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# **California Health Benefit Exchange Early Implementation Tasks**

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# **Purpose of Exchange: California**

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- **Exchange as Purchaser:**
  - **Exchange selectively contracts with plans to increase value for members**
    - **Value = quality, access, price**

# CA: Exchange as Active Purchaser: Selective Contracting

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- Governing entity to develop standards and criteria
  - based on “best interests of” individuals and small employers purchasing through the Exchange
  - “optimal combination of choice, value, quality, and service”.
  
- Does not prohibit Exchange from accepting all plans
  
- Enables Exchange to work with carriers that exhibit desire to work with Exchange to meet policy and business goals

# CA: Governance of Exchange

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- Independent, 5 member Exchange governing board within state government; members must have significant demonstrated expertise in various Exchange-related health care areas, such as the individual and small group markets.
- Appointed by Governor and legislature
- Significant conflict of interest provisions that generally bar anyone working for insurers, agents or brokers, health care facilities, and health care providers.
- One year revolving door provisions.
- Board members are unpaid.

# Adverse Selection Protections in ACA

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- Individual requirement to purchase coverage
- Federal subsidies only available through the Exchange
- Uniform market rules in and out of Exchange.
  - Applies insurance market reforms to the markets both inside and outside the Exchange.
    - Guaranteed access to all plans
    - Premium rates must be the same inside and outside the Exchange.
    - Prohibits rating based on health status.
    - Prohibits pre-existing conditions exclusions.
    - Prohibits waiting periods of longer than 90 days.
    - Limitations on out of pocket costs
- **Minimum benefits**
  - Individual and small group plans must cover minimum essential benefits, to be defined by the Secretary of HHS.
  - State benefit requirements apply to markets inside and outside the Exchange.
- **Marketing**
  - Permits the Exchange to market direct to consumers.
- **One risk pool**
- **Risk adjustment**

# CA: Additional Adverse Selection Protections

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- ❑ **Full range of products required to be offered.** All insurers must offer all four of the “actuarial equivalent” benefit plan levels (bronze through platinum) for each product sold in the Exchange
- ❑ **Catastrophic coverage primarily available through the Exchange.** The sale of catastrophic coverage plans is restricted to plans that participate in the Exchange. Outside the Exchange, participating plans may sell to persons not otherwise eligible to purchase through the Exchange.
- ❑ **Fair and affirmative marketing.** Exchange-participating insurers to “fairly and affirmatively” market and sell any plan offered in the Exchange outside of the Exchange.
- ❑ **Permissive standardization of products.** Allows the Exchange board to standardize benefits for products offered through the Exchange. If the Exchange does so, insurers in the non-Exchange market must offer at least one standardized plan at each of the four benefit levels (bronze through platinum).
- ❑ **Selective Contracting.** Permits Exchange Board to develop additional criteria that may help to prevent adverse selection.

# Getting to 2014: Board Tasks

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1. Board Appointments & Hiring Key Staff
2. Infrastructure & Administration
3. Eligibility & Enrollment
4. Coordination with other public & private purchasers
5. Benefit Design
6. Marketing, Outreach & Distribution
7. Criteria for Qualified Health Plans
8. Self financing by 2015: assessments on plans
9. Testing of Systems
10. Early Enrollments

# Eligibility & Enrollment

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- ❑ Enrollment portal for Exchange, Medicaid, CHIP and other health and social programs
- ❑ Linkages to federal data bases – Homeland Security, Treasury, Social Security
- ❑ MAGI rules engine
- ❑ Rules for application, enrollment, disenrollment, re-enrollment, transfers, appeals
- ❑ Exemptions from individual mandate
- ❑ Flow of premiums; processes for free choice vouchers
- ❑ Variance: individual v SHOP components of Exchange



# Coordination with Other Purchasers

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- Public and/or Private
- Advance goals of:
  - Financial incentive transformation
  - Health status improvement
  - Health systems improvement
  - Safety & quality
  - Cultural competence
  - Accessibility: hours, linguistic, physical
  - Efficiency
  - Protect Safety Net Providers

# Benefit Design

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- ❑ Compare federal essential minimum benefits to state mandates. States to bear the cost of benefit in excess of federal essential benefits
- ❑ Options for state-mandated benefits that exceed the federal definition of essential benefits: (statute may be needed)
  - Conform state benefit mandates to the federal essential benefits.
  - Determine the revenue source to cover additional costs for state mandated benefits
  - Provide an exception in state law from state mandates for products being sold through the Exchange.
- ❑ Application to large group market (>100 ees)
- ❑ Variance: individual v SHOP components of Exchange
- ❑ Degree of standardization

# Marketing, Outreach & Distribution

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- Branding of Exchange
  - Alignment with public and private purchasers
  - One-stop shop
  - Driver of market reforms
  - Price leader
  - Maintain safety net
- Navigators, community groups, agents, brokers – who, training, how reimbursed

# Criteria for Qualified Health Plans

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- Governing board to develop standards and criteria
  - based on “best interests of” individuals and small employers purchasing through the Exchange
  - “optimal combination of choice, value, quality, and service”
- Relationship to plan licensure standards
- Collaboration with other purchasers: public & private

# Self financing by 2015: assessments on plans

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- Assess a charge on plans that is “reasonable and necessary to support the development, operations and prudent cash management of the Exchange.”
- How much; how to collect; process to reconcile

# Unknowns: Externalities

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- Harmonizing group size laws (<50; <100)
- Basic Health Program
  
- Public support for reform
- 2012 elections
- State fiscal context
- Legal Challenges

# 2011-2014 Policy Issues

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- Requires Action by Legislature & Governor
  - Risk adjustment mechanisms
  
- Optional Action by Legislature & Governor
  - Further conformity of state law to provisions of ACA
  - Size of small group market
  - Benefit Design if federal “essential” benefits are less than CA mandates
  - Eligibility & Enrollment Simplification
  - Basic Health Plan

# 2014 – Coming Soon!

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**California Exchange law:**

**AB 1602 (Perez)**

**SB 900 (Alquist)**

Available at [www.leginfo.ca.gov](http://www.leginfo.ca.gov)

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