



Washington Health Benefit Exchange

House Health Care & Wellness Committee
January 18, 2013

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Chief Executive Officer

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

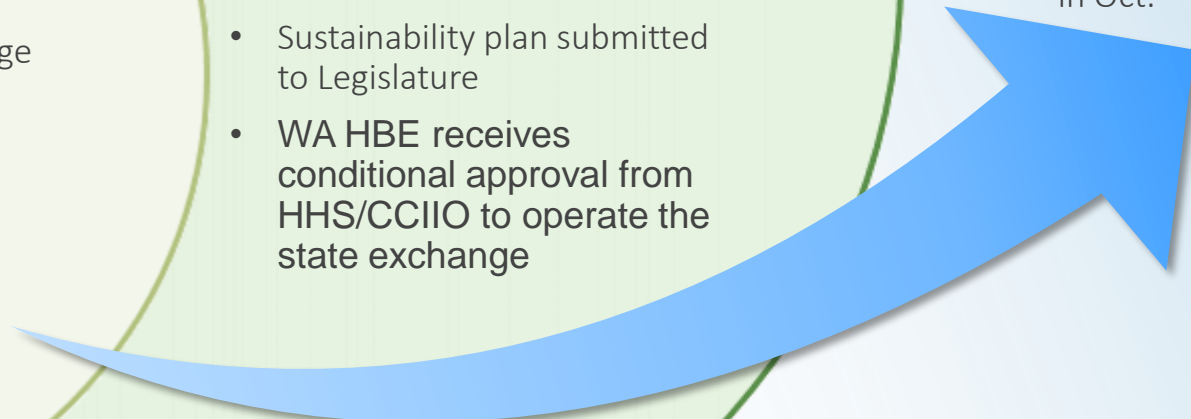
- Washington becomes second Level 2 establishment grant recipient, \$128 million
 - Exchange moves onto own payroll and accounting systems
 - Sustainability plan submitted to Legislature
 - WA HBE receives conditional approval from HHS/CCIIO to operate the state exchange

