



Insurance Exchange and Insurance Market Changes: High Level Overview

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Rules of the Game



- Rule #1: No acronyms
- Rule #2: No “Inside Baseball”
- Rule #3: “Stump the Chump” at any time
- Rule #4: I’m here as long as you are here

Much as you don't expect your accountant to defend the Tax Code, please understand that I'm not here to defend the provisions of the Patient Protection and Affordable Care Act (PPACA).

Agenda



- Summary of PPACA provisions
- Changes in insurance markets
- Overview of insurance exchanges
- Tennessee's looming decisions
- Public process/next steps

PPACA = Patient Protection and Affordable Care Act

What Does the PPACA Include?



- Insurance requirements and regulatory changes
- Medicaid expansion
(up to 138% of the federal poverty level or “FPL”)
- Tax credits and cost-sharing subsidies
(up to 400% FPL)
- Individual mandate
- Employer penalties
(for those with 50+ full-time equivalent or “FTE” employees)

Individual Insurance Market Changes



Today	2014
Medical underwriting Denials for those with higher risk	Guaranteed issue No denials based on health status
Exclusions and riders Pre-existing conditions are not covered	Full coverage All conditions covered on day one
Rating factors Premiums adjusted for age, tobacco, geography, health, gender, etc.	Modified community rating Premiums adjusted for age, tobacco and geography only
State benefit mandates States set varying requirements	“Essential health benefit” Federally-determined national standard
Market concentration A few companies control most of the market in Tennessee and other states	New competition National plans and new players enter market

“FPL” and Program Eligibility



Upper Limit	Program	Income Level for Household Size			
		1	2	3	4
100% FPL	Medicaid	\$ 10,890	\$ 14,710	\$ 18,530	\$ 22,350
138% FPL	Medicaid	\$ 15,028	\$ 20,300	\$ 25,571	\$ 30,843
150% FPL	PTC+CSS1	\$ 16,335	\$ 22,065	\$ 27,795	\$ 33,525
200% FPL	PTC+CSS2	\$ 21,780	\$ 29,420	\$ 37,060	\$ 44,700
250% FPL	PTC+CSS3	\$ 27,225	\$ 36,775	\$ 46,325	\$ 55,875
300% FPL	PTC	\$ 32,670	\$ 44,130	\$ 55,590	\$ 67,050
400% FPL	PTC	\$ 43,560	\$ 58,840	\$ 74,120	\$ 89,400

FPL = Federal Poverty Level

PTC = Premium Tax Credit

CSS = Cost-Sharing Subsidy

Seismic Shifts in Insurance Markets



- New rules in the individual and small group markets
 - Guarantee issue (no underwriting denials)
 - Community rating (no gender or health rating)
 - Full coverage of essential health benefits from day one (no exclusions or riders)
- New programs
 - Medicaid expansion
 - Premium tax credits and cost-sharing subsidies
- New marketplaces
 - Individual exchange
 - Small group or “SHOP” exchange

Changes Yield Uncertainty



- Between now and 2014, insurers must:
 - Determine premiums differently; and
 - Manage financial risk differently.
- For the first time, insurers will need to:
 - Estimate the (unknown) health care needs of the uninsured
 - Estimate the take-up rates among those now uninsured
 - Project the likelihood of employers dropping coverage
- Insurers will need to adjust for different speeds of change in different states.

These factors will influence whether insurers decide to enter, stay, or leave the Tennessee market.

What is an Insurance Exchange?



- A method for buying insurance: web portal, toll-free call center, eligibility rules engine
- Multiple existing private examples (without individual mandate, employer penalties, or subsidies)
- Two existing state examples: Utah and Massachusetts

But exchange operations are a light lift compared to insurance market challenges....

Spectrum of State-Level Exchanges



Market
Organizer

“Prudent
Purchaser”

Market
Definer

Examples

Utah
“Craig’s List”

Massachusetts
Aggressive Negotiator

Broad Role of the Insurance Exchange



- Enables consumers to qualify for public programs and tax credits
- Defines commercial standards for exchange health plans
- Allows consumer comparisons of multiple plans
- Stabilizes markets (through 3R's)

If Tennessee were to operate an exchange, it may seek to offer meaningful choice of high quality plans at the lowest-possible price for consumers – *with success measured over at least a five-year period.*

What Distinguishes New Exchanges?



- Penalties:
 - Individual penalties for not having coverage
 - Employer penalties for not offering “affordable” insurance
- Expanded eligibility for Medicaid
- Premium assistance tax credits and cost sharing subsidies

With higher participation, insurers can better pool risks.

Example: Basic Exchange Portal



Your Information

Residential ZIP Code *

Type of Coverage *

Self only
Self + spouse
Self + dependent child/children
Family (self, spouse + dependent child/children)

Your Date of Birth *

MM/DD/YYYY
(month / day / year)

Spouse Date of Birth

MM/DD/YYYY
(month / day / year)

Coverage to Begin *

April 1, 2011
May 1, 2011



Bronze

- Lower monthly cost
- Higher costs when you receive medical services

Who chooses Bronze plans?

