

2008 Minnesota Exchange Study Recommendations

Legislative Commission on Health Care Access

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Background

- ★ 2007 Legislature required a report on the possibilities of establishing a Health Insurance Exchange
- ★ MDH contracted with Mathematica Policy Research, Inc. for economic modeling and analysis of various implementation and operational issues
- ★ MDH contracted with Burns & Associates to conduct focus groups with small employers and brokers
- ★ MDH report issued February 2008

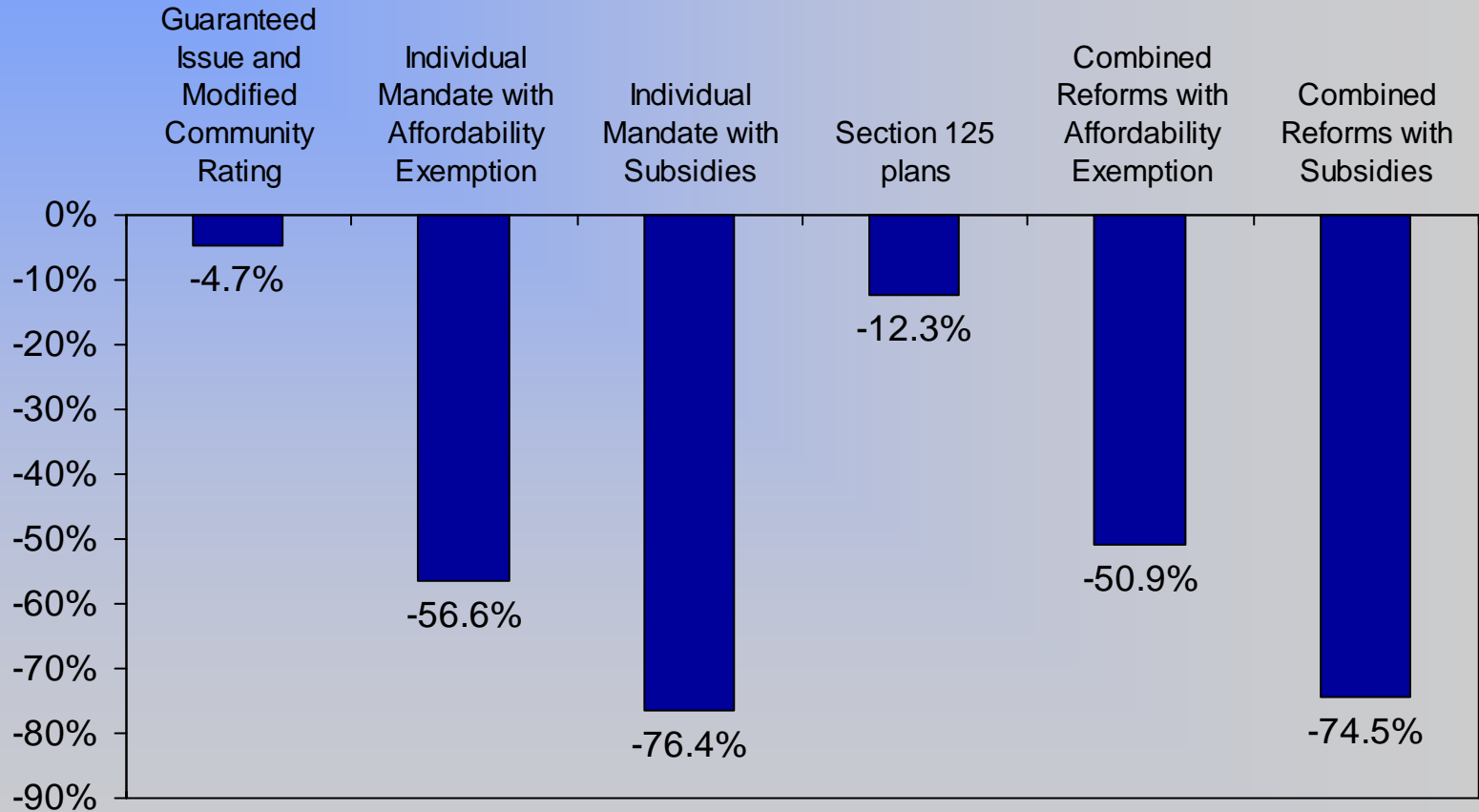
Study Topics

- ★ Whether an Exchange would provide greater access, choice, portability, and affordability of health insurance coverage
- ★ Duties and powers of Exchange
- ★ Use of Exchange to receive and process employee premiums on a pre-tax basis through Section 125 Plans
- ★ Eligibility criteria that enrollees and health plan companies must meet to participate in the Exchange
- ★ Types of health plans to be offered through the Exchange, and the extent to which these plans should be available for purchase only through the Exchange
- ★ Loss ratio requirements for health plans offered through Exchange
- ★ Extent to which the operation of the Exchange will lower the cost of health care coverage
- ★ Estimates of the administrative costs of operating the Exchange, and methods for funding these administrative costs
- ★ Other topics relevant to the design and operation of an Exchange

Economic Modeling: Mathematica Policy Research, Inc.

- ★ Economic modeling to determine coverage and cost impacts of:
 - Guaranteed issue and modified community rating in the individual and small group health insurance markets
 - Individual coverage requirement
 - Impact of subsidies and affordability exemption
 - Requiring firms with 11+ employees to offer Section 125 Plan
- ★ Updated/Further Study:
 - Updated: community rating, subsidies, exemptions
 - Further Study: benefit requirements, penalties, public program structure, small employer definition, market merger, wellness discounts, and risk sharing/risk adjustment
- ★ Obsolete: Impact of Section 125 plan, not allowed for non-group plans in Exchange under PPACA

Reduction in Uninsured, 2009: Mathematica Policy Research, Inc.



Impact on Average Premiums, 2009: Mathematica Policy Research, Inc.

	Guaranteed Issue and Modified Community Rating	Individual Mandate with Affordability Exemption	Individual Mandate with Subsidies	Section 125 Plans	Combined Reforms with Affordability Exemption	Combined Reforms with Subsidies
