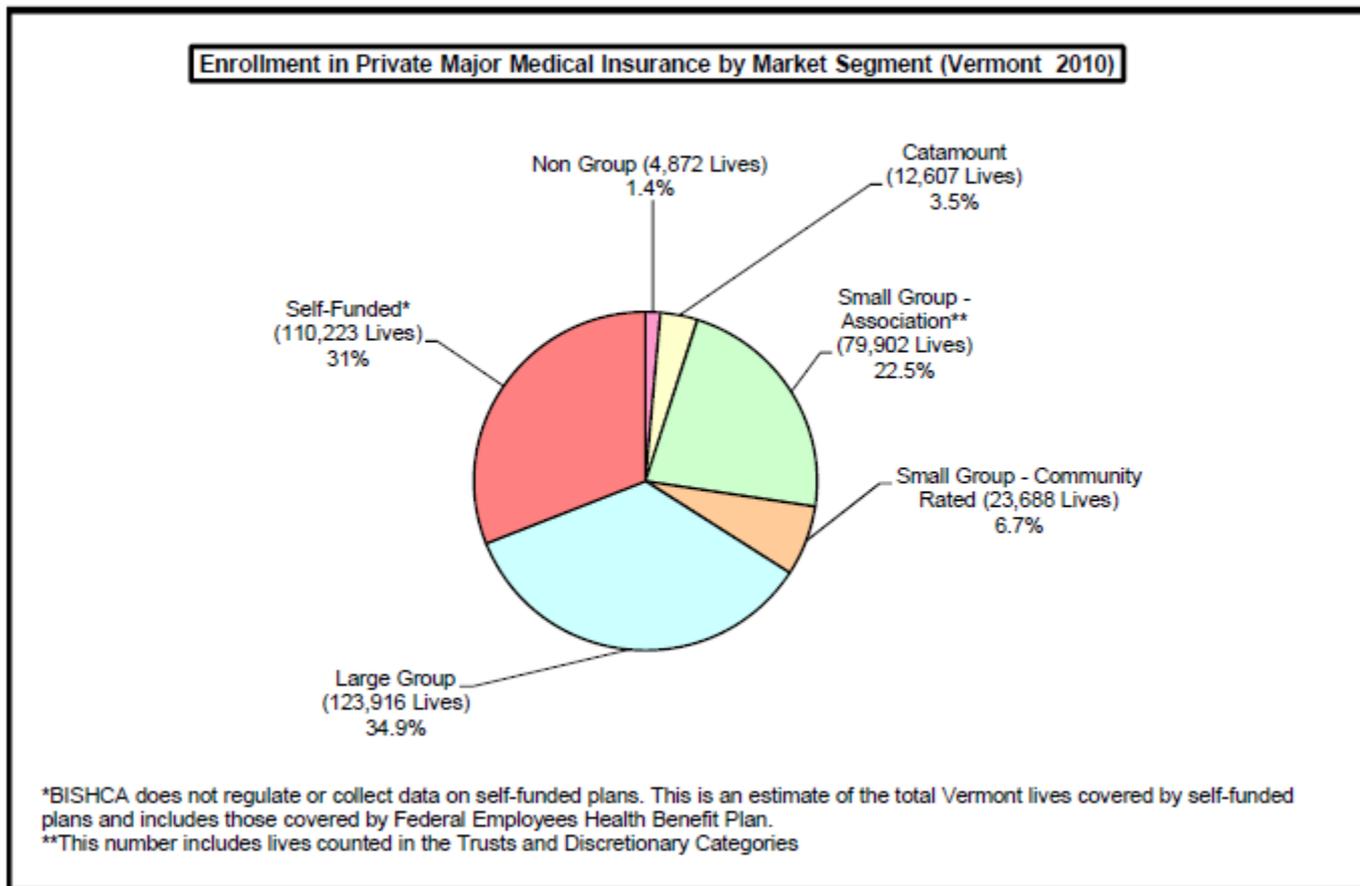
* 2010 U.S. Census Bureau state-level annual population estimate.

