



An Update on Exchanges and the Affordable Care Act

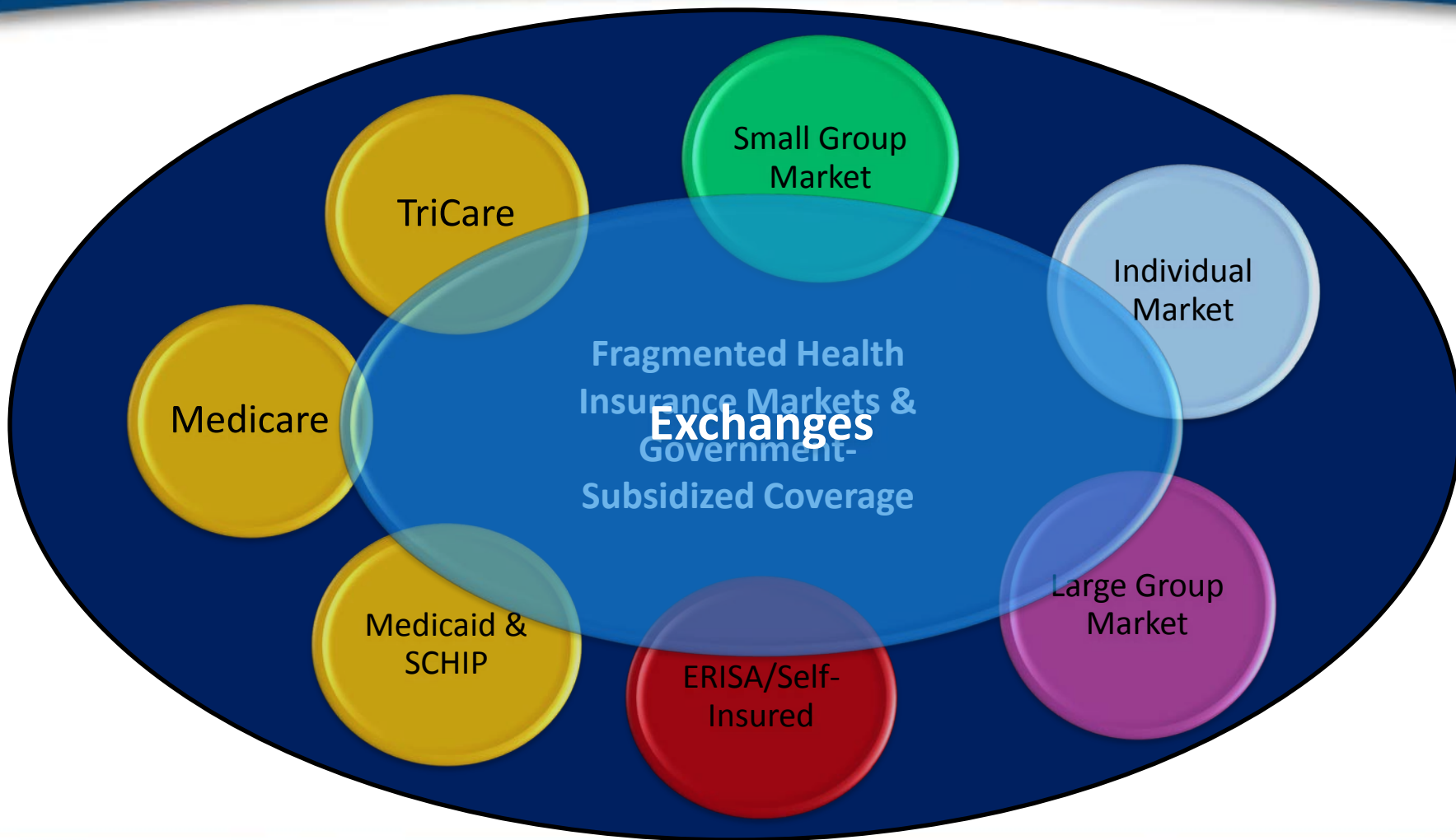
*Prepared for The State of Georgia's Department of
Community Health Policy Committee*

*Cindy Gillespie
Senior Managing Director*

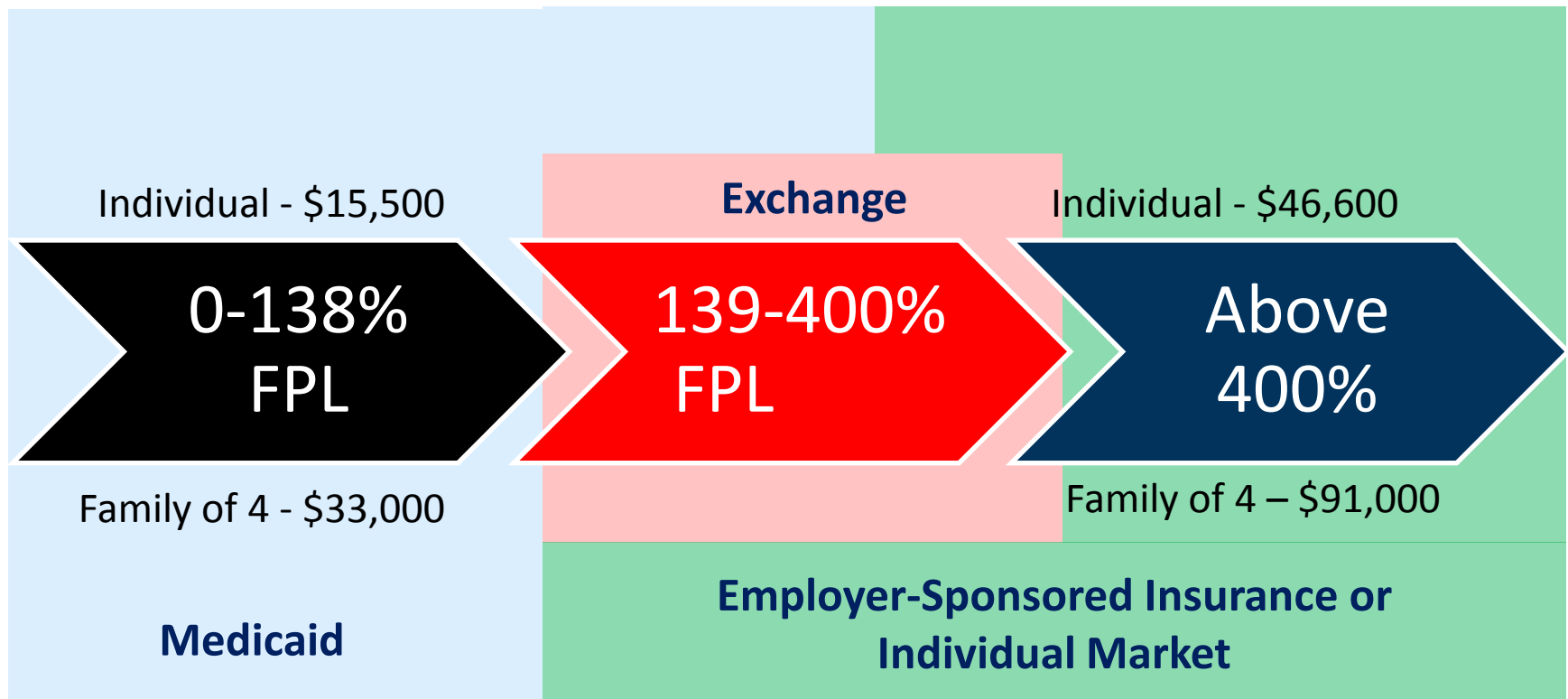
Today's Discussion

- Affordable Care Act Exchanges:
 - **What was planned**
 - **What is**
 - **What's to come**

To Understand Where We Are, You Must Look Back At ACA's Original Coverage Vision



ACA's Original Coverage Vision



Exchanges under The ACA

By January 1, 2014, all 50 states must establish (or defer to feds)

AHBE: Individual Market

Eligible Users:

- US citizen or legal alien
- Not incarcerated
- Resident of the state in which exchange is based

Subsidies available:

- Between 100-400% FPL
- Not offered affordable Minimum Essential Coverage via employer or government program
- Penalties on employers of 50+ with subsidized employees

No Cafeteria Plan Pre-Tax Treatment

SHOP: Small Group Market

Eligible Users:

- Full-time employees of small businesses with 1 to 100 workers.
- State option: businesses of 50 or less until 2016
- State option: expand to 100+ as of 2017, with approval of USHHS

Subsidies available:

- Employers of less than 25 employees
- Average taxable wages less than \$50K per year
- Sliding-scale credit max 50% of premium contributions
- Maximum of 2 consecutive years

Section 125 "Cafeteria Plan" Allows Pre-Tax Treatment

- Option for defined contribution/employee choice

Operationally, Exchanges Were Supposed to Work Like This:

