



Washington Health Benefit Exchange

Senate Health Care Committee
January 17, 2013

Richard K. Onizuka, PhD
Chief Executive Officer

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.,**
 - 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

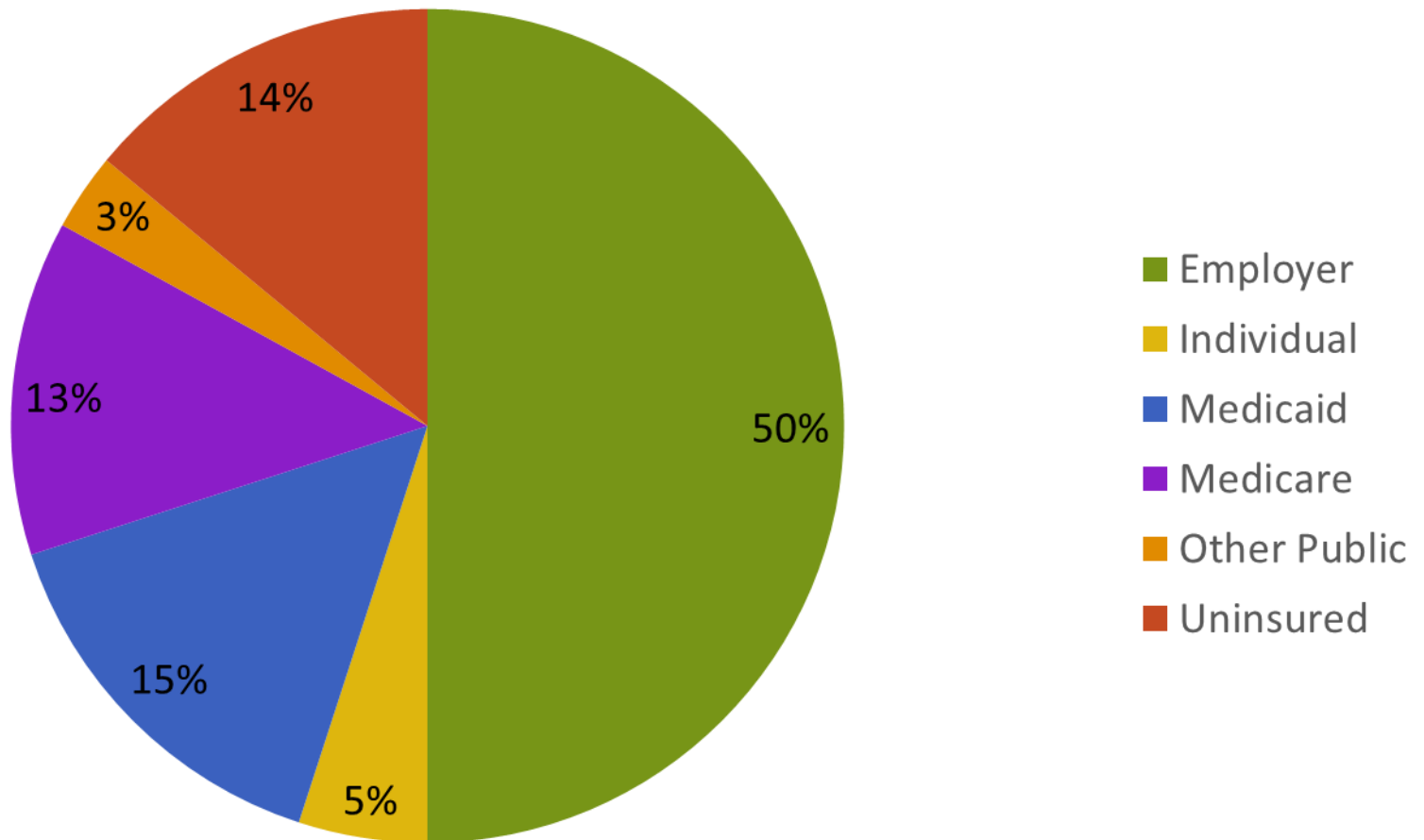
Exchange Basics

- 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)