** BISHCA does not regulate or collect data on Self-Funded. This is an estimate of the total Vermont lives covered by Self-Funded plans which includes Federal Employees Health Benefit Plan

***2009 Vermont Household Insurance Survey number trended forward and weighted based on the U.S. Census Bureau uninsured estimates

****This number includes 61,796 Vermonters covered by health plans licensed in other states.

Size of Vermont markets



Individual Market

- Individual Market: 4,872 lives
- Catamount Health: 12,607 lives
 - 2 insurers
- Guaranteed issue
- Community Rated by insurer

Risk Pools – Individual Markets

Individual Market -
MVP

Catamount
Health MVP

Individual
Market -
Blues

Catamount
Health Blue

Vermont: Small Group Market

- Small Group Market: 23,688 lives
- Guaranteed Issue
- Community Rated by insurer

Risk Pools – Small Group Market

Small Group
Blues
X lives

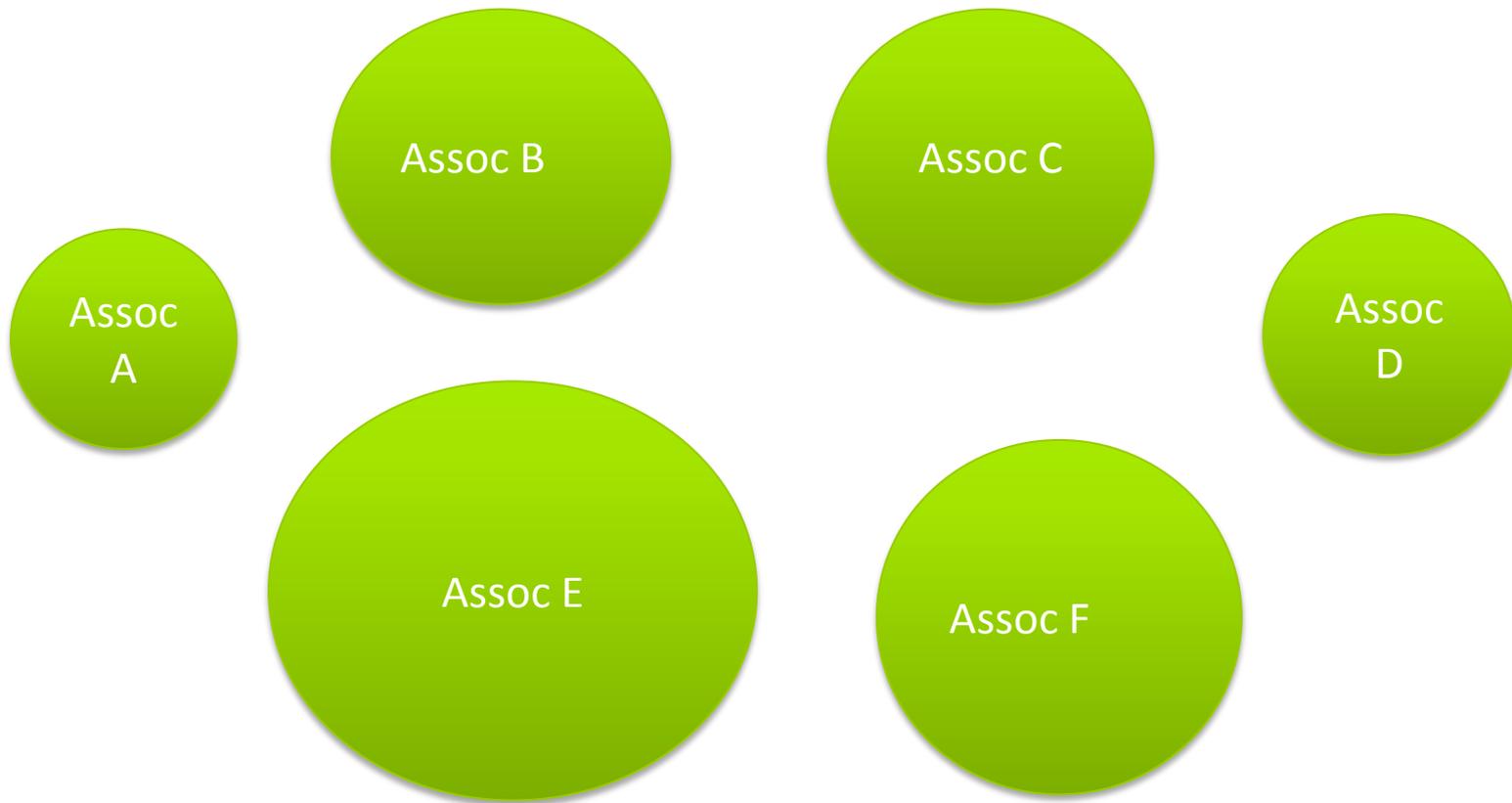
Small Group
MVP
X lives

Vermont: Association Market

- 79,902 lives, including VEHI Trust
- Exception from small group community rating
 - Each association is rated as its own pool
 - Similar to a large employer
- Currently 7 associations and VEHI trust