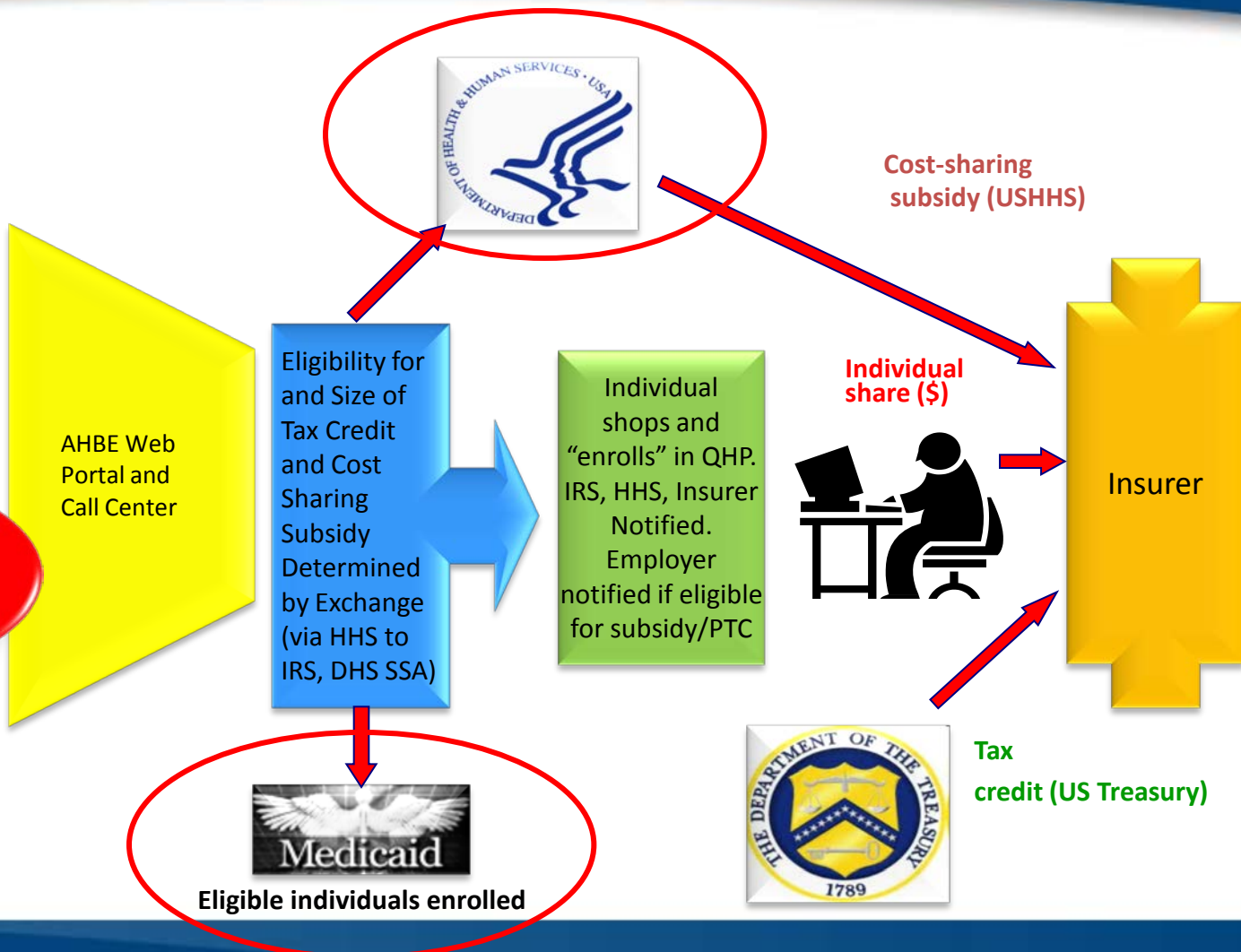


Criteria for Purchasing Through AHBE:

- US citizen or legal alien
- Not incarcerated
- Resident of the state in which exchange is based

Criteria
Cr
-
that
through emp
ment
program

Sliding Scale Subsidies reduce premiums to 2%-9.5% of Household Income



But A Lot Has Happened on the Way to 2014



ACA Had Two Growth Areas for Government-Subsidized Coverage

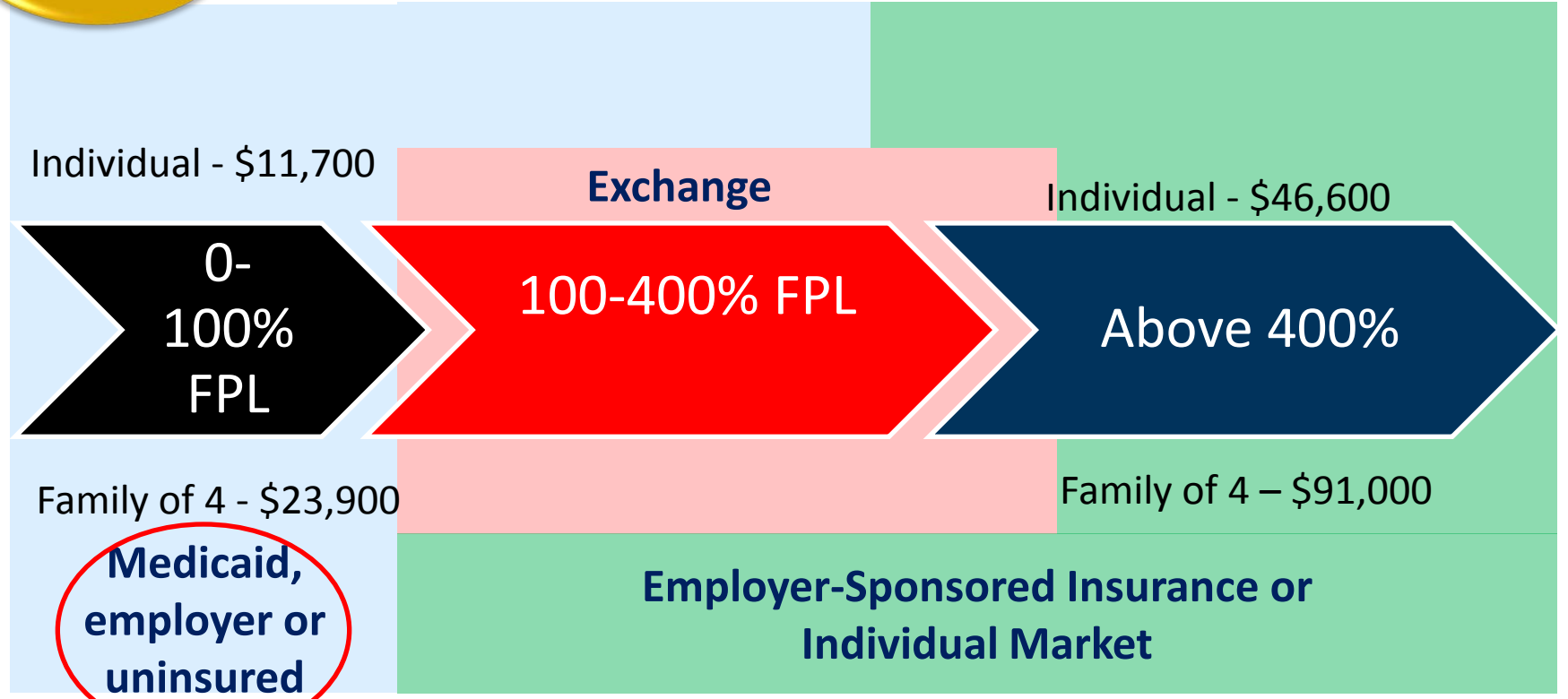
Government-Subsidized Coverage Expansion

- Premium Tax Credits & Cost-Sharing Subsidies
 - New: Individuals and Employers can purchase QHP's outside Exchange and access tax credits
- Medicaid Expansion:
 - As a result of Supreme Court ruling, Medicaid expansion up to 138% of FPL NOW OPTIONAL for states

Exchange & Medicaid Connection: In non-expansion states, the portion of the population between 100-138% of FPL will instead be covered by the exchange