See Bronze Plans

Silver

- Monthly cost can run higher than Bronze
- Lower costs when you receive medical services compared to Bronze

Who chooses Silver plans?

See Silver Plans

Gold

- Highest monthly cost
- Lowest costs when you receive medical services

Who chooses Gold plans?

See Gold Plans

or

[View all plans](#)



Sort plans by Benefits Package

Show Plans. Then choose up to 3 to compare. Click Continue at bottom.

	Monthly Cost	Annual Deductible	Annual Out of Pocket Max.	Doctor Visit	Genetic Rx	Emergency Room	Hospital Stay
Silver Low Benefits Package 6 plans available	as low as \$718	\$1,000 (ind.) \$2,000 (fam.)	\$2,000 (ind.) \$4,000 (fam.)	\$20 copay	\$15 copay	annual deductible, then \$100 copay	annual deductible, then no copay
STANDARD BENEFITS FOR ALL SILVER LOW PLANS							
Silver Medium Benefits Package 6 plans available	as low as \$759	\$500 (ind.) \$1,000 (fam.)	\$2,000 (ind.) \$4,000 (fam.)	\$20 copay	\$15 copay	\$100 copay	annual deductible, then no copay
STANDARD BENEFITS FOR ALL SILVER MEDIUM PLANS							
Silver High Benefits Package 6 plans available	as low as \$723	None	\$2,000 (ind.) \$4,000 (fam.)	\$25 copay	\$15 copay	\$100 copay	\$500 copay
STANDARD BENEFITS FOR ALL SILVER HIGH PLANS							
	\$722.68	↑	↑	↑	↑	↑	↑
	\$911.05	↑	↑	↑	↑	↑	↑
	\$922.35	↑	↑	↑	↑	↑	↑
	\$986.66	↑	↑	↑	↑	↑	↑
	\$1,008.97	↑	↑	↑	↑	↑	↑
	\$1,168.00	↑	↑	↑	↑	↑	↑

[Continue](#)

1. Enter basic household information

2. Choose level of coverage

3. Compare health plans

Find Insurance: Individuals & Families
Enroll

Enter Subscriber Information 1 of 3

First Name:
Middle Initial:
Last Name:
Date of Birth: [May] [12] [1981]

Social Security Number: Valid Social Security Number is required.

Marital Status:
Gender:
E-Mail:
Primary Language:
If Language is other:

Home Address, cannot be a P.O. Box

Home Address:
Address 2:
Apartment:
City: BOSTON
State: MA
Zip: 02117
Home Phone:
Work Phone:

Mailing Address, if different



Health Connector Quote

Your information

ZIP code: 02117
Date of birth: 05/12/1981
Coverage type: Self + spouse / domestic partner

Your new plan

Carrier: Blue Cross Blue Shield of Massachusetts
Plan name: HMO Blue Value with BlueValue Rx
Benefit Package: Silver High
Annual deductible: None/None
Co-Payments: Doctor: \$25 Copay
RX: \$15 Copay / 50% co-insurance / 50% co-insurance
ER: \$100 Copay
Hospital Stay: \$500 Copay
Coverage effective date: May 1, 2011

Your cost

Monthly premium: **\$922.35**

Confirm your new plan

Apply if you qualify

You are about to start your health plan application. You will attest that you meet the special conditions to apply before the July 1, 2011 — August 15, 2011 open enrollment period.

If you do not know if you can apply today, please go back or end your session. Thank you.

[Apply for your plan now](#)