Risk Pools – Association Market

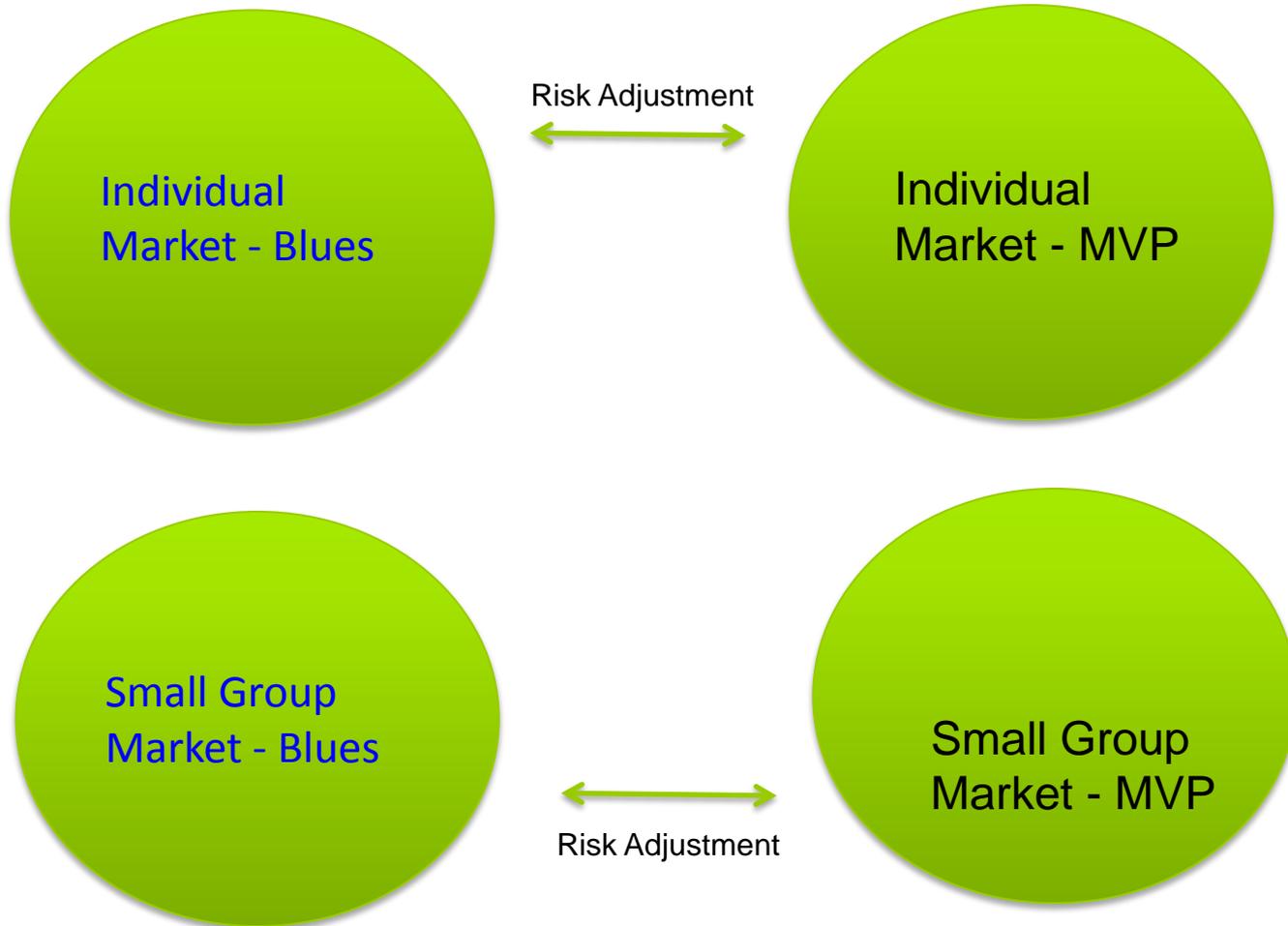
Each circle represents separately-rated risk pool