Government-Subsidized Coverage Expansion

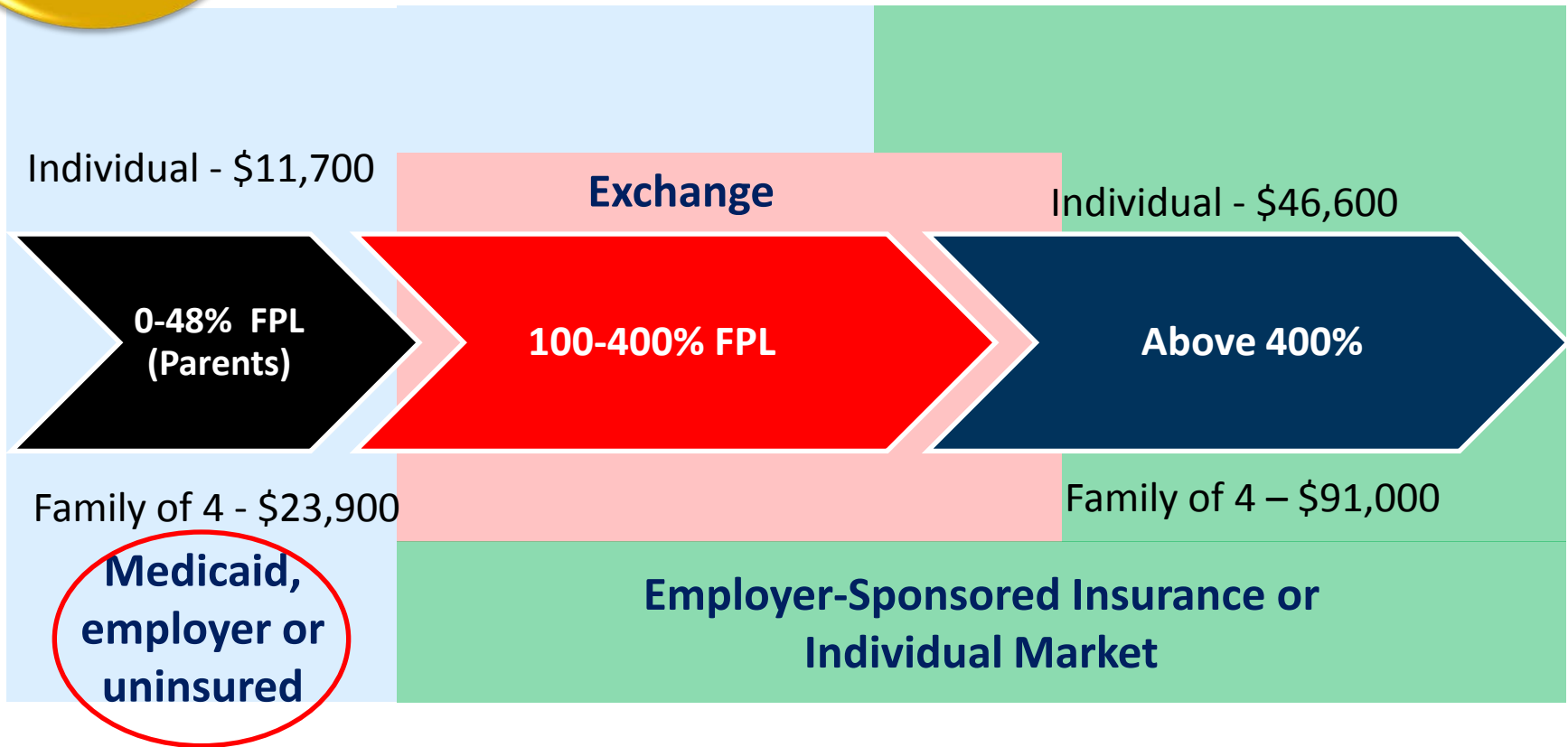
Coverage in a Non-Expansion State



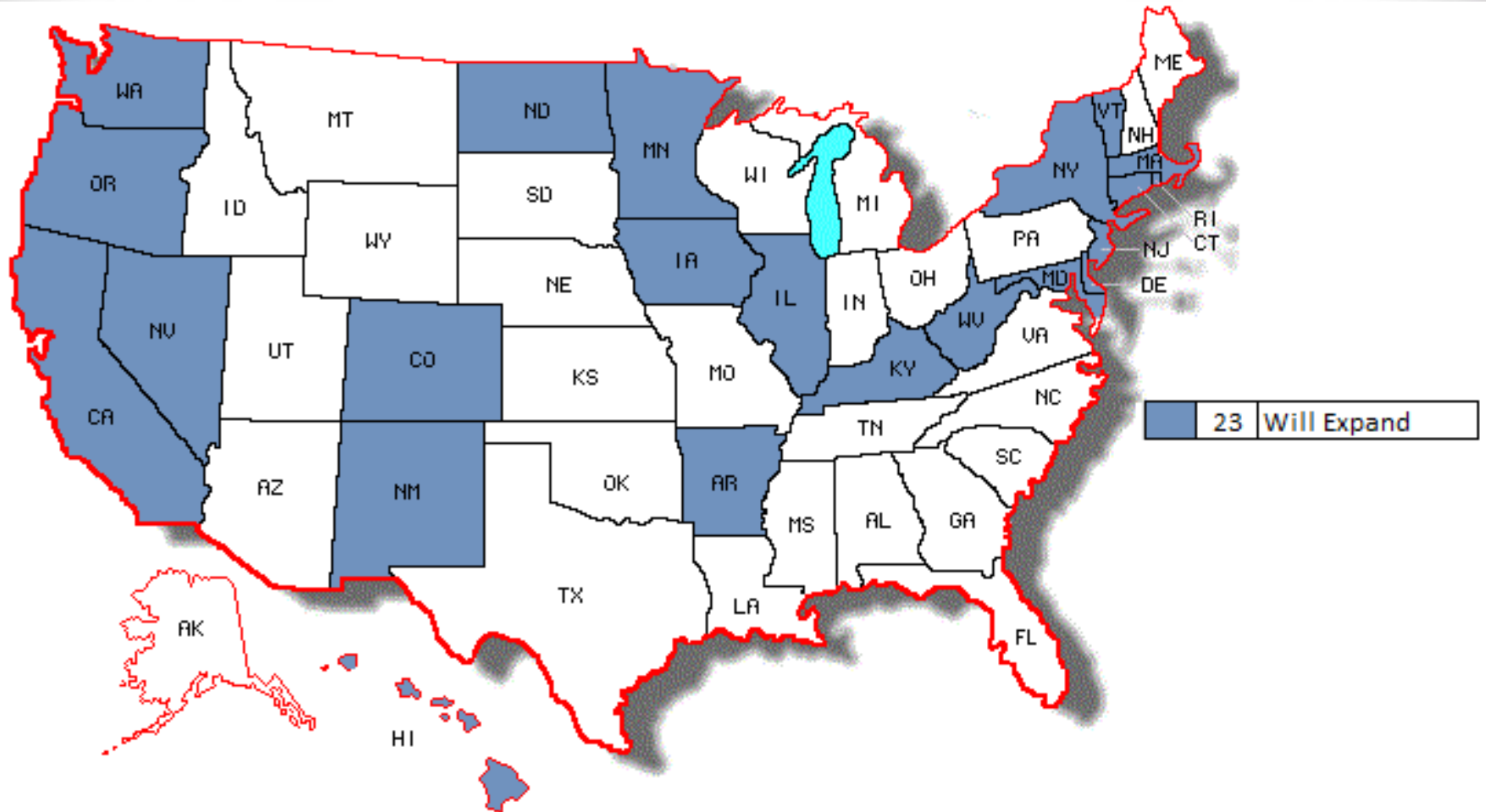
Gap varies by state; some have no gap

Georgia 2014

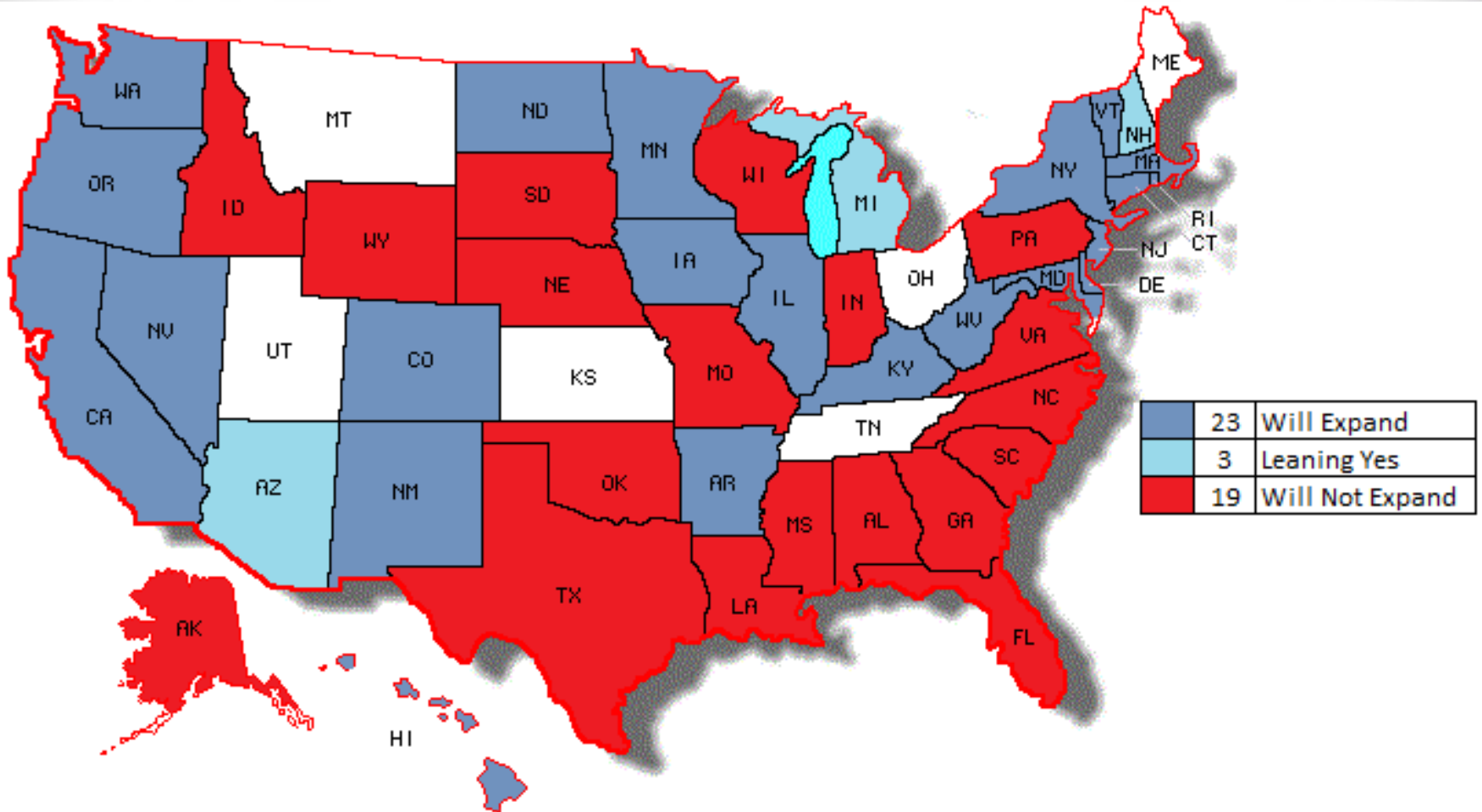
Government-Subsidized Coverage Expansion



Where does Medicaid Expansion Stand?



