



# Washington Health Benefit Exchange

Senate Ways and Means Committee  
January 23, 2013

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Chief Executive Officer

# Exchange Overview

- Single entry point for coverage expansions in Affordable Care Act beginning January, 2014 (open enrollment October, 2013)
- State based individual and small group exchange above 138% Federal Poverty Level (FPL)
- Established in state legislation as “public private partnership separate and distinct from the state”
- 11-member, independent, bipartisan governing board assumed authority March 15, 2012
- Critical interdependencies with DSHS, HCA, and OIC
- Fully funded by federal grants through December, 2014, financially self-sustaining beginning January, 2015



# Building The Exchange

## 2011

- HCA receives one-year \$22.9 million grant to design and develop Exchange
- SSB 5445 passed creating Exchange as “public private partnership”
- Governor names Exchange Board members

## 2012

- Board begins governing authority
- ESSHB 2319 passed
  - Deloitte Consulting, signs on as system integrator
- Exchange names first CEO and moves into new building

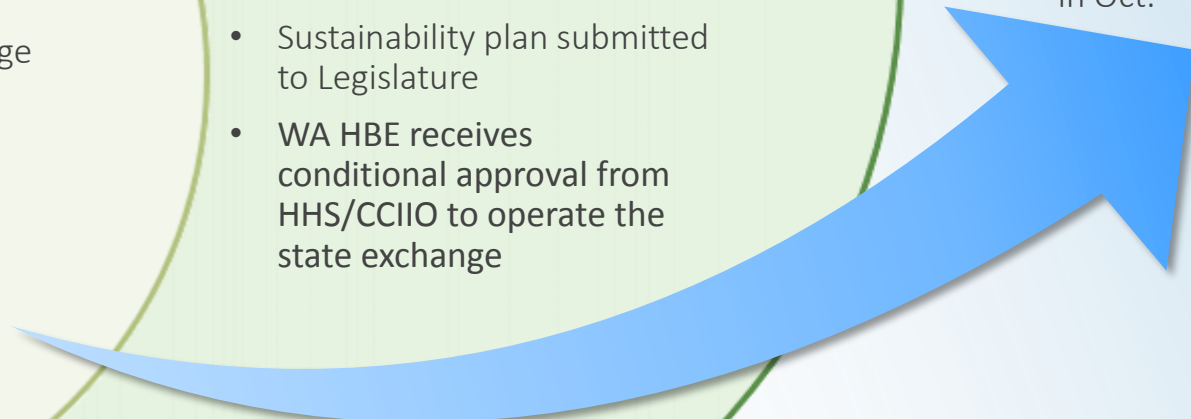
- Washington becomes second Level 2 establishment grant recipient, \$128 million
  - Exchange moves onto own payroll and accounting systems
  - Sustainability plan submitted to Legislature
  - WA HBE receives conditional approval from HHS/CCIIO to operate the state exchange

## 2013

- Exchange must be certified by HHS
  - Additional legislative action taken as needed
- **Open Enrollment begins (October 1)**

