Today’s Agenda

▪ Overview of ACA and Exchange
▪ Current Exchange Budget and Projections
▪ Key Challenges and Upcoming Milestones
Impact Of The Affordable Care Act

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

- Closes the prescription “doughnut hole”

- Expands coverage
  - Expands Medicaid to 138%* of FPL
  - Exchanges

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

- State based exchange, established as "public private partnership separate and distinct from the state"
- Individuals >138% of FPL (tax credits and subsidies < 400% FPL), and small groups (2-50)
- "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, customer support
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.
Insurance Coverage Today*

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

* 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)
Exchange Functions & Services

- Develop, Host Website
- Highlight Products, Oversee Navigators
- Review & Certify Qualified Plans
- Aggregate Premiums
- Customer Support, Quality Rating System
- Determine Eligibility, Tax Credits
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
- 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
# Combined L1 & L2 Budgets and Projections ($000’s)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td><strong>GROSS REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Grant Revenue: Level 1</td>
<td>24,187</td>
<td>1,036</td>
<td>1,036</td>
<td>13,705</td>
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<tr>
<td>Grant Revenue: Level 2</td>
<td>149,822</td>
<td>40,269</td>
<td>13,178</td>
<td>61,536</td>
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<td><strong>TOTAL GROSS REVENUES</strong></td>
<td>174,009</td>
<td>53,975</td>
<td>27,317</td>
<td>70,982</td>
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<td><strong>OPERATING EXPENSES</strong></td>
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<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>
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<td>1,407</td>
<td>4,220</td>
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<td>Consulting &amp; Professional Service</td>
<td>23,409</td>
<td>7,928</td>
<td>8,724</td>
<td>6,757</td>
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<td>IT Infrastructure &amp; Communications</td>
<td>1,543</td>
<td>802</td>
<td>449</td>
<td>293</td>
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<td>General &amp; Administrative</td>
<td>2,315</td>
<td>645</td>
<td>710</td>
<td>951</td>
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<tr>
<td>Facilities Related</td>
<td>3,566</td>
<td>1,035</td>
<td>1,837</td>
<td>694</td>
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<td>Appeals Related</td>
<td>450</td>
<td>1,035</td>
<td>1,837</td>
<td>450</td>
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<tr>
<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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<td><strong>FUNDING SOURCE</strong></td>
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<td></td>
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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>
</tbody>
</table>

|                      |               |       |       |       |
| **DOLLARS SPENT**    | 1,036         | 28,353 | 100,594 | 174,009 |
|                      | 1%            | 16%    | 58%    | 100%   |
| **DOLLARS REMAINING** | 172,973      | 145,656 | 73,416 |        |
|                      | 99%           | 84%    | 42%    | 0%     |
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**

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

### 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

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<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<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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<td>Marketing &amp; Advertising</td>
<td>5,589,000</td>
<td>4,645,000</td>
<td>3,985,000</td>
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<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>
<td>IT Infrastructure &amp; Communication</td>
<td>223,000</td>
<td>311,000</td>
<td>311,000</td>
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<td>General &amp; Administration</td>
<td>860,000</td>
<td>886,000</td>
<td>912,000</td>
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<tr>
<td>Facilities Related</td>
<td>668,000</td>
<td>672,000</td>
<td>676,000</td>
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<tr>
<td>Appeals Program</td>
<td>2,144,000</td>
<td>2,209,000</td>
<td>2,275,000</td>
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<td>HBE Systems Related</td>
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<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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<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>WHBE Systems Related-Total</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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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>
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<tr>
<th></th>
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<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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<td>Est. Exchange Expenses</td>
<td>$34.87 M</td>
<td>$51.08 M</td>
<td>$34.92 M</td>
<td>$68.5 M</td>
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<td>PMPM</td>
<td>$13.48</td>
<td>$13.69</td>
<td>$16.75</td>
<td>$17.58</td>
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<tr>
<td>Estimated Member Months</td>
<td>2.6 M</td>
<td>3.7 M</td>
<td>2.1 M</td>
<td>3.9 M</td>
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<tr>
<td>Estimated Membership</td>
<td>240,000</td>
<td>343,750</td>
<td>177,080</td>
<td>324,900</td>
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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
Key Challenges

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

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

▪ **Managing expectations**
  - Options deferred to 2.0 or 3.0
  - Complex authorizing environment
What to Look For

- New sets of federal guidance
- Conditional certification as a state based exchange
- 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
- Enrollment numbers
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

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