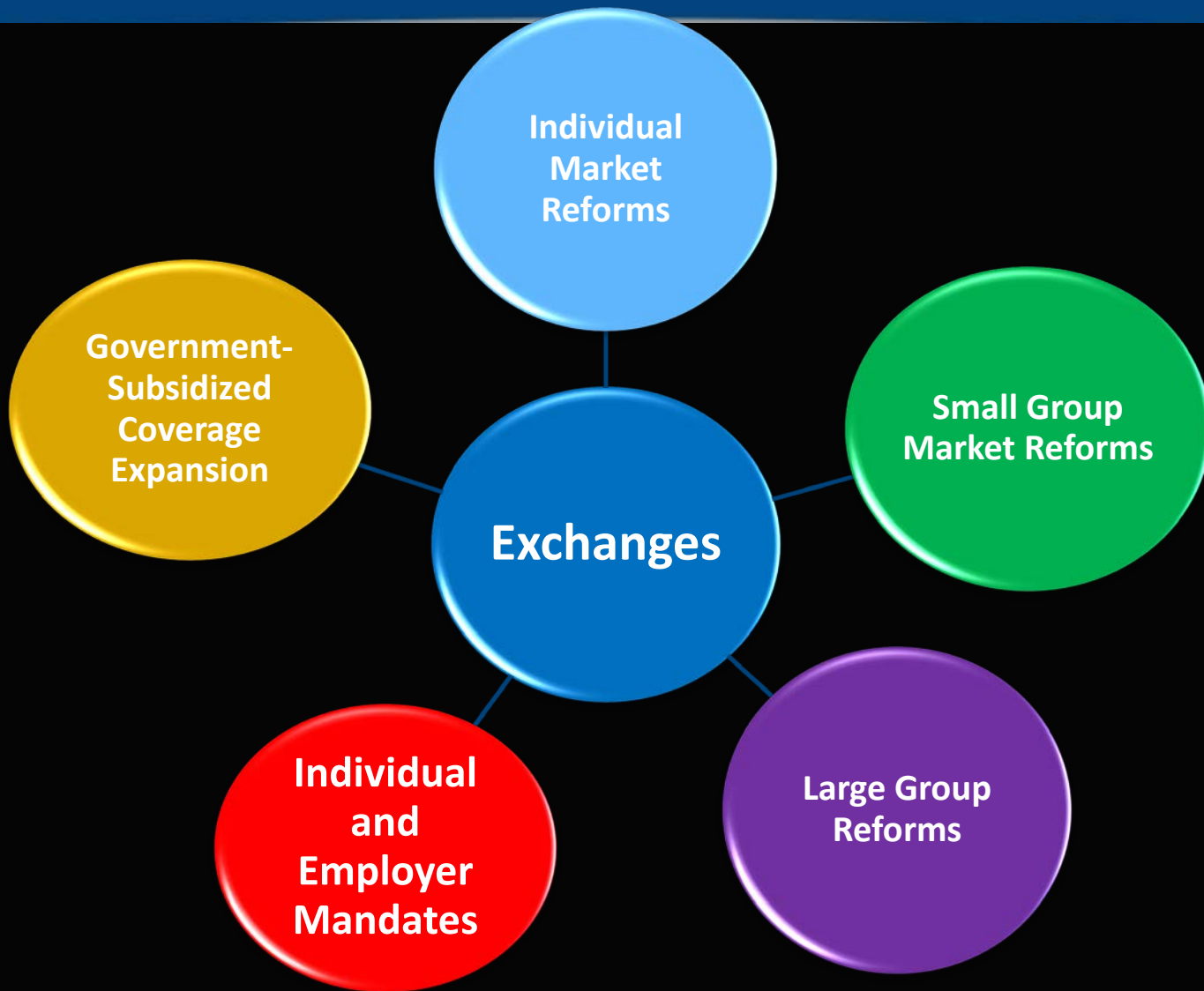
Where does Medicaid Expansion Stand?



100-138% FPL in Exchanges: Points for Consideration

- Enrollment Issues:
 - Will consumers at low income levels enroll when premiums may cost 2% of their household income?
 - Education/Outreach key issues
- Payment issues
 - Unbanked for initial premium
 - Premium grace periods
 - MMCO's offering on exchanges not used to premium collection

So What's Going On With the Exchange-Connected Market Reforms?



Individual and Small Group Market Reforms (2014) Largely Proceeding as Planned

- For PLANS BEGINNING JAN 1, 2014
 - Modified community rating
 - 3:1 Age
 - 1.5:1 tobacco
 - Geographic rating area (established by state)
 - No gender, health, group size and industry rating
 - Allowed: geography and family size
 - Guaranteed issue
 - Guaranteed renewal
 - Essential health benefits
 - No pre-ex for all
 - Carriers must combine all non-grandfathered plans into a single risk pool within a market
 - Limits on OOP spending

National Standards Delayed to 2016

**Remember:
These reforms apply both inside
and outside the exchange**

2014 Small Group Market Reforms: Points of Consideration

- These reforms are putting real pressures on the small group market:
 - Guaranteed issue in the individual market makes small group less attractive
 - Minimum contribution and minimum participation rates no longer limit small group options
 - Benefit requirements mean many must offer a more robust plan in 2014
 - OOP limits limit employer flexibility to deal with premium increases
 - Small employers under 50 not subject to employer mandate
 - Employees of small employers are:
 - Subject to individual mandate
 - Eligible to purchase insurance through an FFE and get a tax credit subsidy, unless their employer offers them “affordable” coverage

Why is 2014 harder for the small employer?

Small Group Market Reforms

Existing small business product

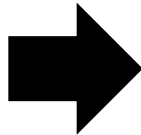


Additional required benefits

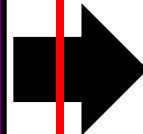


Limits on cost sharing

Existing premium



Potential premium increase



Employer absorbs increase

Pass increase onto employee

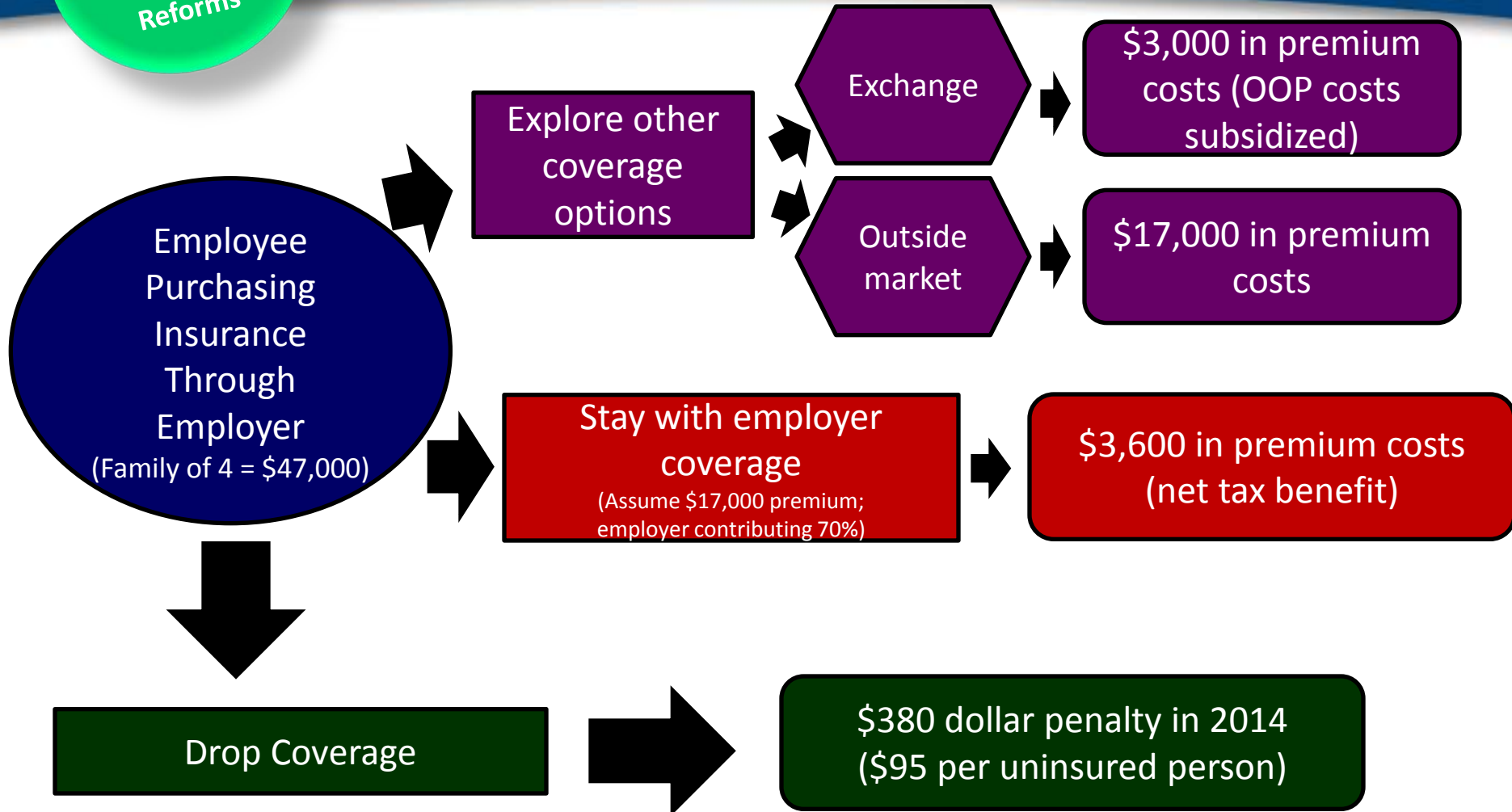
Increase plan cost sharing

~~Reduce benefits~~

Explore other products, narrower networks

And it's a Pocketbook Issue for Many Employees

Small Group Market Reforms



Employees now have other options...but employer-sponsored insurance still the best deal for some

- Beginning in 2014...
 - Guaranteed issue environment makes individual market an option for small business employees
 - For many, tax credit in AHBE more valuable than employer contribution plus tax preference for ESI
 - But...those at higher incomes will still find a better deal via ESI because of higher marginal tax rates

The Mandates Have Been Litigated, Now Where are We?



Individual Mandate

- Mandate weak in early years
 - The penalty will be phased-in according to the f in 2014, \$325 in 2015, and \$695 in 2016 for a taxable income in 2014, 2.0% of taxable income in 2015, and 2.5% of taxable income in 2016.
- Mandate also has many exemptions
 - No access to affordable coverage (8% of income)
 - Insufficient income to file a tax return
 - Individuals who would have be eligible for Medicaid expansion (in non-expansion states) – likely only under 100% FPL
 - Individuals that lack coverage for less than three full calendar months
 - Hardship exemptions
 - Religious exemptions
 - The incarcerated, aliens, and members of Indian tribes

**Weak Mandate
Keeps Getting
Weaker as More
Exemptions Are
Created**

**Individual
and
Employer
Mandates**

Exchange Subsidies Operationally Trigger the Employer Mandate

Employee
Purchase of
Insurance



Employee buys
through the
Exchange

- 1. Income between 100-400% FPL
- 2. Employer not offering affordable (9.5% of Household Income) coverage that meets minimum value test

Eligible for and
Receives tax
credit subsidy

No Subsidy

- 1. Not offering Penalty, or
- 2. Insurance not affordable or doesn't meet minimum value test

More than 50
FTE's: Penalty

No Penalty

Affordability "Safe Harbor": Employee Share Less Than 9.5% of W-2 Wage for Self-Only Coverage

