Vermont’s Health Benefit Exchange Model Options

Draft for Discussion with the Vermont Health Care Exchange Advisory Group
September 12, 2011
Vermont’s Health Benefit Exchange

GOVERNANCE
Act 48: Establishes the Exchange

- Green Mountain Care Board
- Medicaid & Exchange Advisory Group

Diagram:
- Agency for Human Services
  - Department of Vermont Health Access
    - Medicaid
    - Exchange
  - Department of Children and Families
    - Eligibility Determinations
Exchange sits within DVHA

- Deputy Commissioner of DVHA to be director of the Exchange
- Will leverage DVHA staff and infrastructure to work collectively on Medicaid and Exchange
- Dedicated Exchange staff for program & policy
- Combines mandated Medicaid and Exchange advisory committees into one group
- Act 48 requires full integration plan (in process)
State Administration of the Vermont Health Benefits Exchange

Advisory Group (s)

Exchange Administration

Eligibility & Enrollment Infrastructure

Customer Service

Verification with federal and state agencies

Health Plan Enrollment and Premium Collection and Payment

Plan certification and quality review
ELIGIBILITY, ENROLLMENT & EDUCATION
Eligibility Infrastructure

• Exchange to leverage current and planned infrastructure
  – VT IT gap analysis underway
  – Plan for new public program eligibility system
  – New England States Collaborative Insurance Exchange Systems (NESCIES) Innovator Grant

• New systems need to be operational in Fall 2013;
  – Plan B: update current eligibility system to use until new system ready
Eligibility Determinations

• One system to determine eligibility for Medicaid, Dr. Dynasaur, Exchange

• For Individuals:
  – Will utilize Modified Adjusted Gross Income (MAGI) rules
  – Determine eligibility for all health care programs; including tax credits for individuals who will purchase through Exchange
  – Enrollment in the Exchange only during open enrollment periods for individuals, unless meet requirements for special enrollment
Customer Service

• Leverage Medicaid procurement to extent possible
• Toll-free hotlines
  – One for individuals
  – One for employers & their employees
• Availability
  – Include weekend and evening hours
    • Determine use after 6 months to see if should continue
• Accommodate high calling periods
  – Excess capacity
  – Cross Training
## Plan Enrollment

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Assistance</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Exchange responsible for plan enrollment (utilize vendor, consistent with Catamount process)</td>
<td>• Standardized information available to individuals and employer groups on plan options</td>
<td>• Individuals select plan either on-line, with assistance of a Navigator or with customer service representative</td>
</tr>
<tr>
<td>• Utilize customer service vendor if possible</td>
<td>• Customer service representatives and/or Navigators able to assist in selection</td>
<td>• Employer groups select plan as above; employees then select based on available options (also on-line, with assistance of Navigator or with customer service representative)</td>
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<tr>
<td>• If not, need clear communication channels between vendors</td>
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</table>
Exchange Website

• Key tool for providing information and transparency
• VT specific website will:
  – Utilize available information from federal website
  – Will reuse MA design through innovator grant, to extent possible
  – Will be made VT specific, including provision of quality ratings and Exchange costs and evaluations
• Provide easy access to standard information on health plan options
  – Plan comparisons
  – Cost sharing calculator (individuals)
  – Tax credit calculator (employers)
Outreach and Education

General Education
Create marketing plan for general messaging of health reform

Different messages and consumer assistance tools
Targeted at:
- individuals
- employers
- General public

Outreach
Targeted approaches and tools for individuals & employers focused on specific needs

Comprehensive training for:
- state staff
- customer service
- Navigators
- stakeholders
Navigators

**Navigator Functions**
- Public education
- Fair & impartial enrollment information on plans
- Information on tax credits/premiums
- Facilitate enrollment in plans

**Navigator Selection**
- State to issue RFP to select entity(ies)
- May serve individuals, employers or both
- Must bring specific skills and experience & be an organization designated in the ACA
- Navigators must complete comprehensive training
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QUALIFIED HEALTH PLANS
Benefit Design

• Essential Health Benefits
  – Awaiting Federal action (expected in late Fall 2011)
  – Compare VT mandated benefits
  – Determine which, if any, VT mandated benefits to maintain within package
    • Must be funded with state dollars