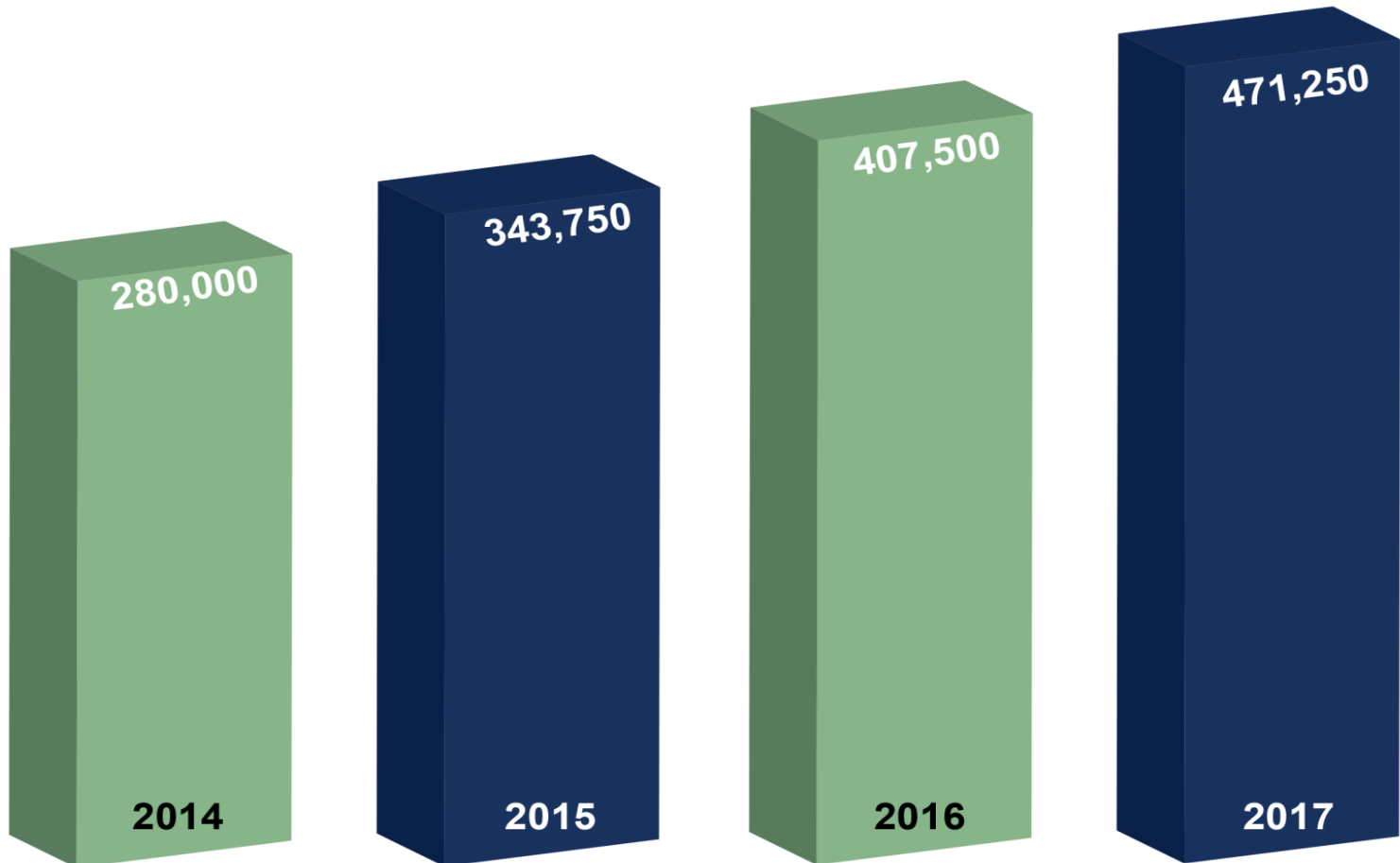
## 2014

- Coverage purchased in the Exchange begins
  - Open enrollment ends March 31.
  - Year 2 open enrollment in Oct.



# Membership Growth: “New” Members

PROJECTED EXCHANGE MEMBER ENROLLMENT  
(2014 – 2017 YEAR END)



# Exchange Revenue Generation – 2015

(Based On 2015 Enrollment Forecast = 343,750)

New Revenue from Exchange Health Plan Premiums

✓ **\$1.3 billion**

New State Premium Tax Revenue (2%)

✓ **\$26 million**

Advanced Premium Tax Credit for Individuals

✓ **\$520 million - \$650 million**

Reduction in Estimated \$1 Billion in Uncompensated Care

✓ **Hidden cost: \$1,017 per insured family, \$368 individual**



# Budgeting for Self-Sustainability

- Projected 2015 and beyond operating costs: \$50M
  - Salaries and benefits – 18%; customer service – 25%; IT – 15%
- Represents approximately 4% of premium
- PMPM of \$13.69 compares favorably with other exchanges
- Operating projections compare favorably with peer state exchanges



# Peer State Budget Estimates

## (As of 12/28/2012)

	MA (2012)	WA (2015 Est.)	MD (2015 Est.)	OR (2015 Est.)
State Population	6.6 M	6.8 M	5.8 M	3.8 M
Est. Exchange Expenses	\$34.87 M	\$51.08 M	\$34.92 M	\$68.5 M
<b>PMPM</b>	<b>\$13.48</b>	<b>\$13.69</b>	<b>\$16.75</b>	<b>\$17.58</b>
Estimated Member Months	2.6 M	3.7 M	2.1 M	3.9M
Estimated Membership	240,000	343,750	177,080	324,900