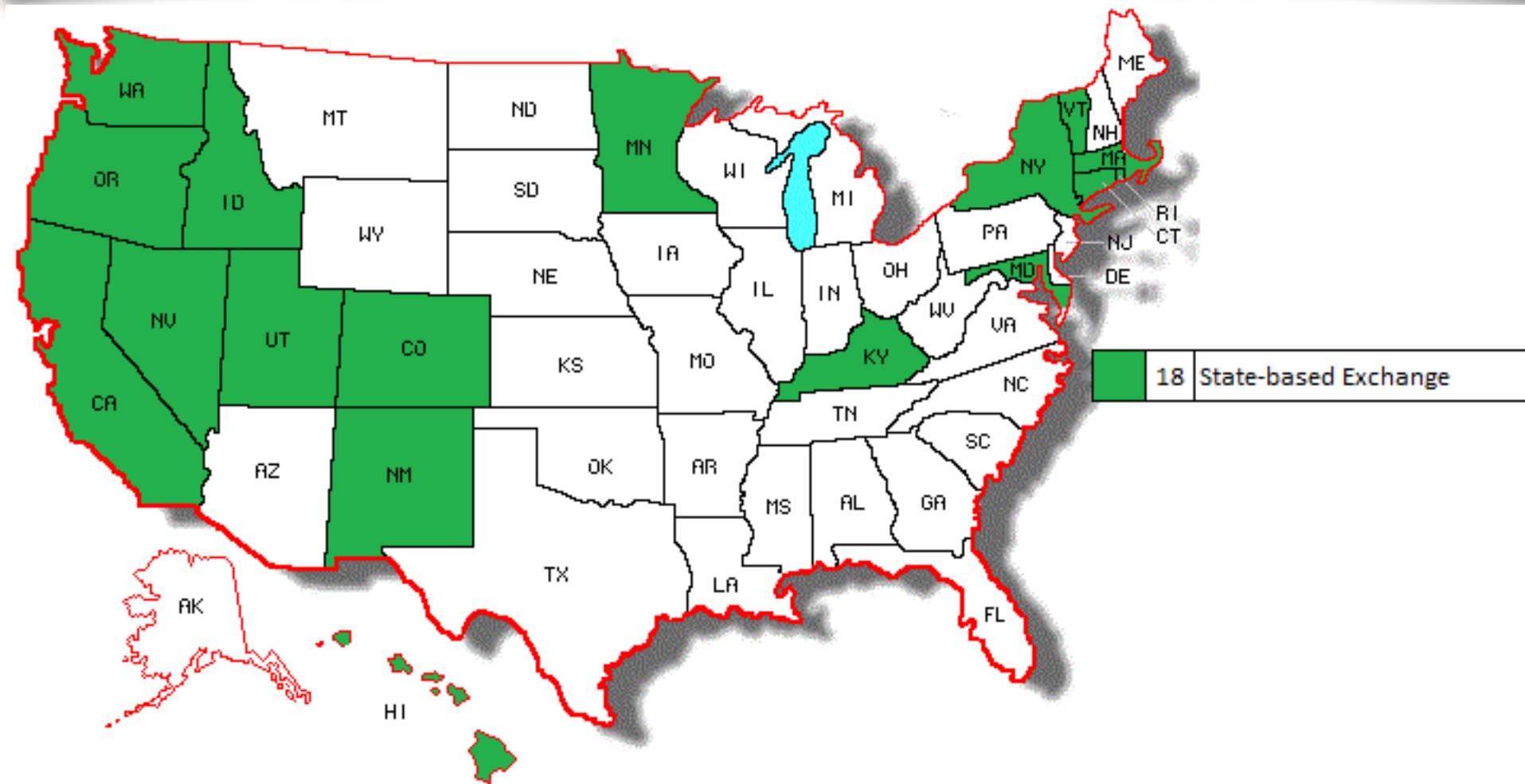
How's the Employer/Exchange Interface Shaping Up?

- Employer notification provisions
 - Exchanges required to send notice to employers when employees receive premium tax credits
 - IRS will also certify that employees have received tax credits
- Verification of employer coverage
 - Recognition that no databank will be available for 2013
 - Employers and plans will begin to submit data in 2015 to help with these purposes
 - In the meantime:
 - Applicant must attest
 - Exchange must use available data sources
 - Absent inconsistencies, exchange can proceed
 - Exchange must select a valid sample of people for whom coverage could not be verified **and call employers**
 - If exchange cannot obtain information within 90 days, eligibility will remain unchanged

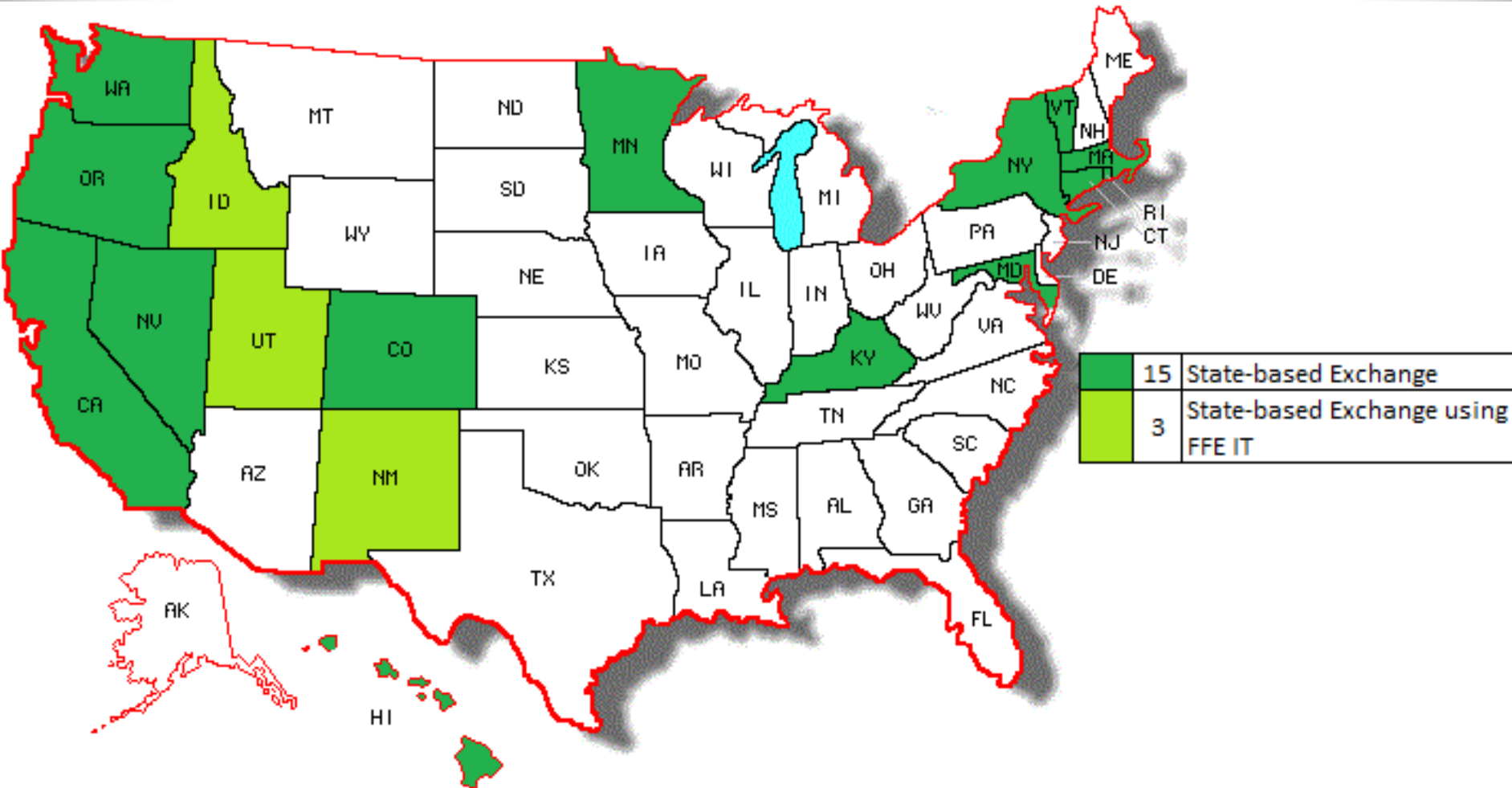
Since The Reforms All Drive From Exchanges, How Are They Coming Along?



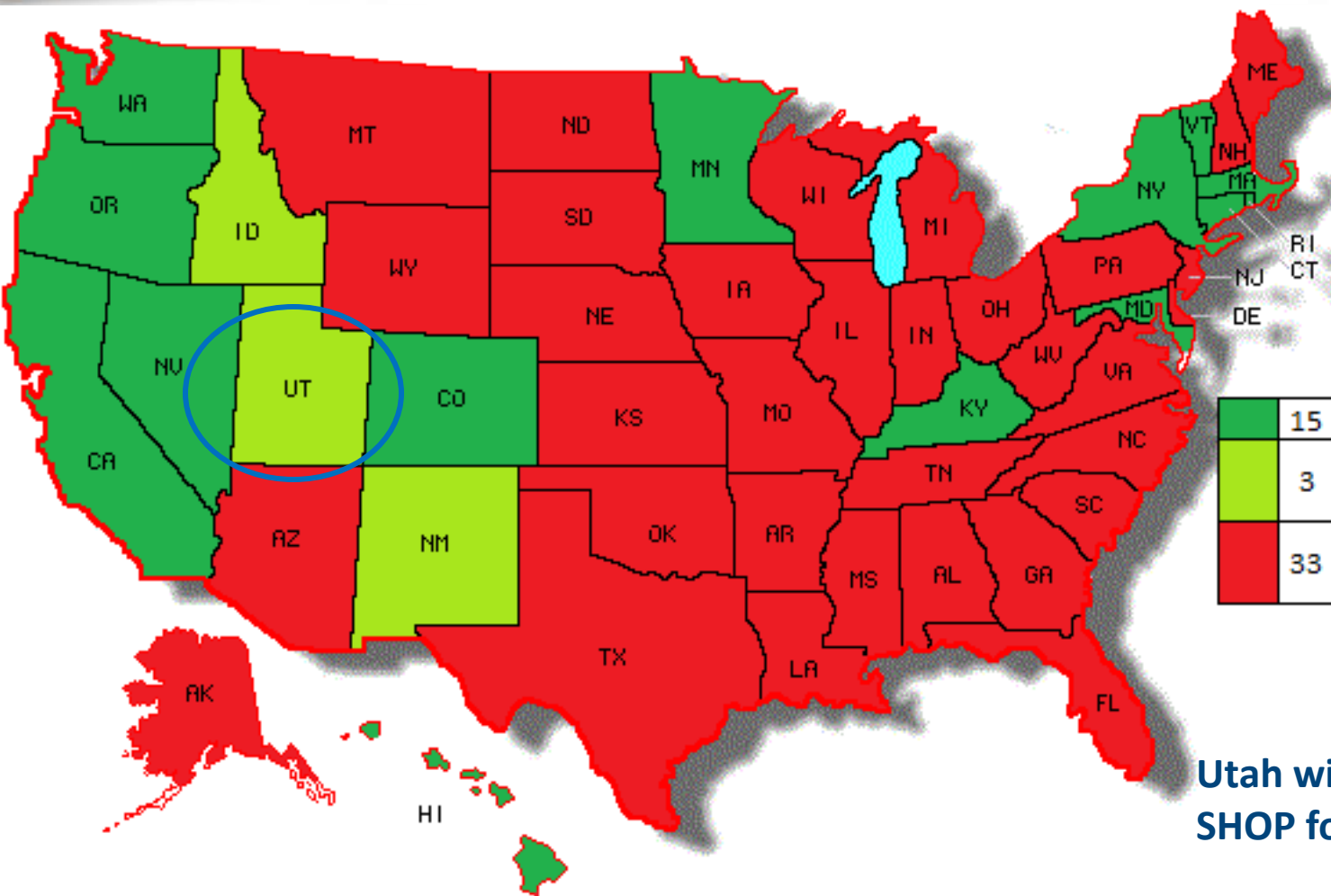
So Where Do States Stand With Exchanges?