• Develop standard product design options
  – Silver (70% actuarial value)
  – Gold (80% actuarial value)
  – Platinum (90% actuarial value)
Qualified Health Plans

- Exchange will negotiate directly with designated carriers qualified to participate in the Exchange
- Products offered will be the same for individuals and employer groups
- Ongoing certification based on quality ratings and cost
  - Leverage BISHCAs current efforts
- Exchange will conduct enrollment
Premium Payment Process for Individuals: Two Options

Payment by Exchange
* Individual premium share collected by Exchange and forwarded to selected insurer
* Individual’s tax credit share forwarded separately to insurer by US Treasury
* Insurer to reconcile payments
* Reconcile enrollment and payment with Exchange

Payment by Individual
* Individual premium paid directly to selected insurer
* Individual’s tax credit share forwarded separately to insurer by US Treasury
* Insurer to reconcile payments
* Reconcile enrollment and payment with Exchange
Payment Options: Impact

• Payment by Individual
  – Required option under the ACA draft regulations

• Payment by Exchange
  – can provide insurer with one monthly payment for individuals participating through the Exchange;
  – reduces administrative burden on insurer of receiving separate checks from each individual on a monthly basis
  – Provides avenue for the Exchange to directly engage with individuals on monthly basis
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FOCUS: SHOP EXCHANGE OPTIONS
Goals for Vermont SHOP Exchange

• Administrative simplification of the health care system
• Maximize purchase of insurance through the Exchange, by:
  – Reducing administrative burden on employer
  – Enabling employee choice, without increased burden on employer
• Positioning state to transition to single payer
• Leverage existing infrastructure and functions for efficiency; create similar processes for the individual and SHOP Exchange, as appropriate
Employer Enrollment

- Application: focus on employer size; demographics
- Calculator available to determine if potential to receive tax credit for purchase
- Rolling enrollment for employers; annual renewal
Employer Enrollment

- Exchange Application: Employer applies for coverage through Exchange
- Select Plan: Employer selects base product for employees coverage
- Identify Base Rate: Employer receives group rate for coverage based on pure community rating, by insurer, tier and product
Plan Selection Options

• **Option A**: Employer selects tier and specific product
• **Option B**: Employer selects tier; employees select product within tier
• **Option C**: Employer selects insurer; employees select tier and product
• **Option D**: Employer selects tier; employees select insurer and product at, above, or below tier
• **Option E**: Employer provides defined contribution; employees purchase as individuals in the Exchange
Option A: Employer Selects Tier and Product

Employer Selects Tier + Employer Selects Product = Employees Enroll in Product
Option A: Impact

• Little impact on state: does not move from current market; relatively lower operational costs
• MA uses this model (Business Express)
• Potential for reduced administrative costs for employers
  – Easier access to information about insurer and product differences
• No additional choice offered to employees
  – Employee share can utilize pre-tax dollars
• Insurers, employers, employees may see this as adding little value to current market
Option B: Employer Selects Tier; Employees Select Product

<table>
<thead>
<tr>
<th>Tier</th>
<th>Insurer A (Product 1)</th>
<th>Insurer B (Product 1)</th>
<th>Insurer B (Product 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
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<tr>
<td>Gold</td>
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<td>Employee selection</td>
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<tr>
<td>Silver</td>
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</table>

Employer selects tier
Option B: Impact

• Little impact on state assuming similar networks, and relatively small change from current market; low state administrative costs

• Allows employer to retain control of level of benefits while providing marginal increase in choice to employees
  – Employers who select lowest-level tier may be perceived as offering sub-standard coverage
  – Employee share can utilize pre-tax dollars

• Insurers may resist this model as could result in risk-selection issues
  – Note: state is required to have a risk adjuster
Option C: Employer Selects Insurer; Employees Select Tier and Product

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Employer selects insurer

Employer selects tier
Option C: Impact

• Allows employer to select insurer; contribution limited to lowest cost option
• Enhances employee choice by allowing selection of tier (and product design if there are options); employees’ share can be pre-tax dollars
• Similar to how some mid-to-large employers and/or associations purchase today; moves market; greater complexity to administer
• Allows insurers to manage risk as they still cover all employees albeit under different product designs
Option D: Employer selects tier to base payment; employees can select any product

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Employee selects tier and product