2013

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

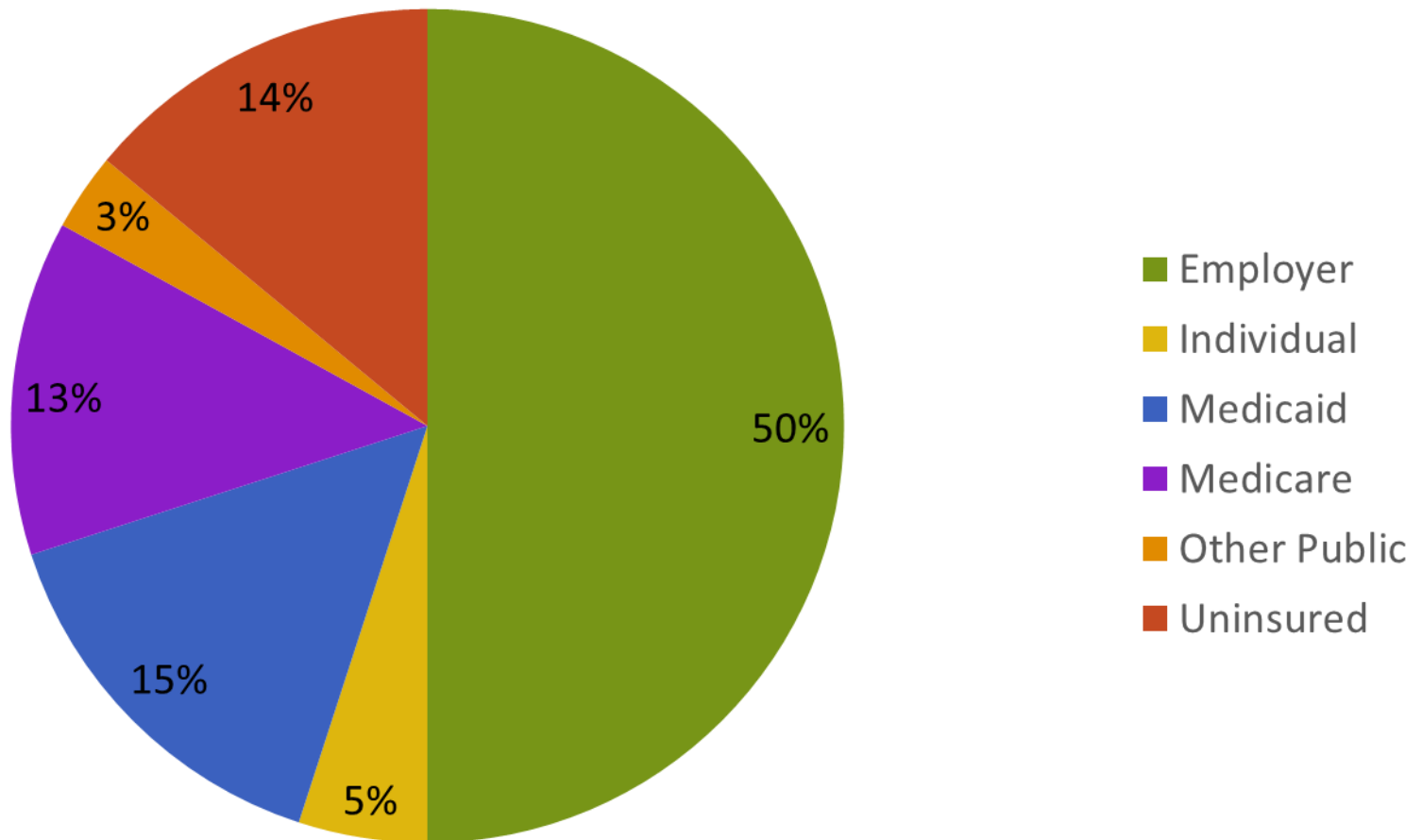
2014

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



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



Exchange Governance Structure

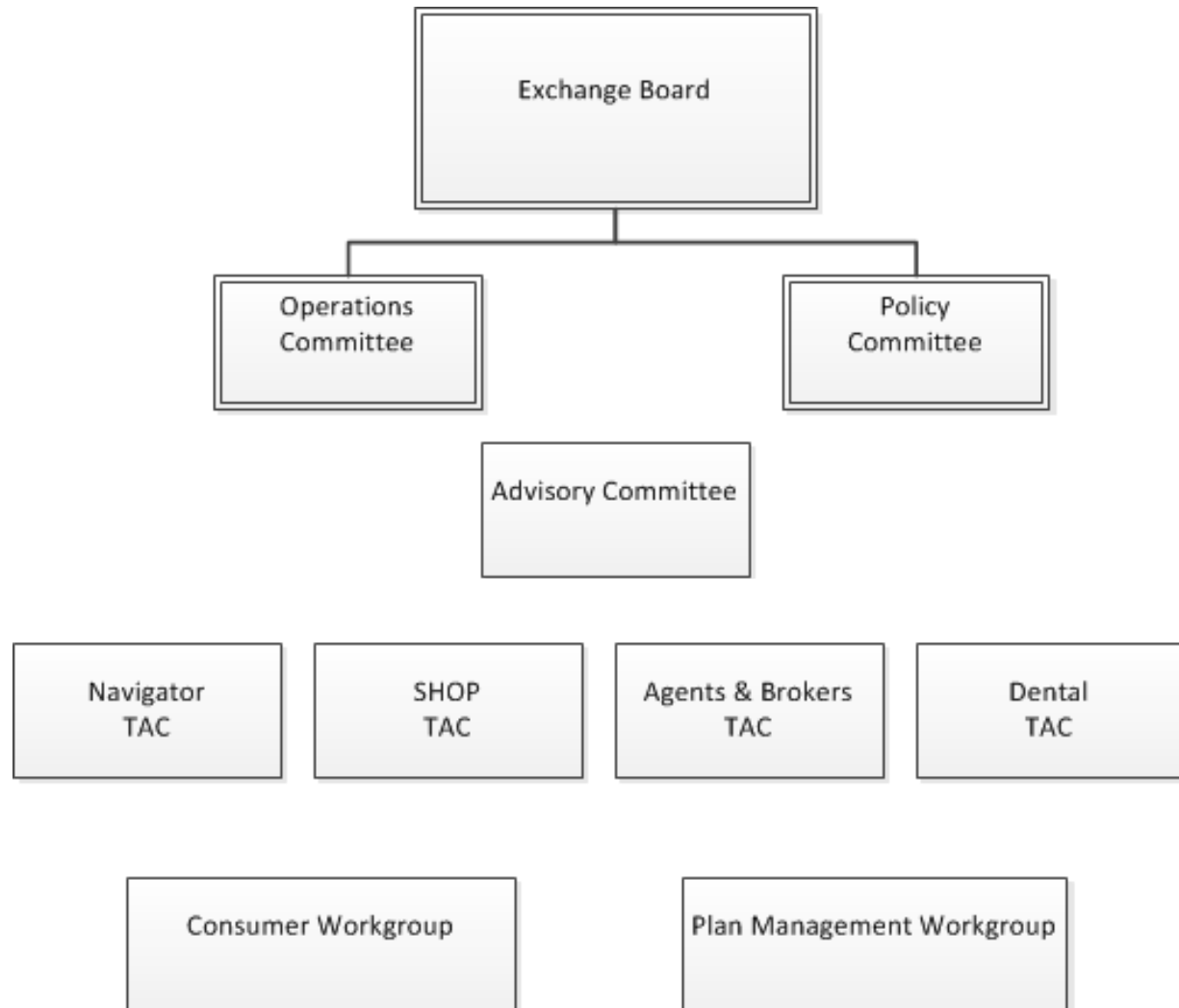
Who is represented?