Of These 18, 3 Will Rely on Federal Exchange



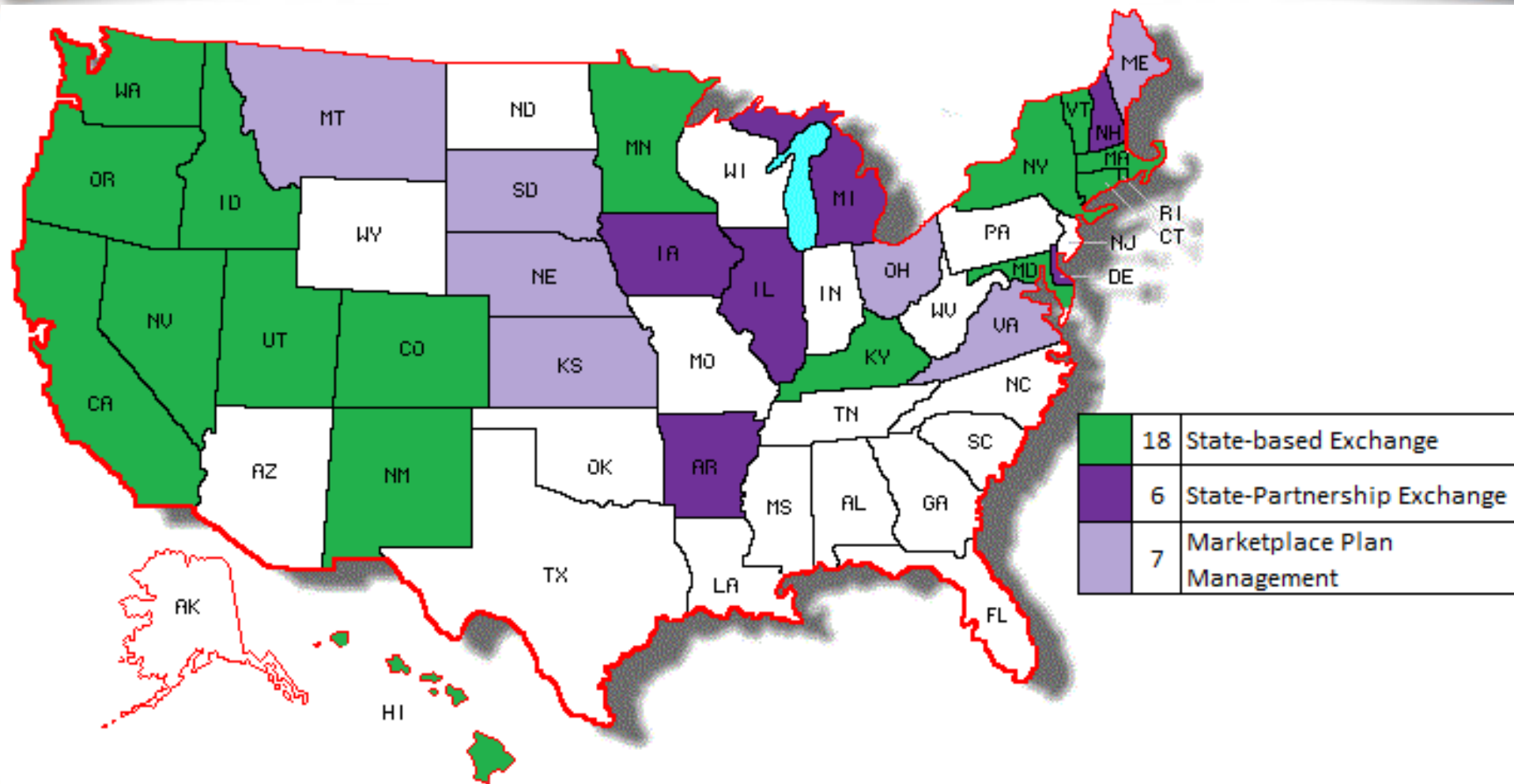
The Federal Government will Operate The Exchange in the Remaining States



15	State-based Exchange
3	State-based Exchange using FFE IT
33	Federally-facilitated Exchange

Utah will operate only SHOP for Small Employers

Of the 33 FFE's, 13 Are Doing Plan Management



So How Does All This Impact Exchange Operations?



Criteria for Purchasing Through AHBE:

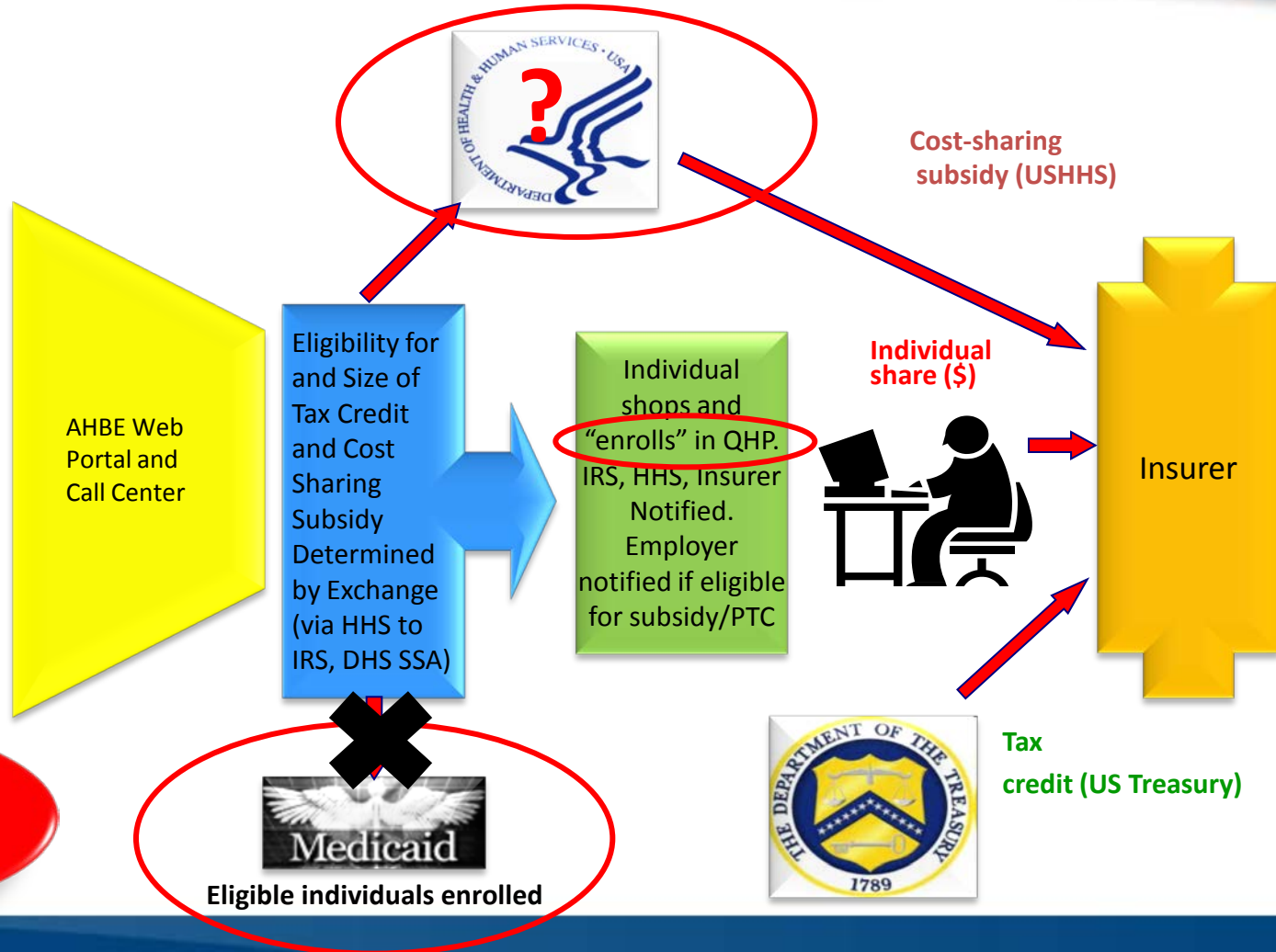
- US citizen or legal alien
- Not incarcerated
- Resident of the state in which exchange is based

