



Insurance Exchanges: What Makes Sense for Tennessee?

Stakeholder Meeting
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Goal of Today's Meeting



- Explain context of Tennessee's decisions about insurance exchanges
- Describe a process to reach recommendations for the Governor
- Enlist your involvement in that process

Agenda



- Summary of PPACA provisions
- Overview of insurance exchanges
- Tennessee's options
- Decision process
- Risks
- Role of stakeholders
- Public process
- Next steps

Administrivia



- Time outs!
- Comfort
- Meetings
- Spam filters
- CLE
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What Does the PPACA Include?



- Insurance requirements and regulatory changes
- Medicaid expansion
- Individual mandate
- Employer penalties
- Establishment of “minimum essential benefit” standard

In Theory, What Do Exchanges Do?



1. Define and certify “qualified health plans”
2. Facilitate compliance with PPACA’s individual mandate
3. Allow consumers to easily compare regulated options
4. Enable consumers to apply for premium assistance and public programs
5. Help small employers to comply with PPACA and avoid penalties

Specific Functions of an Exchange



Qualified Health Plans

- Establish standards qualified health plans
- Implement certification process
- Coordinate with regulators
- Develop and implement rating system for health plans

Specific Functions of an Exchange (cont'd)



Consumer Comparisons

(among individuals & small employers)

- Provide both an individual and a small group insurance exchange website (or “portal”)*;
- Present plan options in a standardized way (i.e., Platinum, Gold, Silver, Bronze);
- Provide web resources (e.g., cost calculator) and toll-free call center support to users;
- Operate a consumer assistance (or “Navigator”) program;

** Of course, the decision to operate separate or combined portals is different than the decision as to whether Tennessee should consolidate individual and small group markets.*

Specific Functions of an Exchange (cont'd)



Eligibility Determinations

- Determine eligibility for and enroll applicants in public programs (e.g., Medicaid and CHIP)*;
- Determine eligibility for new tax credits and cost-sharing reductions for persons with MAGI between 100-400% FPL;
- Facilitate advance payments by Treasury to insurers of individual premium assistance tax credits;

** As required by statute and allowed under forthcoming federal rules, though implementation has yet to be determined.*

Specific Functions of an Exchange (cont'd)



Other Eligibility Determinations

- Determine whether employer-sponsored insurance is “**unaffordable**” and, thus, whether certain individuals with access to employer-sponsored coverage are eligible to purchase insurance via the insurance exchange;
- Receive and process “**free choice**” vouchers for employees who have unaffordable employer-sponsored coverage;

Specific Functions of an Exchange (cont'd)



Administrative Requirements

- Report user and employer data to Treasury;
- Administer the exemption process for the federal individual mandate requirement;
- Offer other products: dental, catastrophic, child-only plans;
- Operate in transparent, accountable manner; and
- **Become financially self-sufficient by 2015**

Time Out!



- **Questions?**
- **Concerns?**
- **Thoughts?**

Spectrum of State-Level Exchanges



- Market “organizer”
- Market “definer”
- Prudent purchaser

Examples:

- Utah – Craig’s List
- Massachusetts – Aggressive Negotiator

Rock, Scissors, Paper!



	Feds Say No	Feds Say Yes
State Says No		Feds run the Exchange
State Says Yes	Feds run the Exchange	Tennessee runs the Exchange



Pros/Cons of Running Exchange?

Some Pros:

- Allows for control of TennCare eligibility determinations
- Enables State to reinforce insurance regulation/health policy goals
- Allows for regional customization

Some Cons:

- Administrative costs until 2015
- Risks of politicizing design choices and plan selection criteria
- Risk of capture by special interests

Others? Please share your thoughts!

Policy Goal (draft)



IF Tennessee were to operate an exchange...

then we would do so with the express purpose of providing a choice of high-quality health insurance options at the lowest possible price.

What are the key words?

Evaluative Criteria (draft)



- Provide meaningful consumer choice of a number of participating insurers
- Facilitate easy comparisons and plan selections by all consumers
- Optimize ability of ordinary lay person to make intelligent, informed choice within a reasonable amount of time
- Ensure rural-urban equity both in terms of network access and insurance cost

Evaluative Criteria (draft, cont'd)



- Ensure sustainability of exchange-based insurance options over a minimum period of five years
- Maximize affordability of options for consumers who do not qualify for public subsidies or tax credits
- Maximize federal funds available to Tennessee residents (through refundable tax credits, etc.) to offset their insurance costs

Time Out!