* 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

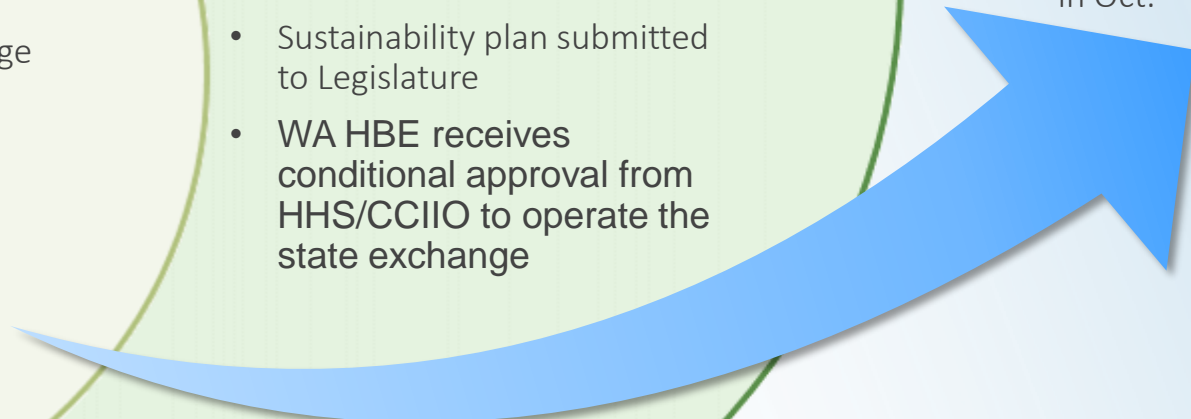
- Washington becomes second Level 2 establishment grant recipient, \$128 million
 - Exchange moves onto own payroll and accounting systems
 - Sustainability plan submitted to Legislature
 - WA HBE receives conditional approval from HHS/CCIIO to operate the state exchange

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.



Exchange 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**



Exchange Governance Structure

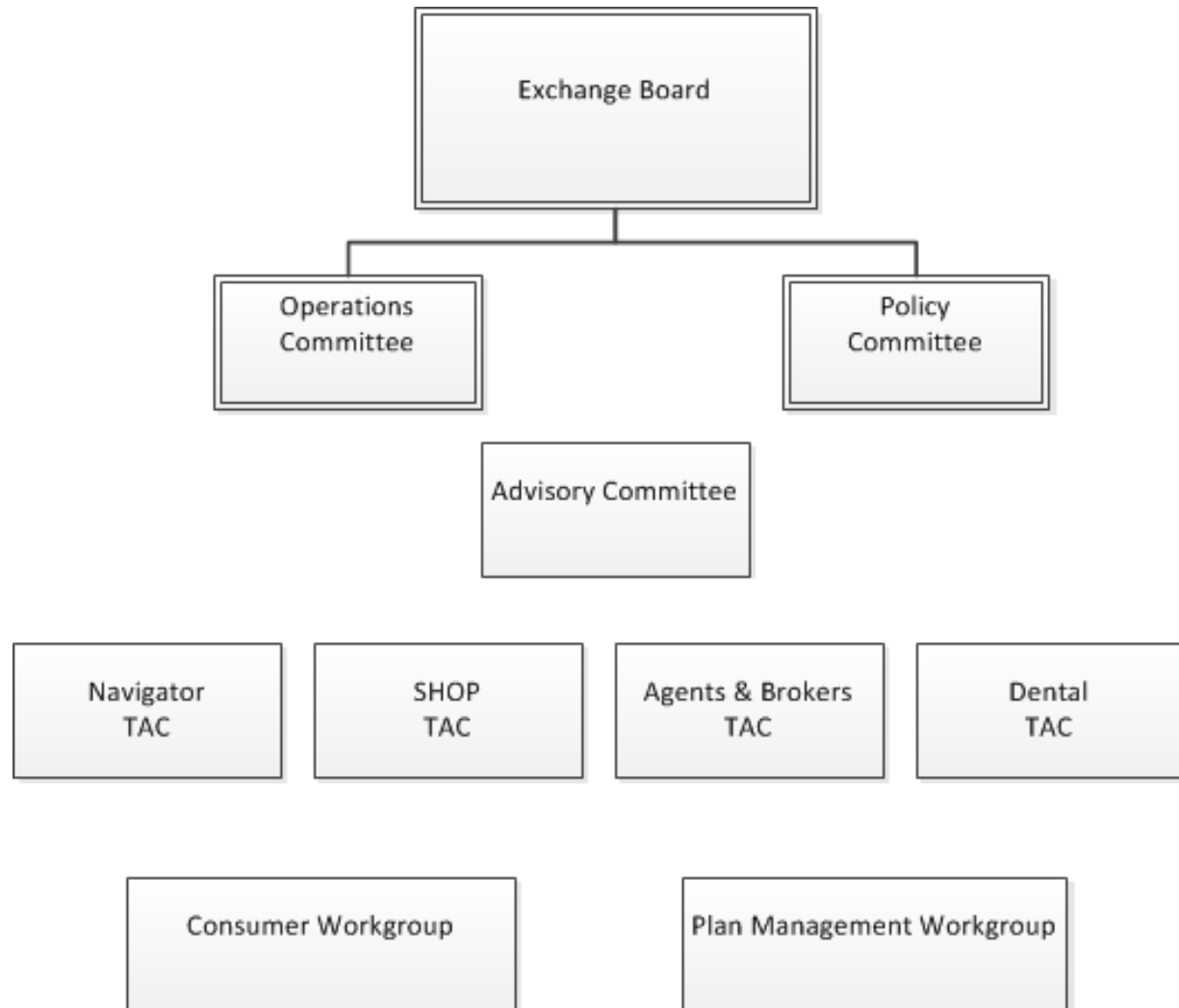
Who is represented?