Source Information:

MA: Commonwealth Health Insurance Connector Authority, July 12, 2012. [www.mahealthconnector.org](http://www.mahealthconnector.org)

WA: Sustainability Report [http://www.hca.wa.gov/hbe/documents/HBE\\_Sustainability\\_Report\\_120112.pdf](http://www.hca.wa.gov/hbe/documents/HBE_Sustainability_Report_120112.pdf); Report to the Washington State Legislature: Financing of the WHBE. December 1, 2012. [http://www.hca.wa.gov/hbe/documents/HBE\\_OC\\_121108\\_Presentation\\_Draft\\_Report\\_Leg.pdf](http://www.hca.wa.gov/hbe/documents/HBE_OC_121108_Presentation_Draft_Report_Leg.pdf)

MD: Maryland Health Benefit Exchange, Joint Committee on Exchange Financing, November 2, 2012. [www.dhmfh.maryland.gov/exchange](http://www.dhmfh.maryland.gov/exchange)

OR: Internal Communication with Cover Oregon on 12/.17/12



# Self-Sustainability Funding Options

To fund operation of the Exchange the Legislature would take the following action:

## Insurance Premium Assessment

- Enact a premium tax assessment totaling half a percent (0.5%) effective Jan. 1, 2014 and, effective Jan. 1, 2015 and thereafter, totaling one percent (1.0%) of all premiums and prepayments for health care services received.

## Repurpose of Existing Assessments (Hybrid)

- Effective Jan. 1, 2014, Authorize and apportion to the Exchange the premium tax collected on all premiums and prepayments for health care services attributable to the Exchange-generated premiums received. Any funding shortfalls shall be augmented by assessing a service charge payable by the Qualified Health Plans in the Exchange.

## QHP Issuer-based Revenue Model

- Effective Jan. 1, 2014, assess a service charge payable solely by the Qualified Health Plans in the Exchange.





# Key Challenges

- **Tight timeline – Oct. 1, 2013**
  - Federal dependencies and guidance
  - IT flight path – scope, schedule and budget
- **Delivery environment**
  - Critical inter-agency interdependencies
- **Managing expectations**
  - Options deferred to 2.0
  - Complex authorizing environment



# What to look for

- New exchange website, email addresses:  
**wahbexchange.org**
- Legislative debate on sustainability plan
- Late winter/early spring:
  - RFPs, applications for Navigators, in person assisters, and QHPs
  - Marketing, outreach to ramp up
  - System testing to begin, first with other systems (integration testing), then user testing



