Today’s Agenda

- Overview of ACA and Exchange
- Current Budget and Projections
- Exchange Governance and Accountability
Impact of the Affordable Care Act

▪ Changes to private insurance, e.g.,
  o Young adults on parent’s policies to age 26
  o Prohibit lifetime monetary caps
  o Minimum spending on medical care (medical loss ratio)

▪ Closes the prescription “doughnut hole”

▪ Expands coverage
  o Expands Medicaid to 138%* of FPL
  o Exchanges

*ACA 133% = 138% due to across the board income disregards
Exchange Basics

- Individuals >138% of FPL and small groups (2-50)
- Tax credits available for individuals 138%-400% of FPL
- Cost sharing reductions available for <250% FPL
- “Qualified health plan” (QHP) offerings
- Metallic tiers of actuarial value
- Apples-to-apples comparisons for consumers, one stop shop
- 10 essential health benefits
- Navigators, agents/brokers, call center assistance
Insurance Coverage Today*

Health Insurance Coverage in Washington State (2010-2011, pop. 6.7 million)

- **Employer**: 50%
- **Individual**: 15%
- **Medicaid**: 13%
- **Medicare**: 14%
- **Other Public**: 3%
- **Uninsured**: 5%

* Based on an analysis of the Census Bureau’s March 2010 and 2011 Current Population Surveys. Health coverage estimates are from the American Community Survey (ACS)
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, LLP, signs on as system integrator
- Exchange names first CEO and moves into new building

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.

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

- Develop, Host Website
- Customer Support, Quality Rating System
- Highlight Products, Oversee Navigators
- Review & Certify Qualified Plans
- Determine Eligibility, Tax Credits
- Aggregate Premiums

[Diagram with hexagons and arrows interconnecting the functions and services]
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
Who is represented?

- Employee benefits specialists
- Health care finance specialists and economists
- Health consumer advocates
- Small business representatives
- Administrators from public and private health care
- Consumer advocates
- Health insurance carriers
- Health insurance brokers
- Health care providers
- Tribal representatives
- Technical experts

- Consumers
- Consumer advocates
- Health insurance carriers
Exchange Board Members

Eleven member, bi-partisan board assumed authority on March 15, 2012

**Margaret Stanley** – Chair, Retired Executive Director, Puget Sound Health Alliance

**Steve Appel** – Farmer, Past President of the Washington Farm Bureau

**William Baldwin** – Partner, The Partners Group

**Donald Conant** – General Manager, Valley Nut & Bolt, Assistant Professor

**Doug Conrad** – Professor, University of Washington

**Melanie Curtice** – Partner, Stoel Rives

**Ben Danielson** – Medical Director, Odessa Brown

**Phil Dyer** – Senior VP, Kibble & Prentice, and Former Legislator

**Teresa Mosqueda** – Legislative & Policy Director, Washington Labor Council

* **Commissioner Mike Kreidler** – Insurance Commissioner

* **MaryAnne Lindeblad** – HCA Director

* non voting, ex officio
Important Board Policy Decisions

**Completed**
- Branding
- Criteria for qualified health plans (QHPs)
- Premium aggregation
- Consumer Rating System
- Pediatric Dental Benefits
- Sustainability report provided to Legislature
- Navigator program

**Upcoming**
- Role of agents/brokers
Key Challenges

▪ **Tight timeline – Oct. 1, 2013**
  o Federal dependencies and guidance
  o IT flight path, trade off of managing scope and resources with fixed schedule

▪ **Delivery environment**
  o Critical inter-agency interdependencies

▪ **Managing expectations**
  o Options deferred to v2.0 or v3.0
  o Complex authorizing environment
What to look for

▪ New sets of federal guidance
▪ Legislative discussion 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
▪ Enrollment targets
Washington Health Benefit Exchange

Robert Nakahara
Chief Financial Officer
## Combined L1 & L2 Budgets and Projections ($000’s)

### GROSS REVENUES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Revenue: Level 1</td>
<td>24,187</td>
<td>13,705</td>
<td>9,446</td>
<td>48,017</td>
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<tr>
<td>Grant Revenue: Level 2</td>
<td>149,822</td>
<td>61,536</td>
<td>63,229</td>
<td>73,416</td>
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<td><strong>TOTAL GROSS REVENUES</strong></td>
<td>174,009</td>
<td>70,982</td>
<td>72,241</td>
<td>73,416</td>
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### OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Salaries &amp; Benefits</td>
<td>30,080</td>
<td>5,008</td>
<td>13,400</td>
<td>11,544</td>
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<td>Marketing &amp; Advertising</td>
<td>9,379</td>
<td>1,407</td>
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<td>Consulting &amp; Professional Service</td>
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<td>7,928</td>
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<td>IT Infrastructure &amp; Communications</td>
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<td>General &amp; Administrative</td>
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<td>710</td>
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<td>Facilities Related</td>
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<td>Appeals Related</td>
<td>450</td>
<td>450</td>
<td>900</td>
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<td>Systems Related</td>
<td>103,268</td>
<td>37,150</td>
<td>41,641</td>
<td>23,576</td>
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<td><strong>TOTAL OPERATING EXPENSE</strong></td>
<td>174,009</td>
<td>53,975</td>
<td>70,982</td>
<td>48,017</td>
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</table>

