

# **Health Reform and Insurance Exchanges: Federal Requirements, Lessons Learned in Massachusetts and Implications for New Mexico**

**NM Health Care Reform Leadership Team**

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# Today's Discussion: Lessons for Implementation

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- **What is common in reform models?**
- **How was implementation affected by the prevailing circumstances in Massachusetts? What does that mean for New Mexico?**
- **What does the Insurance Exchange do?**
- **What lessons were learned in Massachusetts? What does that mean for New Mexico?**

# Massachusetts Reform - Federal Health Reform

## Basic Elements of the Plan(s)

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- Medicaid and CHIP expansions
- Subsidized coverage for low-income adults
- Health Insurance Exchange (i.e. *Connector*)
- Changes to the insurance market to help individuals and small businesses
- Individual mandate
- Employer responsibilities (for larger firms)

# Health Reform: Applicability of the Model

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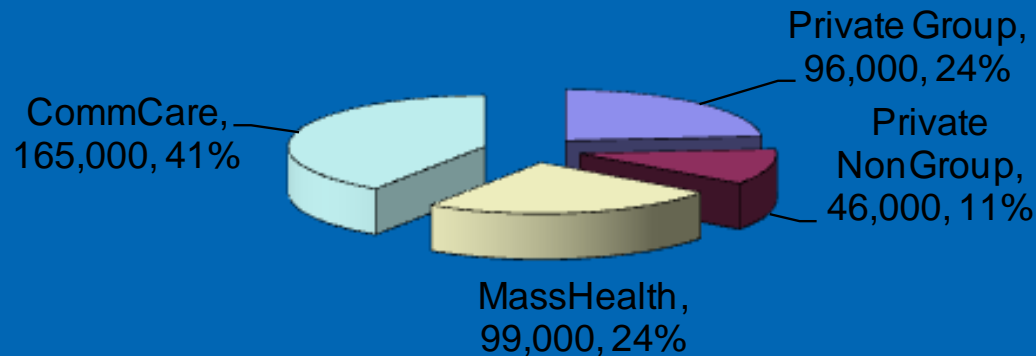
In 2005 in Massachusetts...

- Low rate of uninsurance
- Expansive Medicaid program and 1115 Waiver
- Significant funding for uncompensated care was in place
- Federally-supported payments to safety net plans/hospitals were in question
- Heavily-regulated health insurance market
- Integrated application for state health programs through the EOHHS Virtual Gateway

# The Newly Insured in Massachusetts

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2.5 years into implementation, 406,000 individuals were newly insured as a result of health reform



Source: Mass. Division of Health Care Finance & Policy, Health Care in Massachusetts: Key Indicators - August 2009

# The Insurance Exchange



# State Insurance Exchanges

## Goals of the Exchange

- Promote competition
- Simplify shopping for insurance
- Enforce consumer protections
- Standardize consumer information
- Centralize enrollment

- Market Reform Policy: shift the market from competition based on avoiding risk into competition on price/quality
- Public Administration Reform Policy: Integrate, Simplify, Centralize enrollment

# Insurance Exchange Responsibilities

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## Market Organizer and Regulator

- Qualify plans for participation
- Standardize benefit packages
- Ratings based on quality/cost
- Review /report on premium increases
- Risk Adjustment

## Public Education and Outreach

- Navigator Grants
- HCR and mandate public education

## Eligibility and Enrollment

- Enroll individuals and businesses
- Operate web site
- Customer Service and call center
- Determine eligibility for subsidies

# The Role in the Market for Exchanges



- Ultimate Goal – shift the market from competition based on avoiding risk into competition on price/quality
- PPAC Act: States must review premiums - other justifications for selectivity are not yet defined

# Role in the Market

## Massachusetts Experience

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- **Selectively-contracted Plans**
  - **The Connector Board Seal of Approval**
- **Premium competition is inherent in any Exchange**
  - **But bid process focused public attention**
- **Recent drama: Governor disapproves of proposed small group premium increases**
  - **Plans without approval were not offered through the Connector**

# Regulatory Role: Managing Risk and Rating Rules

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## Federal law requires:

- Community Rating
- Risk Adjustment
- Limited rating factors

## Reality Intrudes:

- Carriers may seek other means to shift risk
  - Marketing strategies and targets
  - Shedding bad risk from large groups
- Impact of the existing pool of uninsured on the risk pool – and therefore premiums – is a real concern

# Public Education and Outreach Massachusetts Experience

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**Boom.**

# Public Education and Outreach is Essential

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- Traditional Public Program Outreach
  - Community Health and outreach workers will be funded through Exchanges
- Education about the mandate and the exchange
  - Tax consequences
  - Affects risk selection in the exchange
  - Use of health brokers is key for small business market
- A state decision about broad health reform public relations – not necessarily a function of the Exchange

# Eligibility and Enrollment

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## People will move between programs; eligibility must be integrated

- PPAC Act requires fully integrated eligibility process
  - Unified determination for Exchange subsidies and Medicaid/CHIP
  - Single form must be available online, by phone, by mail
- This process may be administered through Medicaid Programs
  - An early and very consequential state decision
  - Medicaid has significant new eligibility design standards (leaving aside the exchange)
  - No matter what, significant prep work in every state

# Governance of Exchanges

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**Federal law allows existing state agencies, new state or quasi-state agencies, or qualified non-profits to “be” exchanges**

- Involvement of Insurance Regulation Agency and Medicaid Agency is a minimum
- Any arrangement without leadership from both agencies leaves something out that is essential to success
- State decisions about the role of public education and the role of the Exchange in the market are also important to consider

# Expertise Needed for Exchanges

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- **Commercial market pricing and public program management – an uncommon combination**
- **Federal role is very important; state must follow rulemaking developments closely**
  - **HHS**
  - **CMS**
  - **NAIC**
- **Above all, coordination and collaboration is essential**

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## Discussion and Questions?

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