Criteria for Accessing Tax

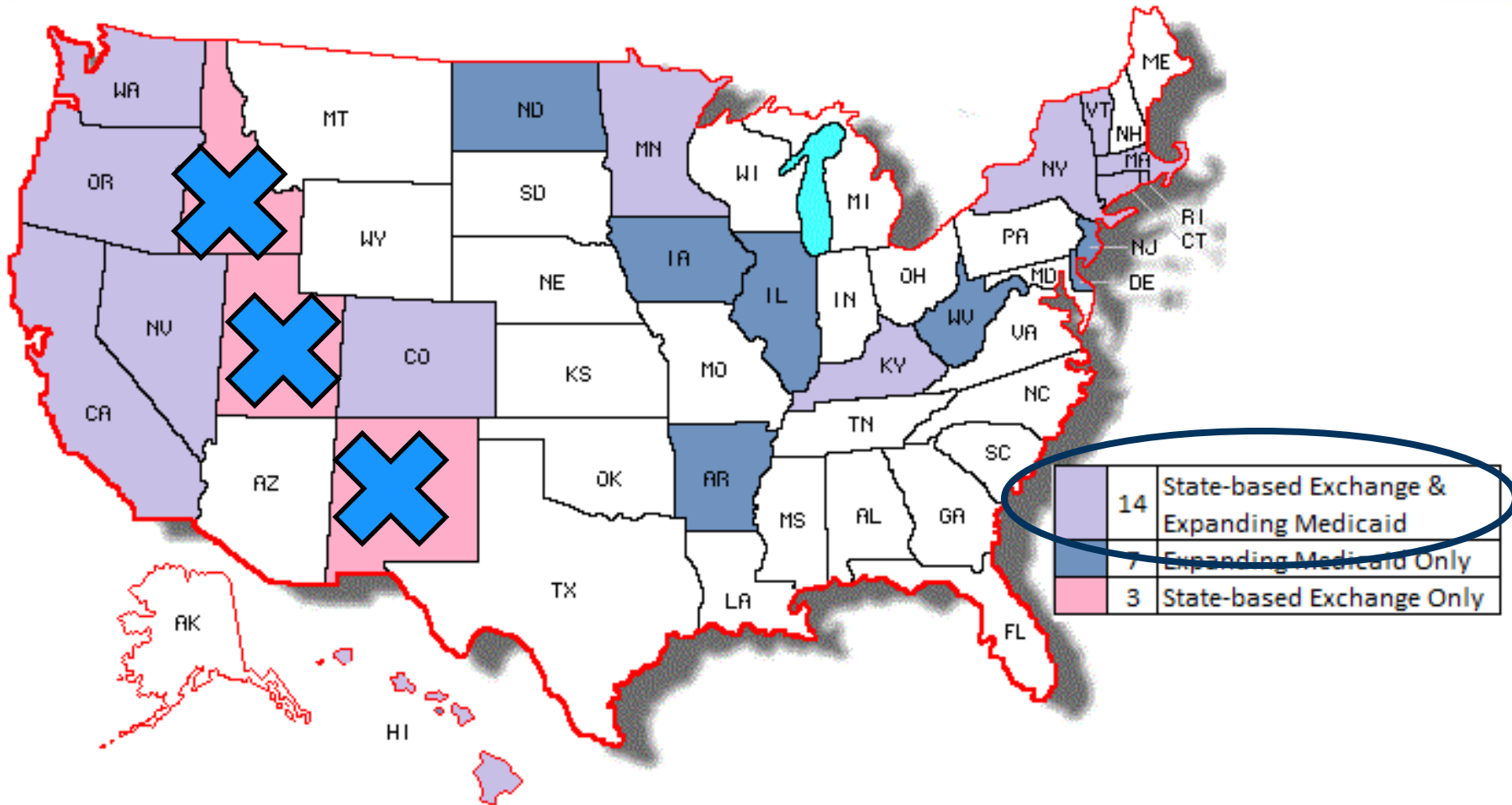
Credits & Cost-Sharing Subsidies:

- Between 100%-400% FPL
- Not offered affordable coverage that meets Minimum Value through employer or government program

Sliding Scale Subsidies reduce premiums to 2%-9.5% of Household Income



So Which States are Actually Implementing the Full ACA Coverage Vision?



Points For Consideration

- Plans wanting to offer on the Federal Exchange have filed and review is underway
 - Pricing and competition varies by market

In addition to “qualified health plans,” exchanges will offer:

- Consumer Operated and Oriented Plans “(CO-OPs)”
 - 24 co-ops already funded (no GA Co-op)
 - “Fiscal cliff” deal eliminated remaining funding
- Multi-state Plans
 - Operated by OPM
 - Must offer in every state within 4 years
 - Must have plan to enter SHOP Exchange over time
 - At this time, unclear if OPM will contract with two plans as the law requires
- FF-SHOPS...
 - No employee choice, no premium aggregation for 2014
 - Employer choice of plan ONLY
 - Will levy user fees – likely 3.5% of premiums

FFE: The 2014 Reality

- Some form of web portal/call center likely will be ready, but...
 - Paper enrollment still part of the plan – questions about “data hub” remain
- Interface with state Medicaid agencies for both enrollment and appeals still uncertain
 - New “skinny” application doesn’t meet needs for Medicaid eligibility determination
- QHPs submitted plans designs
 - FFE will certify all plans that meet requirements – in September
 - Certification will be effective for one year
 - Multi-State Plans still a question
- New guidance for agents/brokers released last month
 - FFE will allow web-brokers to enroll customers through private websites
 - Brokers can initiate enrollment on carrier site, without showing other plan choices on FFE to customers
 - Process for allowing enrollment “as if” through exchange – broadens access to tax credits

FFE: The 2014 Reality

- No employee choice in FF-SHOP
 - Small employers clearly want to tread water if they can afford it
- Consumer education issues - Navigator outreach funding surprisingly low
- Exchange will not be able to “truly verify” employer coverage
- Expect increased provider contacts to verify premium payments
- Unlikely to offer ancillary products through “non exchange program,” in early years
- Recognition setting in that take-up of coverage likely to be slower in many states than expected

With this said, FFEs will be “live” in 2014

- tax credits will be available
- there will be no fundamental “delay” of the actual program
- but the start will be rocky

Looking Ahead

- Still awaiting some final regulations
 - Regulations, guidance and FAQs coming regularly but lateness/changes making planning difficult for many
- Exchanges “go live” October 1, 2013
 - Open enrollment begins October 1, 2013
 - MD has announced a delay of open enrollment for SHOP to 1/1/2013; will others follow?
 - Education program launches July
 - Exchange plan coverage begins January 1, 2014

Many of the operational “details” are being worked out as they go

Key Questions for Large Employers

- With all the operational uncertainty and political drama, employers still face penalties if not compliant
 - Is my coverage “affordable?”
 - Does my insurance meet coverage requirements?
- What is the cost of offering vs. the penalty – both tangible and intangible?
- Is there value in shifting to other structures – private exchanges, for example?

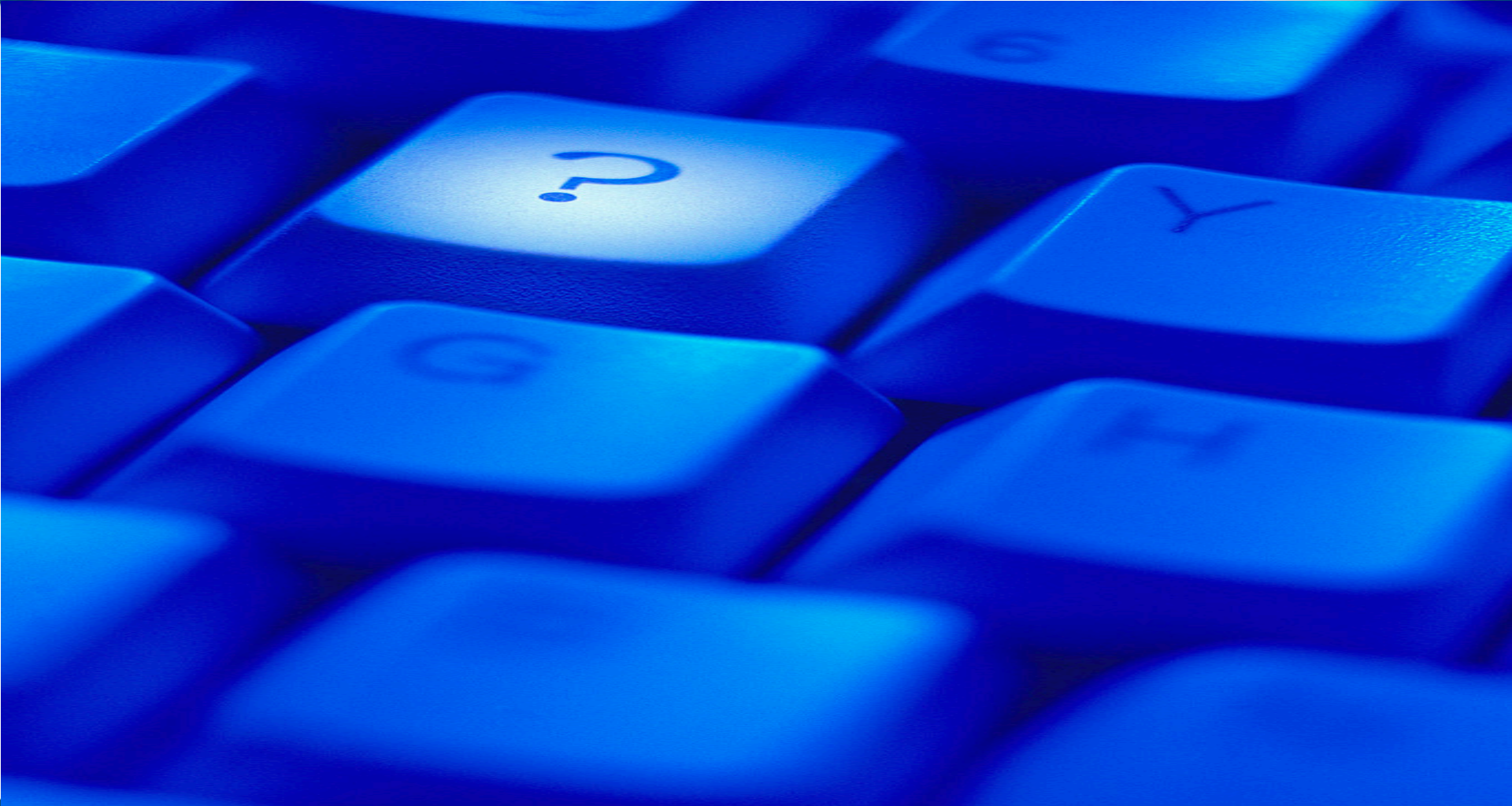
Employers with <50 FTEs Face Challenges and Options

- Continue to offer insurance
 - How does law change current offering?
 - Do my employees qualify for Medicaid or subsidies?
 - What does this do to my group plan?
- Continue to offer insurance, but through SHOP
 - Am I eligible for a small business tax credits?
 - What do the SHOP products look like?
 - In some states, defined contribution & employee choice are options.
- Do not offer
 - Which of my employees will get a larger subsidy from the exchange and/or Medicaid
 - What's the post-tax cost for my remaining employees to purchase in the individual market?