Employer selects base product
Option D: Impact

• Allows employer to select tier and product to generate group rate
  – Different employee shares may add complexity for employer and confusion for employees
• Enables employee choice by allowing selection of insurer, tier and product design;
  – more beneficial if networks across insurers and tiers are different
  – employees’ share can be pre-tax dollars
• This option may be subject to most risk selection and opposition from insurers and brokers
• Potential to move market; most complex to administer so highest cost
Option E: Defined Contribution

- Employer provides defined contribution
- Employee enrolls individually in Exchange
Option E: Impact

• Maximizes employee engagement in health coverage decisions
  – But employee share of premium is not pre-tax in the Exchange
  – Older individuals may see higher premiums
  – Likely beneficial to seasonal employees
• Employer provides flat amount to employee
  – Reduces volatility for employer
  – Employer not providing health insurance as benefit
  – Larger employers may be subject to a penalty for not providing health insurance
• Employee becomes part of individual purchaser pool
• Potential to move market towards single payer; reduces differences between employer and individual coverage and low costs for the state
## Premium Payment Differences by Product Selection Options

<table>
<thead>
<tr>
<th>Employer Selects Tier Only or Tier and Product</th>
<th>Tier &amp; Product: Employer payment may differ slightly based on plan selection</th>
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<tbody>
<tr>
<td>Tier: Employer pays one rate for group</td>
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<tr>
<td>Employer Selects Insurer or Base Product</td>
<td>Base Product: Premiums based on insurer and tier selection of employer</td>
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<tr>
<td>Insurer: Premiums based on insurer and tier selection of employer</td>
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<tr>
<td>Defined Contribution</td>
<td>Employer pays flat amount to employee</td>
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</table>
## Review of Product Selection Options For Discussion

<table>
<thead>
<tr>
<th></th>
<th>Employer Impact</th>
<th>Employee Impact</th>
<th>Insurer Impact</th>
<th>State Impact</th>
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<tbody>
<tr>
<td>Employer Selects Tier and Product (Option A)</td>
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<tr>
<td>Employer Selects Tier (Option B)</td>
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<tr>
<td>Employer Selects Insurer (Option C)</td>
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<tr>
<td>Employer Selects Base Product (Option D)</td>
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<tr>
<td>Employer Providers Defined Contribution (Option E)</td>
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(grid: positive + negative - neutral / )
State impact: low cost ($) to high cost ($$$)
Alternative for Part Time Employees: Allow combining of two defined employer contributions with aggregator function

- Employer 1 Contribution
- Employer 2 Contribution

Individual Purchase of Coverage in Exchange
Alternative: Impact

• Would allow for part time employees to receive employer contribution towards insurance, without large burden on employer

• Increase affordability of coverage for part-time employees
  – But employee share would be with post-tax dollars
Employer Group Premium Collection

Exchange to collect premiums from employers and forward to insurers

Employer Sends Full Premium to Exchange

Exchange bills for and accepts premium contribution; reconciles and sends to insurers

Insurer receives and reconciles premiums

Insurer receives and reconciles premiums

Employer Premium Share

Employee Premium Share withheld from pay
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PROGRAM EVALUATION
Exchange Evaluations

- Act 48 requires consumer satisfaction surveys
  - Consumers
    - Individuals
    - Employers
  - Health care professionals
- Ongoing evaluation of quality
- Posting of survey and evaluation on website
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RISK ADJUSTMENT & REINSURANCE
Still to be Designed: Risk Adjustment and Reinsurance Functions

• Traditional Reinsurance: determine fees for insurers to pay to specific fund
  – Protects against uncertain insurance risk in individual market by making payments for high cost cases

• Temporary Risk Corridors:
  – Federally administered
  – Limits extent of health plan losses (or gains) through Exchange

• Ongoing Risk Adjustment:
  – To provide adequate payments to health plans that attract high-risk populations
OUTSTANDING DESIGN ISSUES AND POTENTIAL ADDITIONAL FUNCTIONS
Outstanding Issues and Potential for Additional Exchange Functions Impacting Final Design

• Outstanding Issues:
  – Basic Health Plan
  – Markets in/out of the Exchange
  – Size of small employer (50 or 100)
  – Merger of individual and small group market

• Potential Additional Functions:
  – Coverage of expanded populations
  – Claims administration
  – Payment reform
  – Wellness programs