# Appendix

# Budgeting for Self-Sustainability

## Key Performance Metrics (KPI)

Members (Y/E)  
Member Months  
Aggregate Premiums to QHP's

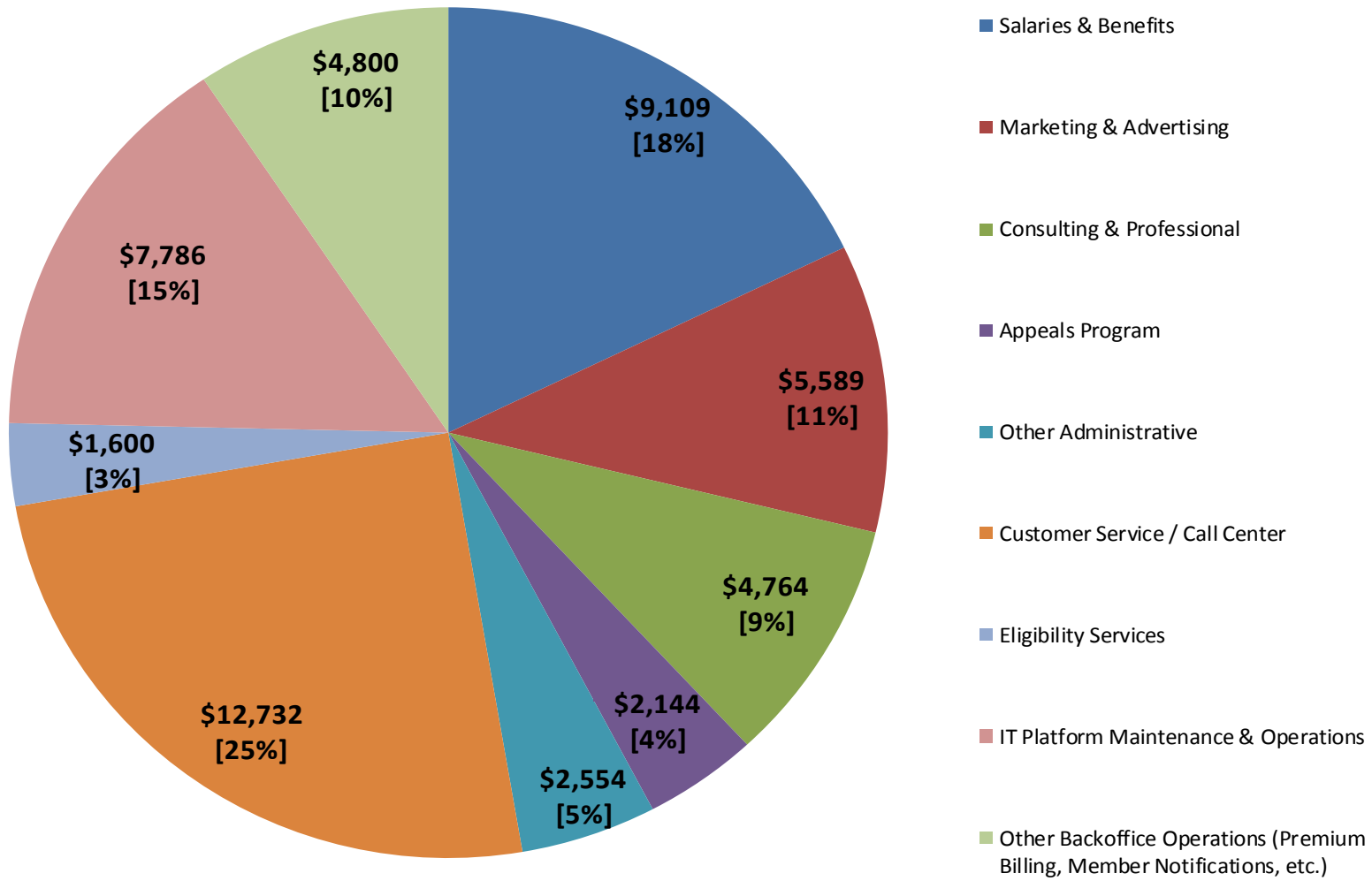
## Projected Cash Disbursements

Salary & Benefits  
Marketing & Outreach  
Consulting & Professional  
IT Infrastructure & Communication  
General & Administration  
Facilities Related  
Appeals Program  
HBE Systems Related  
Customer Service / Call Center  
Eligibility Related  
System Integrator-Related WHBE Variable Costs  
Shared System Build / Operation Costs  
WHBE Systems Related-Total  
**WHBE Total Before Adjustments**  
**Medicaid Offset**  
**WHBE Total Expenditures**

<u>Self-Sustainability Based</u>		
<u>2015</u>	<u>2016</u>	<u>2017</u>
343,750	407,500	471,250
3,730,000	4,483,000	5,184,000
\$1.3B	\$1.6B	\$1.8B
\$ 9,109,000	\$ 9,382,000	\$ 9,663,000
5,589,000	4,645,000	3,985,000
4,764,000	3,447,000	2,532,000
223,000	311,000	311,000
860,000	886,000	912,000
668,000	672,000	676,000
2,144,000	2,209,000	2,275,000
12,732,000	14,972,000	16,951,000
1,110,000	1,300,000	1,451,000
7,500,000	8,831,000	10,005,000
9,566,000	9,817,000	9,568,000
30,908,000	34,920,000	37,975,000
<b>54,265,000</b>	<b>56,472,000</b>	<b>58,329,000</b>
(3,187,000)	(2,884,000)	(2,671,000)
<b>\$ 51,078,000</b>	<b>\$ 53,588,000</b>	<b>\$ 55,658,000</b>



# Washington Health Benefit Exchange, 2015 Budget Estimate Detail (\$000's)



# Exchange Functions & Services



# COST ESTIMATES UNDER LOW, MODERATE AND HIGH ENROLLMENT SCENARIOS