### FUNDING SOURCE

<table>
<thead>
<tr>
<th>Source</th>
<th>2011</th>
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<th>2014</th>
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<td>Medicaid Allocation</td>
<td>23,214</td>
<td>10,138</td>
<td>11,164</td>
<td>1,912</td>
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<td>Federal Grant</td>
<td>150,795</td>
<td>43,836</td>
<td>59,818</td>
<td>46,105</td>
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<tr>
<td><strong>TOTAL FUNDING SOURCE</strong></td>
<td>174,009</td>
<td>53,975</td>
<td>70,982</td>
<td>48,017</td>
</tr>
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### DOLLARS SPENT

<table>
<thead>
<tr>
<th>Year</th>
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<th>28,353</th>
<th>100,594</th>
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</thead>
<tbody>
<tr>
<td>%</td>
<td>1%</td>
<td>16%</td>
<td>58%</td>
<td>100%</td>
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### DOLLARS REMAINING

<table>
<thead>
<tr>
<th>Year</th>
<th>172,973</th>
<th>145,656</th>
<th>73,416</th>
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<tbody>
<tr>
<td>%</td>
<td>99%</td>
<td>84%</td>
<td>42%</td>
</tr>
</tbody>
</table>
The Engrossed Second Substitute House Bill 2319 passed by the House on March 3, 2012 states the following in Section 4 paragraph 2:

“The board shall develop a methodology to ensure the exchange is self-sustaining after December 31, 2014. The board shall seek input from health carriers to develop funding mechanisms that fairly and equitably apportion among carriers the reasonable administrative costs and expenses incurred to implement the provisions of this chapter. The board shall submit its recommendations to the legislature by December 1, 2012. If the legislature does not enact legislation during the 2013 regular session to modify or reject the board’s recommendations, the board may proceed with implementation of the recommendations.”
Self-Sustainability Funding Options

To fund operations 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**

Insurance Premium Assessment Method

In accordance with RCW 48.14.0201, the Legislature enacts a premium tax assessment, effective January 1, 2014, totaling half percent (.5%) and, effective January 1, 2015 and thereafter, totaling one percent (1.0%) of all premiums and prepayments for health care services received, to fund the costs to operate the Exchange.
## Key Performance Metrics (KPI)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members (Y/E)</td>
<td>280,000</td>
<td>343,750</td>
<td>407,500</td>
<td>471,250</td>
</tr>
<tr>
<td>Member Months</td>
<td>2,053,000</td>
<td>3,730,000</td>
<td>4,483,000</td>
<td>5,184,000</td>
</tr>
<tr>
<td>Aggregate Premiums to QHP's</td>
<td>$720M</td>
<td>$1.3B</td>
<td>$1.6B</td>
<td>$1.8B</td>
</tr>
</tbody>
</table>

## Projected Cash Disbursements

<table>
<thead>
<tr>
<th>Component</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary &amp; Benefits</td>
<td>$9,109,000</td>
<td>$9,382,000</td>
<td>$9,663,000</td>
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<tr>
<td>Marketing &amp; Advertising</td>
<td>5,589,000</td>
<td>4,645,000</td>
<td>3,985,000</td>
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<tr>
<td>Consulting &amp; Professional</td>
<td>4,764,000</td>
<td>3,447,000</td>
<td>2,532,000</td>
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</tr>
<tr>
<td>IT Infrastructure &amp; Communication</td>
<td>223,000</td>
<td>311,000</td>
<td>311,000</td>
<td></td>
</tr>
<tr>
<td>General &amp; Administration</td>
<td>860,000</td>
<td>886,000</td>
<td>912,000</td>
<td></td>
</tr>
<tr>
<td>Facilities Related</td>
<td>668,000</td>
<td>672,000</td>
<td>676,000</td>
<td></td>
</tr>
<tr>
<td>Appeals Program</td>
<td>2,144,000</td>
<td>2,209,000</td>
<td>2,275,000</td>
<td></td>
</tr>
</tbody>
</table>

**HBE Systems Related**

- Customer Service / Call Center: 12,732,000, 14,972,000, 16,951,000
- Eligibility Related: 1,110,000, 1,300,000, 1,451,000
- System Integrator-Related WHBE Variable Costs: 7,500,000, 8,831,000, 10,005,000
- Shared System Build / Operation Costs: 9,566,000, 9,817,000, 9,568,000

