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.
- Coverage purchased in the Exchange begins
- 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
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
- Customer Support, Quality Rating System
- Highlight Products, Oversee Navigators
- Review & Certify Qualified Plans
- Aggregate Premiums
- 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
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<td></td>
<td>Total Budget</td>
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<td>Actual at Budget</td>
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<td>Projected Budget</td>
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<td>GROSS REVENUES</td>
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<td>2011</td>
<td>Dec-11</td>
<td>2012</td>
<td>Dec-12</td>
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<td>Grant Revenue: Level 1</td>
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<td>TOTAL GROSS REVENUES</td>
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<td>53,975</td>
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<td>OPERATING EXPENSES</td>
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<td>2011</td>
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<td>2012</td>
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<td>General &amp; Administrative</td>
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<td>Appeals Related</td>
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<td>Systems Related</td>
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<td>37,150</td>
<td>25,186</td>
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<td>TOTAL OPERATING EXPENSE</td>
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<td>53,975</td>
<td>27,317</td>
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<td>Medicaid Allocation</td>
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<td>Federal Grant</td>
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<td>TOTAL FUNDING SOURCE</td>
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<td>53,975</td>
<td>27,317</td>
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**DOLLARS SPENT**

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<th>1,036</th>
<th>28,353</th>
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<td>1%</td>
<td>16%</td>
<td>58%</td>
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**DOLLARS REMAINING**

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<th>172,973</th>
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<td>99%</td>
<td>84%</td>
<td>42%</td>
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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)

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<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td>Members (Y/E)</td>
<td>343,750</td>
<td>407,500</td>
<td>471,250</td>
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<td>Member Months</td>
<td>3,730,000</td>
<td>4,483,000</td>
<td>5,184,000</td>
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<td>Aggregate Premiums to QHP's</td>
<td>$1.3B</td>
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<td>$1.8B</td>
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## Projected Cash Disbursements

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<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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<td>IT Infrastructure &amp; Communication</td>
<td>223,000</td>
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<td>912,000</td>
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<td>676,000</td>
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<td>Appeals Program</td>
<td>2,144,000</td>
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### HBE Systems Related

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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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<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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### WHBE Total Before Adjustments

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<th>2016</th>
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<td>WHBE Total Before Adjustments</td>
<td>54,265,000</td>
<td>56,472,000</td>
<td>58,329,000</td>
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### Medicaid Offset

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<td>Medicaid Offset</td>
<td>(3,187,000)</td>
<td>(2,884,000)</td>
<td>(2,671,000)</td>
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### WHBE Total Expenditures

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<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td>WHBE Total Expenditures</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)

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<tr>
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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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<tr>
<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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<tr>
<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:
- 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
- hcahltnex@hca.wa.gov