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Risks



Not only...

- Federalized exchange and, by extension, federalized regulation
- Federalized eligibility determinations for TennCare & CHIP

But also...

- Market destabilization (due to errors by Feds or State)
- Adverse selection

Risk #1: Market Instability



When Exchange goes live, insurers and brokers face:

- Transition to community rating with age, tobacco bands
- End to pre-existing condition exclusions
- Different rate reforms in all States
- Employers entering and leaving market

So, we must proceed cautiously?



Risk #2: Adverse Selection

- Community rating (and gaming)
- Cherry picking and lemon dropping
- Risks to Exchange and to participating insurers

Mitigation strategy:

- Risk adjustment, risk corridors, reinsurance
- Broker buy-in

Risk #3: ???



Possibilities that Keep Me Up at Night



- Insurers don't participate in the Exchange
- Insurers leave Tennessee
- Exchange unable to handle consumer demand
- Technical failures
- Eligible Tennesseans don't apply for tax credits
- Existing insurance rates skyrocket
- Employers drop coverage

Some we control, others we compound

What Don't We Know?



- What criteria will Feds use to approve state-operated exchanges?
- Are medical questionnaires for prospective risk adjustment permissible?
- Can the Exchange pay brokers and agents?
- What are the “streamlining” rules for Medicaid/CHIP?
- What are the federal parameters for permissible benefit design variation
- ???

How Can Stakeholders Help?



- Pose questions
- Help define areas of uncertainty
- Identify resources
- Provide ideas
- Share feedback

What's One Role for Insurers?



- Underwriters
- Actuaries
- Skeptics
- TAG! Early November?

WonderTwin Powers, Activate!

What's One Role for Brokers/Agents?



- The function of a broker doesn't go away: small employers will still need help.
- ***Our question to OCIO:***
Can an Exchange pay brokers, and if so, how and under what conditions?
Also: If the Exchange can pay brokers directly, how might we resolve conflicts of fiduciary obligations?
- TAG – with the idea of meeting when we get a better idea about when OCIO may answer our question?

Work in Sales? We Need Your Help!



- Help us with our questions
- Provide policy-relevant data and information
- Understand procurement process (and constraints)



Analytic Assumptions about 2014?

- How many employers will seek coverage?
- How many employers will drop coverage?
- Will brokers and agents abandon individual and micro-group market?
- How many individuals will apply for exemptions?

We need to hear from you about key assumptions – and publish our working list and solicit feedback.

Time Out!



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- **Concerns?**
- **Thoughts?**

Down the Road, But Carts and Horses



- State agency or non-profit?
- Governance structure?
- Revenue authority?
- Legislation in 2011?
 - > We can't presuppose a decision about a state-level Exchange
 - > Even with a high-level decision, many unknowns will remain

Even If TN Doesn't Run an Exchange...



- Consolidation of individual and small group markets
- Title 56 coverage mandates
- Promotion of premium assistance tax credits
- Mitigating potential “shock” of community rating
- Basic Health Plan option?

Public Process



- Open Fridays
- Open schedule
- Comment and review periods (one week minimum)
- Stakeholder meetings
- Email updates
- All documents posted at www.tn.gov/nationalhealthreform
- Open records



Why Might This Process Work?

- BATNA invites interest of all stakeholders
- Huge uncertainty warrants humility
- Substantial risk warrants sobriety
- We have the time and (with your help) the talent to do this right
- Transparency (with process and policy) abates skepticism
- Predictability reassures: no sudden or surprise moves.



What Do We Need from You?

- Nominations for TAG(s): **NEXT WEEK**
- Comments on policy goal, evaluation criteria
- Comments on pros/cons of running Exchange
- Copies of Oct. 4th comments you submitted to Feds
- Suggestions for consulting vendors for RFPs
- Suggested materials

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How'd we do?

What do we need to come back to?

What might be helpful information for you?

Keep in Touch!



- insurance.exchange@tn.gov
- Send comments
- Join listserv
 - ...just check spam filters