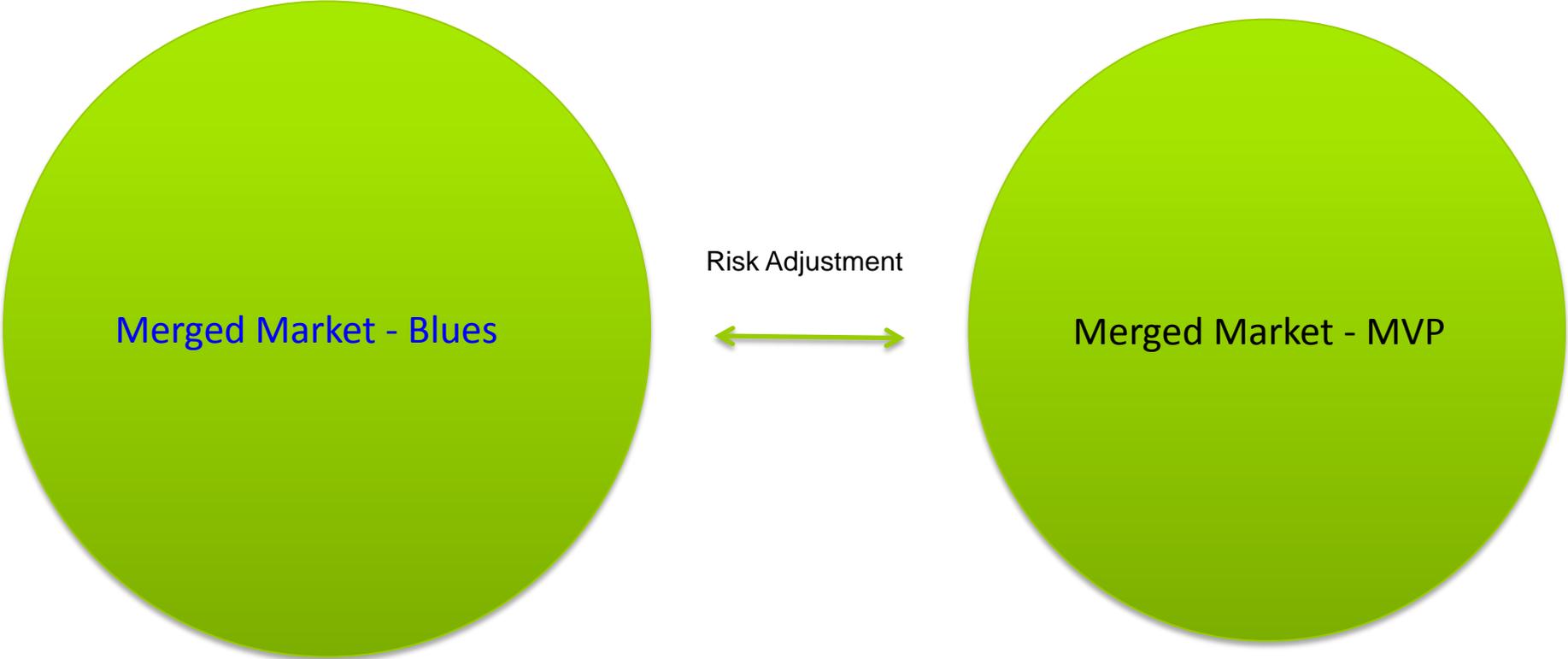
ACA Requirements - 2014

- Community rated pool by insurer w/ risk adjustment
 - Individual market
 - Small group market
 - Definition of small group:
 - 2016 – 100 employees or less
 - 2014 & 2015 – state option of 50 employees or less
 - State option to merge Individual and small group market
- Federal essential health benefits package applies to individual & small group markets
 - Essential health benefits (not defined in detail as yet)
 - Benefits packages (“metal levels”)

Risk Pools: Option 1 – 2014



Risk Pools: Option 2 – 2014



Application of Risk Adjustment (3R's)

ACA Provision	Sold within Exchange		Sold Outside Exchange			Who Administers	
	Individual	Small Group	Individual	Small Group	Grand-Fathered	State Run HIX	Federal Run HIX
Risk Adjustment	Yes	Yes	Yes	Yes	No	State or HHS ¹	HHS
Reinsurance	Yes	No	Yes	No	No	State	State or HHS ¹
Risk Corridor	Yes	Yes	No	No	No	HHS	HHS

¹ State can decide to administer or allow HHS to administer. If HHS administers, all parameters will be Federal.