**WHBE Systems Related-Total**: 30,908,000, 34,920,000, 37,975,000

**WHBE Total Before Adjustments**: 54,265,000, 56,472,000, 58,329,000

**Medicaid Offset**: (3,187,000), (2,884,000), (2,671,000)

**WHBE Total Expenditures**: $51,078,000, $53,588,000, $55,658,000

**Self-Sustaining Revenue Source (a)**: $25,000,000, $50,000,000, $52,500,000, $55,125,000

**Annual Income / Deficit**: $25,000,000, $(1,078,000), $(1,088,000), $(533,000)

**OPERATING RESERVE BALANCE (Y/E)**: $25,000,000, $23,922,000, $22,834,000, $22,301,000

---

(a) The premium tax on fully insured health plans expected annual revenue base was increased by 5% annually
In accordance with RCW 48.14.0201 effective January 1, 2014, the Legislature authorizes and apportions 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 to fund the costs to operate the Exchange.
### Repurpose of Existing Assessments (Hybrid)

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<tr>
<th>Key Performance Metrics (KPI)</th>
<th>Grant Based</th>
<th>Self-Sustainability Based</th>
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<td>$1.3B</td>
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#### Projected Cash Disbursements

- **WHBE Total Expenditures**
  - 2014: N/A
  - 2015: $51,078,000
  - 2016: $53,588,000
  - 2017: $55,658,000

#### Self-Sustainability Revenue Source

- **WHBE-Generated Premium Tax - 2% (a)**
  - 2014: -
  - 2015: $26,000,000
  - 2016: $32,000,000
  - 2017: $36,000,000

- **QHP Assessments (b)**
  - 2014: $28,742,000
  - 2015: $25,078,000
  - 2016: $21,588,000
  - 2017: $19,658,000

- **Total WHBE Revenue**
  - 2014: $28,742,000
  - 2015: $51,078,000
  - 2016: $53,588,000
  - 2017: $55,658,000

#### Exchange QHP Assessment (PMPM)

- **QHP Assessment-PMPM**
  - 2014: $14.00
  - 2015: $6.72
  - 2016: $4.82
  - 2017: $3.79

- **QHP Assessment-% of Revenue**
  - 2014: 4.0%
  - 2015: 1.9%
  - 2016: 1.3%
  - 2017: 1.1%

(a) There will be no cash receipts in calendar year 2014 since there were no premiums generated in 2013.
(b) 2014 PMPM assessment set at $14.00/PMPM & retained in reserve---rates will be lowered in subsequent years.
QHP Issuer-based Revenue Model

Effective January 1, 2014, assess a service charge payable solely by the Qualified Health Plans in the Exchange to fund the costs to operate the Exchange.
# QHP Issuer-based Revenue Model

## Key Performance Metrics (KPI)

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## Projected Cash Disbursements

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<tr>
<th></th>
<th>Grant Based</th>
<th>Self-Sustainability Based</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WHBE Total Expenditures</strong></td>
<td>N/A</td>
<td>$51,078,000</td>
</tr>
<tr>
<td><strong>QHP Assessments (a)</strong></td>
<td>$28,742,000</td>
<td>$51,078,000</td>
</tr>
<tr>
<td><strong>Internal Exchange Assessment (PMPM)</strong></td>
<td>$14.00</td>
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<tr>
<td><strong>QHP Assessment-PMPM</strong></td>
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<td>$11.95</td>
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<tr>
<td><strong>QHP Assessment-% of Revenue</strong></td>
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<td>$10.74</td>
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<tr>
<td><strong>QHP Assessment-% of Revenue</strong></td>
<td>4.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.1%</td>
</tr>
</tbody>
</table>

(a) 2014 PMPM assessment set at $14.00/PMPM & retained in reserve
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)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>State Population</td>
<td>6.6 M</td>
<td>6.8 M</td>
<td>5.8 M</td>
<td>3.8 M</td>
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<tr>
<td>Est. Exchange Expenses</td>
<td>$34.87 M</td>
<td>$51.08 M</td>
<td>$34.92 M</td>
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<td>PMPM</td>
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<td>Estimated Member Months</td>
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<td>Estimated Membership</td>
<td>240,000</td>
<td>343,750</td>
<td>177,080</td>
<td>324,900</td>
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</table>

Source Information:
MA: Commonwealth Health Insurance Connector Authority, July 12, 2012. [www.mahealthconnector.org](http://www.mahealthconnector.org)
OR: Internal Communication with Cover Oregon on 12/17/12
Exchange Governance Structure

Who is represented?

- Employee benefits specialists
- Health care finance specialists and economists
- Health consumer advocates
- Small business representatives
- Administrators from public and private health care
- Consumer advocates
- Health insurance carriers
- Health insurance brokers
- Health care providers
- Tribal representatives
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- Sustainability report provided to Legislature
- Navigator program

**Upcoming**
- Role of agents/brokers
More on the Exchange

http://www.hca.wa.gov/hbe

Includes information about:

- Exchange Board
- Legislation and grants
- Policy discussion
- TAC and stakeholder involvement
- IT systems development
- HHS guidance
- Listserv registration
- hcahlbenex@hca.wa.gov