- 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

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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**
 - 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 v2.0 or v3.0
 - 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)

	2011		2012		2013		2014	
	Budget	Actual at Dec-11	Budget	Projected Dec-12	Budget	Forecast 2013	Budget	Forecast 2014
2011-2014								
Total Budget								
GROSS REVENUES								
Grant Revenue: Level 1	1,036	1,036	13,705	14,139	9,446	9,012		
Grant Revenue: Level 2			40,269	13,178	61,536	63,229	48,017	73,416
TOTAL GROSS REVENUES	1,036	1,036	53,975	27,317	70,982	72,241	48,017	73,416
OPERATING EXPENSES								
Salaries & Benefits	127	127	5,008	1,215	13,400	12,223	11,544	16,515
Marketing & Advertising			1,407		4,220	5,260	3,751	4,118
Consulting & Professional Service			7,928	230	8,724	10,017	6,757	13,162
IT Infrastructure & Communications			802		449	549	293	994
General & Administrative	8	8	645	226	710	1,399	951	900
Facilities Related			1,035	461	1,837	3,063	694	700
Appeals Related							450	1,150
Systems Related	900	900	37,150	25,186	41,641	39,730	23,576	35,876
TOTAL OPERATING EXPENSE	1,036	1,036	53,975	27,317	70,982	72,241	48,017	73,416
FUNDING SOURCE								
Medicaid Allocation			10,138	595	11,164	11,310	1,912	11,310
Federal Grant	1,036	1,036	43,836	26,722	59,818	60,931	46,105	62,106
TOTAL FUNDING SOURCE	1,036	1,036	53,975	27,317	70,982	72,241	48,017	73,416

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%

Legislative Sustainability Requirement

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

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



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.



Insurance Premium Assessment Method

	<u>Grant Based</u>	<u>Self-Sustainability Based</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Key Performance Metrics (KPI)</u>				
Members (Y/E)	280,000	343,750	407,500	471,250
Member Months	2,053,000	3,730,000	4,483,000	5,184,000
Aggregate Premiums to QHP's	\$720M	\$1.3B	\$1.6B	\$1.8B
<u>Projected Cash Disbursements</u>				
Salary & Benefits		\$ 9,109,000	\$ 9,382,000	\$ 9,663,000
Marketing & Advertising		5,589,000	4,645,000	3,985,000
Consulting & Professional		4,764,000	3,447,000	2,532,000
IT Infrastructure & Communication		223,000	311,000	311,000
General & Administration		860,000	886,000	912,000
Facilities Related		668,000	672,000	676,000
Appeals Program		2,144,000	2,209,000	2,275,000
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



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WHBE Total Expenditures	N/A	\$ 51,078,000	\$ 53,588,000	\$ 55,658,000
<u>Self-Sustainability Revenue Source</u>				
WHBE-Generated Premium Tax - 2% (a)	\$ -	\$ 26,000,000	\$ 32,000,000	\$ 36,000,000
QHP Assessments (b)	\$ 28,742,000	\$ 25,078,000	\$ 21,588,000	\$ 19,658,000
Total WHBE Revenue	\$ 28,742,000	\$ 51,078,000	\$ 53,588,000	\$ 55,658,000
<u>Exchange QHP Assessment (PMPM)</u>				
QHP Assessment-PMPM	\$14.00	\$6.72	\$4.82	\$3.79
QHP Assessment-% of Revenue	4.0%	1.9%	1.3%	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 subseque



