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

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.

• 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)

- 2014: 280,000
- 2015: 343,750
- 2016: 407,500
- 2017: 471,250
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)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Population</strong></td>
<td>6.6 M</td>
<td>6.8 M</td>
<td>5.8 M</td>
<td>3.8 M</td>
</tr>
<tr>
<td><strong>Est. Exchange Expenses</strong></td>
<td>$34.87 M</td>
<td>$51.08 M</td>
<td>$34.92 M</td>
<td>$68.5 M</td>
</tr>
<tr>
<td><strong>PMPM</strong></td>
<td>$13.48</td>
<td>$13.69</td>
<td>$16.75</td>
<td>$17.58</td>
</tr>
<tr>
<td><strong>Estimated Member Months</strong></td>
<td>2.6 M</td>
<td>3.7 M</td>
<td>2.1 M</td>
<td>3.9 M</td>
</tr>
<tr>
<td><strong>Estimated Membership</strong></td>
<td>240,000</td>
<td>343,750</td>
<td>177,080</td>
<td>324,900</td>
</tr>
</tbody>
</table>

**Source Information:**
- 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**

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)**
  - 2015: 343,750
  - 2016: 407,500
  - 2017: 471,250
- **Member Months**
  - 2015: 3,730,000
  - 2016: 4,483,000
  - 2017: 5,184,000
- **Aggregate Premiums to QHP's**
  - 2015: $1.3B
  - 2016: $1.6B
  - 2017: $1.8B

## Projected Cash Disbursements

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary &amp; Benefits</strong></td>
<td>$9,109,000</td>
<td>$9,382,000</td>
<td>$9,663,000</td>
</tr>
<tr>
<td><strong>Marketing &amp; Outreach</strong></td>
<td>5,589,000</td>
<td>4,645,000</td>
<td>3,985,000</td>
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<tr>
<td><strong>Consulting &amp; Professional</strong></td>
<td>4,764,000</td>
<td>3,447,000</td>
<td>2,532,000</td>
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<tr>
<td><strong>IT Infrastructure &amp; Communication</strong></td>
<td>223,000</td>
<td>311,000</td>
<td>311,000</td>
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<tr>
<td><strong>General &amp; Administration</strong></td>
<td>860,000</td>
<td>886,000</td>
<td>912,000</td>
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<tr>
<td><strong>Facilities Related</strong></td>
<td>668,000</td>
<td>672,000</td>
<td>676,000</td>
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<tr>
<td><strong>Appeals Program</strong></td>
<td>2,144,000</td>
<td>2,209,000</td>
<td>2,275,000</td>
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<tr>
<td><strong>HBE Systems Related</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service / Call Center</td>
<td>12,732,000</td>
<td>14,972,000</td>
<td>16,951,000</td>
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<tr>
<td>Eligibility Related</td>
<td>1,110,000</td>
<td>1,300,000</td>
<td>1,451,000</td>
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<tr>
<td>System Integrator-Related WHBE Variable Costs</td>
<td>7,500,000</td>
<td>8,831,000</td>
<td>10,005,000</td>
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<tr>
<td>Shared System Build / Operation Costs</td>
<td>9,566,000</td>
<td>9,817,000</td>
<td>9,568,000</td>
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<tr>
<td><strong>WHBE Systems Related-Total</strong></td>
<td>30,908,000</td>
<td>34,920,000</td>
<td>37,975,000</td>
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<tr>
<td><strong>WHBE Total Before Adjustments</strong></td>
<td>54,265,000</td>
<td>56,472,000</td>
<td>58,329,000</td>
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<tr>
<td>Medicaid Offset</td>
<td>(3,187,000)</td>
<td>(2,884,000)</td>
<td>(2,671,000)</td>
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<tr>
<td><strong>WHBE Total Expenditures</strong></td>
<td>$51,078,000</td>
<td>$53,588,000</td>
<td>$55,658,000</td>
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Washington Health Benefit Exchange, 2015 Budget Estimate Detail ($000’s)

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Salaries &amp; Benefits</td>
<td>$9,109</td>
<td>18%</td>
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<tr>
<td>Marketing &amp; Advertising</td>
<td>$5,589</td>
<td>11%</td>
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<tr>
<td>Consulting &amp; Professional</td>
<td>$4,764</td>
<td>9%</td>
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<tr>
<td>Appeals Program</td>
<td>$2,144</td>
<td>4%</td>
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<tr>
<td>Other Administrative</td>
<td>$2,554</td>
<td>5%</td>
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<tr>
<td>Customer Service / Call Center</td>
<td>$12,732</td>
<td>25%</td>
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<tr>
<td>Eligibility Services</td>
<td>$1,600</td>
<td>3%</td>
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<tr>
<td>IT Platform Maintenance &amp; Operations</td>
<td>$7,786</td>
<td>15%</td>
</tr>
<tr>
<td>Other Backoffice Operations (Premium Billing, Member Notifications, etc.)</td>
<td>$4,800</td>
<td>10%</td>
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</tbody>
</table>
Exchange Functions & Services

- Develop, Host Website
- Customer Support, Quality Rating System
- Highlight Products, Oversee Navigators
- Review & Certify Qualified Plans
- Determine Eligibility, Tax Credits
- Aggregate Premiums
COST ESTIMATES UNDER LOW, MODERATE AND HIGH ENROLLMENT SCENARIOS

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Member Months</th>
<th>Fixed Cost</th>
<th>Variable Cost</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>Low</td>
<td>2,000,000</td>
<td>$26M</td>
<td>$39M</td>
<td>$65M</td>
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<tr>
<td>Moderate</td>
<td>3,700,000</td>
<td>$26M</td>
<td>$51M</td>
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<tr>
<td>High</td>
<td>5,400,000</td>
<td>$26M</td>
<td>$62M</td>
<td>$88M</td>
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