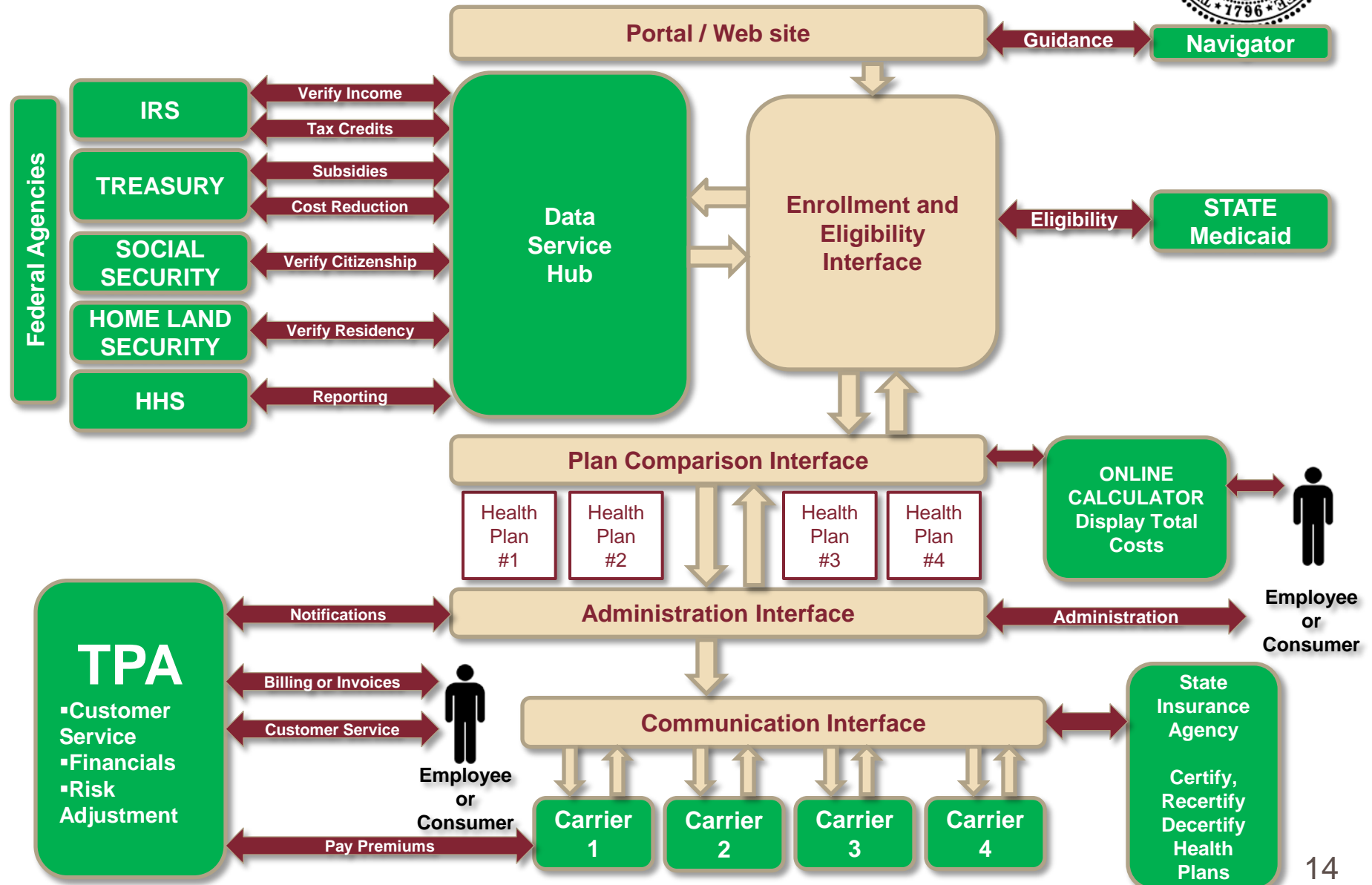
Prefer paper? Download the paper application



5. Apply for coverage

4. Confirm plan selection

Example: Exchange Functions Diagram



Impact on Tennessee Residents



- Many Tennesseans will qualify for tax credits, which they can use only on the exchange.
- Thus, more Tennesseans are likely to have insurance.
- However, the insurance that people have will:
 - Be from new or different carriers;
 - Cover different things in different ways; and
 - Cost the consumer a very different amount than they pay today.

Good or bad, these represent dramatic changes.

State or Federal?



If the PPACA remains law as currently written:

- **Either** the federal government or the State must operate an exchange in Tennessee beginning in 2014.
- Key considerations:
 - Determining TennCare eligibility
 - Retaining regulatory functions of local insurance market
 - Controlling exchange costs

Pros/Cons of Running Exchange?



Some Pros:

- Retains State control of TennCare eligibility determinations
- Enables State to reinforce insurance regulation/health policy goals
- Allows for regional customization

Some Cons:

- Administrative costs until 2015
- Risks of politicizing design choices and plan selection criteria
- Risk of capture by special interests

Others? Please share your thoughts!

Key Policy Choices



- **Market structure**
Risk pool structure, upper/lower ends of the small group market
- **Producers**
Compensation
- **Family continuity**
When members each qualify for different programs
- **Governance**
- **Enabling legislation**

Key Concerns



- Tsunami of demand during first open enrollment
- Administrative costs of new entity
- “Split” families and income/eligibility status changes

Possibilities that Keep Me Up at Night



- Insurers don't participate in the Exchange
- Insurers leave Tennessee
- Exchange unable to handle consumer demand
- Technical failures
- Eligible Tennesseans don't apply for tax credits
- Existing insurance rates skyrocket
- Employers drop coverage

Some we control, others we compound

What Could Change?



- **Winter 2011/2012:** Congressional votes on deficit reduction recommendations
- **Summer 2012:** Release of final rules
- **Summer 2012:** Supreme Court decision on individual mandate
- **Fall 2012:** Presidential and Congressional elections

Because of the potential for change, we will continue to ensure that nothing Tennessee may do with insurance exchanges is irreversible.

Even If We Don't Run an Exchange...



...the State would still have to:

- Make systems changes (e.g., build out appropriate interfaces with federal exchange)
- Determine definition of small group market (to 50 or 100)
- Coordinate Medicaid eligibility for new federal exchange
- Title 56 coverage mandates
- Promotion of premium assistance tax credits
- Mitigating potential “shock” of community rating
- Addressing the “churning” and continuity of coverage

Regional Scan



- ***Exploring exchanges:***

AL, GA, IN, KY, MS, NC, VA, WV

- ***Unlikely/unwilling:***

AR, FL, LA, TX

Status of Planning Efforts



- White paper
 - October release
 - November “barnstorming”
- All documents posted at www.tn.gov/exchange
- Send feedback to insurance.exchange@tn.gov
- December revisions/recommendations