Source: Wakely Consulting Group



Where is the association market?

- ACA does not include an exception from community rating for associations
- Small & Large group now defined by employer size
- Employers purchasing from an association now will get insurance from the small or large group, depending on their size and be rated as part of the applicable small or large group risk pool

Where is the Exchange?

- Method of purchasing, *not* a separate pool
 - Plans are rated by carrier, but not by whether they were purchased through the Exchange, through an insurance broker, or directly from the insurer
 - Exchange is essentially a distribution channel for purchasing health insurance

Exchange as part of Market—2014



Common features of all plans in 2014

- Federal essential benefit PACKAGE
 - Essential services (list of 10)
 - “Metals” – must meet an actuarial level
- Community rating by insurer
- Guaranteed issue & renewal

Potential Differences

- Qualified Health Plans (QHPs)
 - All Exchange plans must be a QHP
 - If state provides for other purchasing mechanisms, QHPs MAY be offered by issuers of QHPs (and purchased by consumers) outside of the Exchange too
 - Analysis of certification criteria compared to Vermont law on later slide

Potential Differences

- Benefit packages
 - All plans must meet “metal” level
 - Purchasing through the Exchange
 - set of defined plans for comparison
 - 1-3 plans per metal level (3-9 benefit designs)
 - Act 48 – 2 insurers in 2014
 - If each insurer offered every plan type: 6-18 plans
 - Purchasing outside of the Exchange
 - Potential for more plan designs at each metal level
- Broker fees only allowed outside of the Exchange
 - Or brokers could be navigators & get a grant for assisting with Exchange purchasing. Can't do both.

Act 48

Section 8. Integration Plan

- Should “small employer” be defined as an employer with 100 or 50 employees or less?
 - Defines small versus large group markets
- What will the individual and small group market look like in 2014?
 - Pros/cons to having mechanisms for purchasing health benefit plans outside of the Exchange
 - Pros/cons to having “unqualified” plans outside of the Exchange

What does the study entail?

- Collection of data from insurers
 - Used 2010 data
 - Needed to be “standardized” so data was in the same format
 - Needed to collect information about associations that insurers did not have & add to data
 - Done by Kappel
- Provide data to Oliver Wyman (actuarial firm)

What does the study entail?

- Combined data in stages & analyzed
 - Merged association data with small group data
 - Merged Catamount data with individual market data
 - Merged the 2 above into one set
- Did this twice – once w/ data from employers with 50 employees or less; once w/ data from employers with 100 employees or less
- Checked association information against BISHCA list of associations
 - Didn't match, so sorting that out & re-running the data

What does the study entail?

- Policy analysis of non-financial pros/cons from different perspectives (Wakely Consulting)

Small Group: 50 versus 100

- 50 employees or less:
 - provides familiarity for 1 or 2 years
 - More gradual transition of the markets
 - Exchange has fewer people; less sustainable

- 100 employees or less:
 - Larger pool
 - More sustainable Exchange
 - Very slight reduction in premiums for most (1%)
 - Based on initial run; could change

Qualified versus Vermont law

Federal requirement	Current Vermont law
Marketing may not discourage enrollment of individuals with significant health needs	Some marketing review as part of form review
Network adequacy & services area	Network adequacy requirements
Transparency	Transparency (new Act 48 requirements)
Essential Community providers & access for underserved populations	FQHCs commonly in networks now
Quality measures	Rule H-2009-03 (formerly rule 10)
Satisfaction Surveys	Managed Care insurers, yes

Qualified versus “Nonqualified”

- Don't have federal rules yet
- At first blush, differences between federal requirements for qualified plans seem very similar to current Vermont law

Method of purchasing (“inside/outside”)

- Probably higher fees when purchased through a broker
- Otherwise, plans are in same rating pool, so same plans must have same premium
 - Risk adjustment also mitigates against adverse selection between insurers
- Possibly more variation at a given metal level if purchased outside the Exchange
 - But variation is controlled by actuarial values, so this is not unlimited
 - Increases provider administrative costs
- Choice of plans in the Exchange, too

Premium & Cost sharing subsidies

- Individual premium & cost-sharing subsidies
 - Only available for plans purchased through the Exchange
 - Subsidies available up to 400 % of poverty

- Small business tax credits
 - Only available for plans purchased through the Exchange
 - Available for 2 years
 - Employers with 25 employees or less
 - Wages under \$25,000