

## The Exchange – Transformation of Individual Health Insurance

Lucien Wulsin  
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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




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## 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




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## 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 2<sup>nd</sup> 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

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## 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

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## 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

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## Additional Resources from ITUP



*For more information on insurance market reform, see the Reports and Conference sections at [www.itup.org](http://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

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