- 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)

	2011		2012		2013		2014	
2011-2014	Budget 2011	Actual at Dec-11	Budget 2012	Projected Dec-12	Budget 2013	Forecast 2013	Budget 2014	Forecast 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	0
	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.

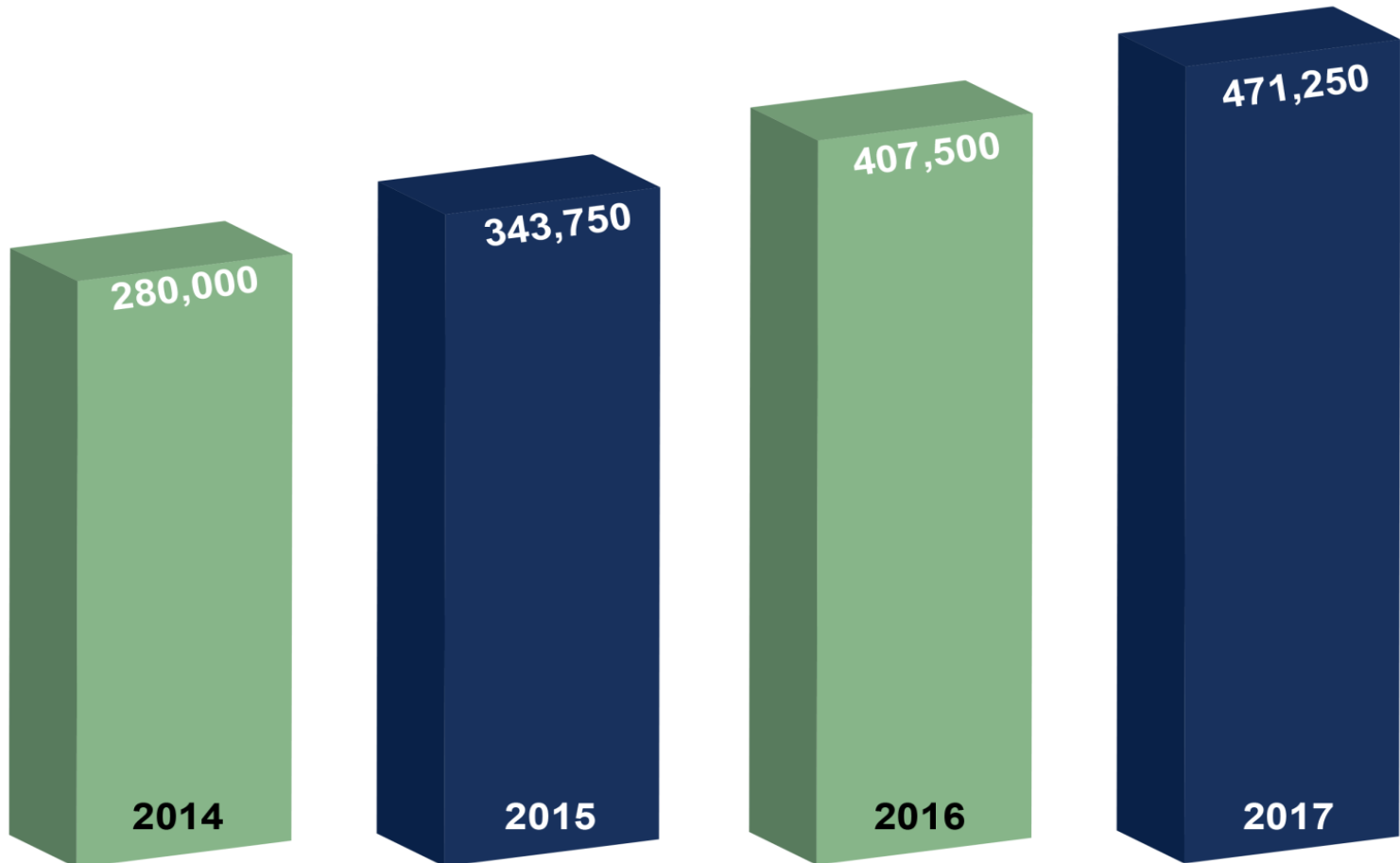
QHP Issuer-based Revenue Model

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



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

Key Performance Metrics (KPI)

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

Projected Cash Disbursements

Salary & Benefits
 Marketing & Advertising
 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
54,265,000	56,472,000	58,329,000
(3,187,000)	(2,884,000)	(2,671,000)
\$ 51,078,000	\$ 53,588,000	\$ 55,658,000



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.dhmf.maryland.gov/exchange

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
- hcahlbenex@hca.wa.gov





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