Large Group Coverage						
Single	-0.8%	-0.8%	-2.4%	-12.2%	-12.2%	-13.0%
Family	0.0%	0.0%	-0.8%	-13.0%	-11.8%	-12.2%
Small Group Coverage						
Single	9.3%	-6.8%	-10.2%	0.0%	-9.3%	-10.2%
Family	2.2%	-2.2%	-2.2%	-0.6%	-9.4%	-9.4%
Individual Coverage						
Single	14.4%	2.8%	0.9%	-6.0%	0.0%	-4.2%
Family	3.8%	-0.6%	-2.9%	-5.3%	-5.3%	-9.1%

Functions and Administrative Costs

- ★ Recommended duties/functions of Exchange:
 - Education, outreach, technical assistance related to health insurance options and Section 125 plans
 - Develop state of the art tools to help consumers navigate the market
 - Provide online, telephone, written, and in-person assistance to consumers and employers
 - Provide information and enrollment assistance to people who may be eligible for public programs
 - “Payment aggregator” for funds withheld from employee paychecks and transmit payments to health plans
- ★ Administrative costs previously estimated at 0.5% of premiums
- ★ Further Study: PPACA requires additional functions and HHS will specify rules for these functions, impact on upfront and ongoing costs
- ★ Obsolete: Section 125 plans not allowed for non-group plans in Exchange under PPACA

Health Plan and Product Participation

- ★ Based on stakeholder concerns about limiting choice of products and forcing purchase through Exchange, recommendations included:
 - Allowing sale of products inside and outside Exchange
 - Allowing all health plans to participate in Exchange
 - Requiring all health plan products to be sold inside and outside Exchange at the same price
 - Not limiting plan choice in Exchange, but rating products to ease consumer comparison and choice

- ★ These recommendations are allowed under PPACA with some modifications and issues to consider:
 - Health plans must be “certified” to participate in Exchange. Require all health plans in MN to be certified?
 - PPACA establishes standardized actuarial benefit plan levels
 - HHS will establish criteria for Exchange health plan ratings

Other Issues:

- ★ Governance: Public-private entity was recommended
 - Updated/Further Study: Different functional requirements and governance options under PPACA to consider regarding governance
- ★ Legal Issues for Employer Defined Contribution in Exchange:
 - Provisions under PPACA change market rules surrounding guaranteed issue and modified community rating needed for non-discrimination