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QHP Assessments (a)	\$ 28,742,000	\$ 51,078,000	\$ 53,588,000	\$ 55,658,000
<u>Internal Exchange Assessment (PMPM)</u>				
QHP Assessment-PMPM	\$14.00	\$13.69	\$11.95	\$10.74
QHP Assessment-% of Revenue	4.0%	3.9%	3.3%	3.1%

(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)

	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
PMPM	\$13.48	\$13.69	\$16.75	\$17.58
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

WA: Sustainability Report 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

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

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





Washington Health Benefit Exchange

Margaret Stanley (Chair) and Donald Conant
Board Members

Exchange Governance Structure

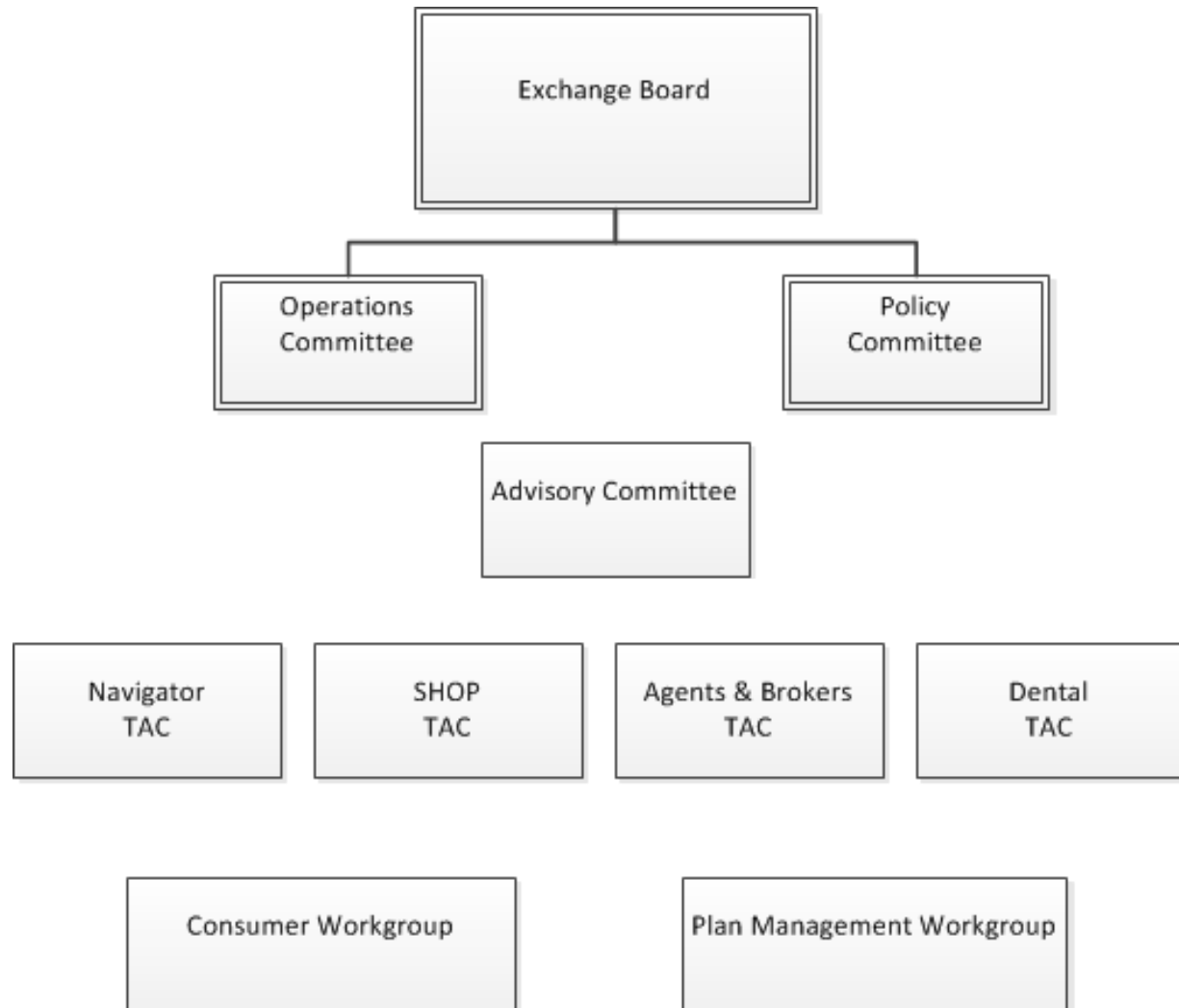
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More on the Exchange

<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
- hcahtbenex@hca.wa.gov

