# The Exchange – Transformation of Individual Health Insurance

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## Health Insurance Exchange

- State exchanges with federal oversight
  - Incomes between 133-400% FPL eligible for subsidies
  - Individuals pay sliding scale premiums capped at 2% - 9.5% of income
  - Would cover 2.3 million uninsured in CA (UCLA)
  - Would subsidize 45% of individually purchased private insurance in CA (CHIS calculation)
  - Would subsidize small lower wage businesses
- Initial focus – individual and small group (50, then 100) markets – separate risk pools
  - CBO projects 25 million (nationally) would purchase through Exchanges -- over 3 million Californians

## Sliding Scale Premiums and Out of Pocket – tied to Price

| Income Level (FPL) | Max premium contribution, % of income | Actuarial value floors |
|---|---|---|
| <133% | 2.0% | 94% |
| 133-150% | 3.0-4.0% | 94% |
| 150-200% | 4.0-6.3% | 85% |
| 200-250% | 6.3-8.05% | 73% |
| 250-300% | 8.05-9.5% | 70% |
| 300-400% | 9.5% | 70% |

Source: HR 4872, The Reconciliation Act

## Exchange for Individuals in CA

| | Uninsured | | Private individual | |
|---|---|---|---|---|
| **Poverty Level** | Est. N | % | Est. N | % |
| **0-99% FPL** | 1,491,000 | 31 | 150,000 | 8 |
| **100-199% FPL** | 1,494,000 | 31 | 224,000 | 11 |
| **200-299% FPL** | 733,000 | 15 | 260,000 | 13 |
| **300% - 399% FPL** | 397,000 | 8 | 253,000 | 13 |
| **400% FPL and Above** | 701,000 | 15 | 1,101,000 | 55 |
| **Total** | 4,817,000 | 100 | 1,988,000 | 100 |

CHIS, 2007

## Insurance Market transformation

New protections across entire market

- Minimum benefits package (grandfathering exceptions)
- Guaranteed issue and renewal (kids in 2010, adults in 2014)
- Minimum medical loss ratio (2011)
- Transparency in claims, costs, enrollment, etc. (begins 2010)
- Standardizing administrative processes (begins in 2011)
- No copays for effective preventive services (2010)
- No annual or lifetime caps (2014, limited in 2010)
- No more plan or job lock (2014)

## Individual Market transformation

- Exchange plans in 2014
  - Guaranteed issue and renewal, no pre-existing condition exclusions
  - Compete on price and quality, not medical underwriting
  - Rating variation: age, geography, family size, and tobacco use
  - Risk-adjustment mechanisms
  - ‘Essential community providers’ must be included in plan networks
  - Statewide cooperatives and national plans
  - Interim rate increase justification and regulation
  - Informed comparison shopping

## Minimum Benefits

- Covered Benefits
  - 4 benefits categories ranging from 60 to 90% of the actuarial value of the covered benefit packages (Bronze 60%, Silver 70%, Gold 80%, Platinum 90%), mandate tied to bronze
  - Grandfathers existing benefits (you like it, you keep it)
  - Prohibits annual/lifetime limits
  - Prohibits cost sharing for preventive services
  - Young invincible coverage:
    - Prevention and catastrophic coverage for those up to age 30 or individuals exempt from mandate due to financial hardship
    - Allows children to stay on parents plan until 26th birthday
  - Exchange subsidies vary by income, at least linked to 2nd lowest cost silver plan for those at a higher income level; individuals pay the incremental cost difference (Enthoven on steroids)
  - States pay incremental cost of state mandates above federal floor

## Short Term Implementation

- June, 2010: $5 billion for temporary high risk pools until 2014 for uninsured individuals with pre-existing conditions
  - Could be $700+ million for California pool
    - Federal guidelines: Standard premium rating, 65% AV, age rating max 4:1, annual out of pocket max $5K/$10K for individual/family
  - MRMIP is CA's high risk pool w/ wait list
    - $37 million program with 4 plans (Kaiser North, Kaiser South, Anthem Blue Cross, Contra Costa Health Plan)
    - More plans needed? (COHS, LIs, commercial plans)
    - Affordability issues
      - Sliding scale contributions using realigned tobacco tax funding
      - Benefit designs

## Long Term Choices

- State, Interstate, or Intrastate regional Exchanges, Interstate plans and compacts, Co-ops
- Regulation of conduct in and out of Exchange
- Exchange as a price clearinghouse or active negotiator
- Risk adjustments
- Expansion to larger small employers
- Interface with large employers – flex workforce
- Bending the cost curve – CA style
- Safety net plan and provider participation
- Enhancing competition (rural and other markets)
- Independence, innovation and governance
- Customer satisfaction and value are the keys

## Additional Resources from ITUP

*For more information on insurance market reform, see the Reports and Conference sections at www.itup.org*

- "Implementing Health Reform: High-Risk Pool" March 2010
- "Implementation Timeline for Health Reform, 2010-2011" March 2010
- "Improving Affordability Under Federal Reform" Nov 2009
- ITUP Conference presentations and discussion