Key Takeaways

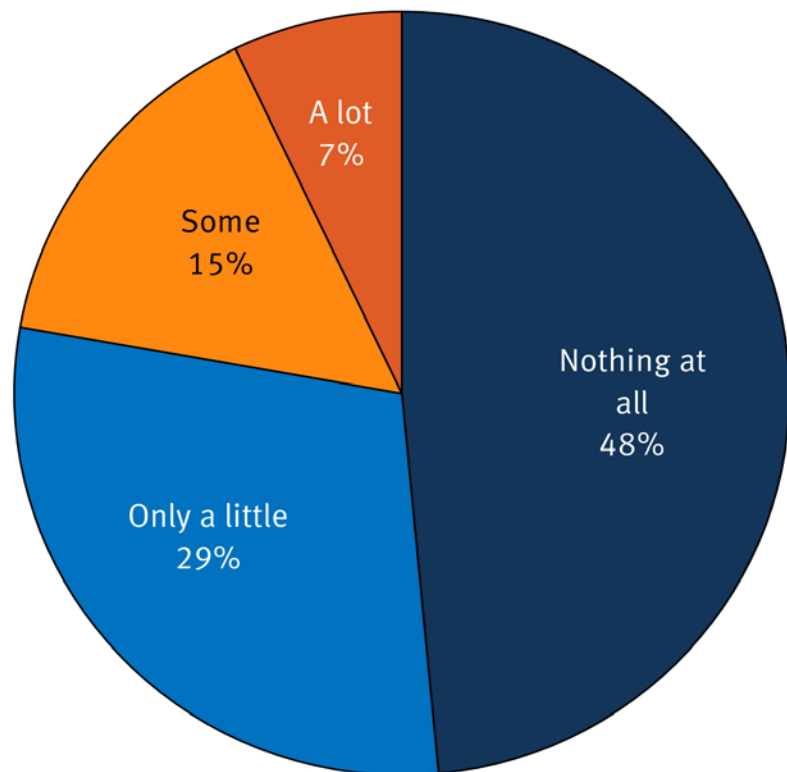
- Exchanges sit at the center of the ACA impacts on the entire US health insurance market
- Few states will go live with full state-based exchanges in 2014; the federal government will operate the Exchanges in most states
- Employer interface with exchange still a work in progress
- Employer decision to offer/not offer will have many dimensions

Questions?

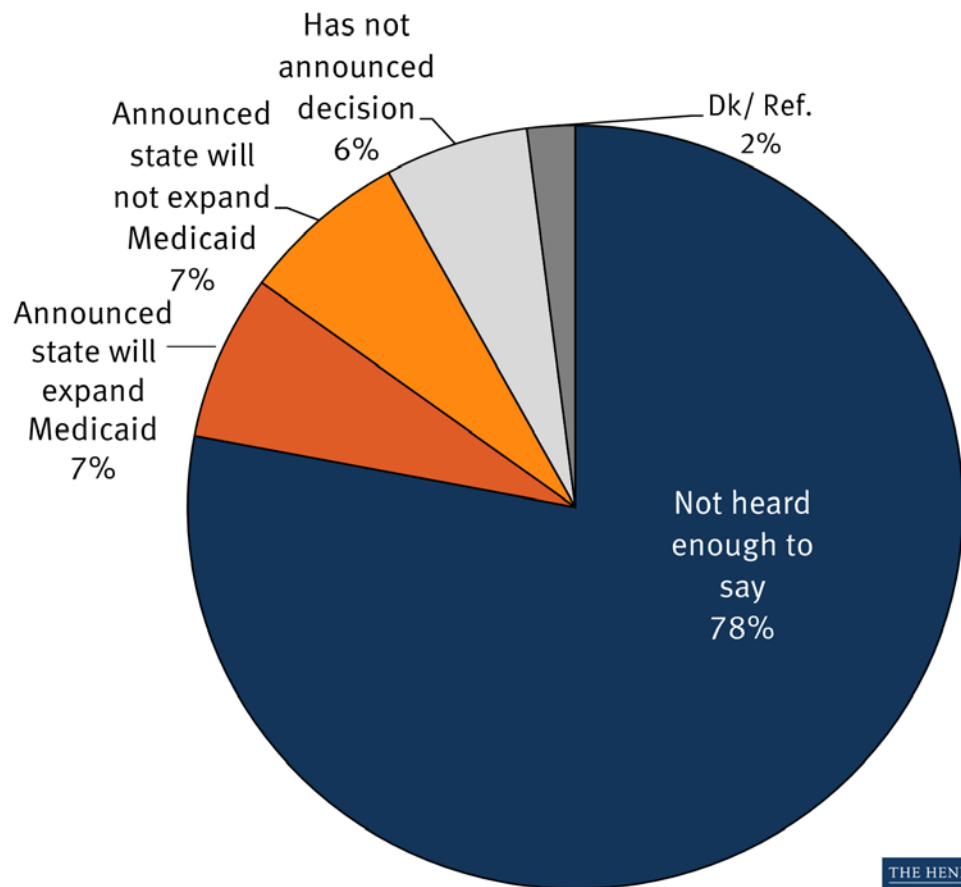


Few Have Heard About State Decisions on Exchanges and Medicaid Expansion

How much, if anything have you heard about your state's decision on whether to create a state-run health insurance exchange or marketplace where people who don't get coverage through their jobs can shop for insurance?

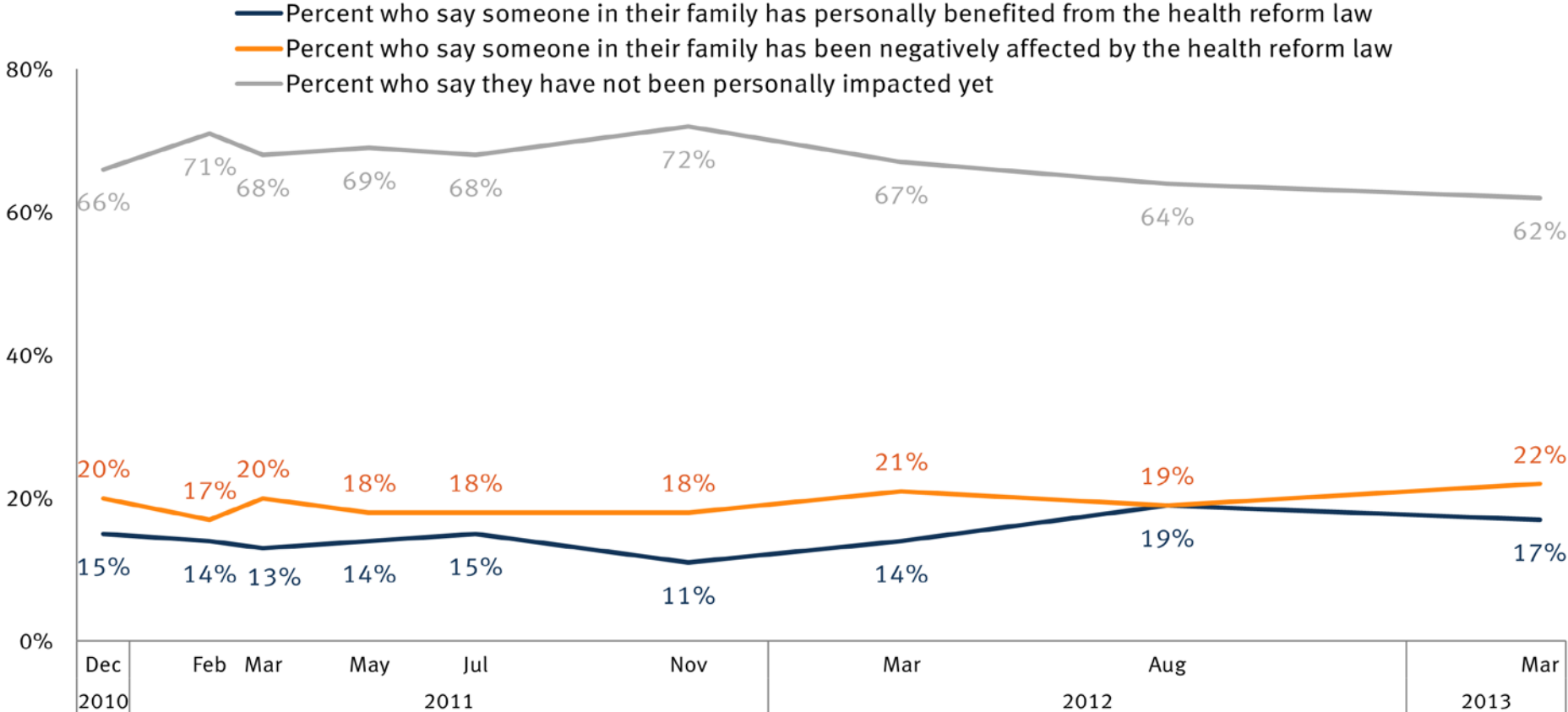


As far as you know, has your state's governor announced that your state will expand Medicaid, announced that your state will not expand Medicaid, not announced their decision, or have you not heard enough about this to say?



Most Report No Experience With Law So Far

So far, would you say you and your family have [personally benefited from/been negatively affected by] the health reform law, or not?

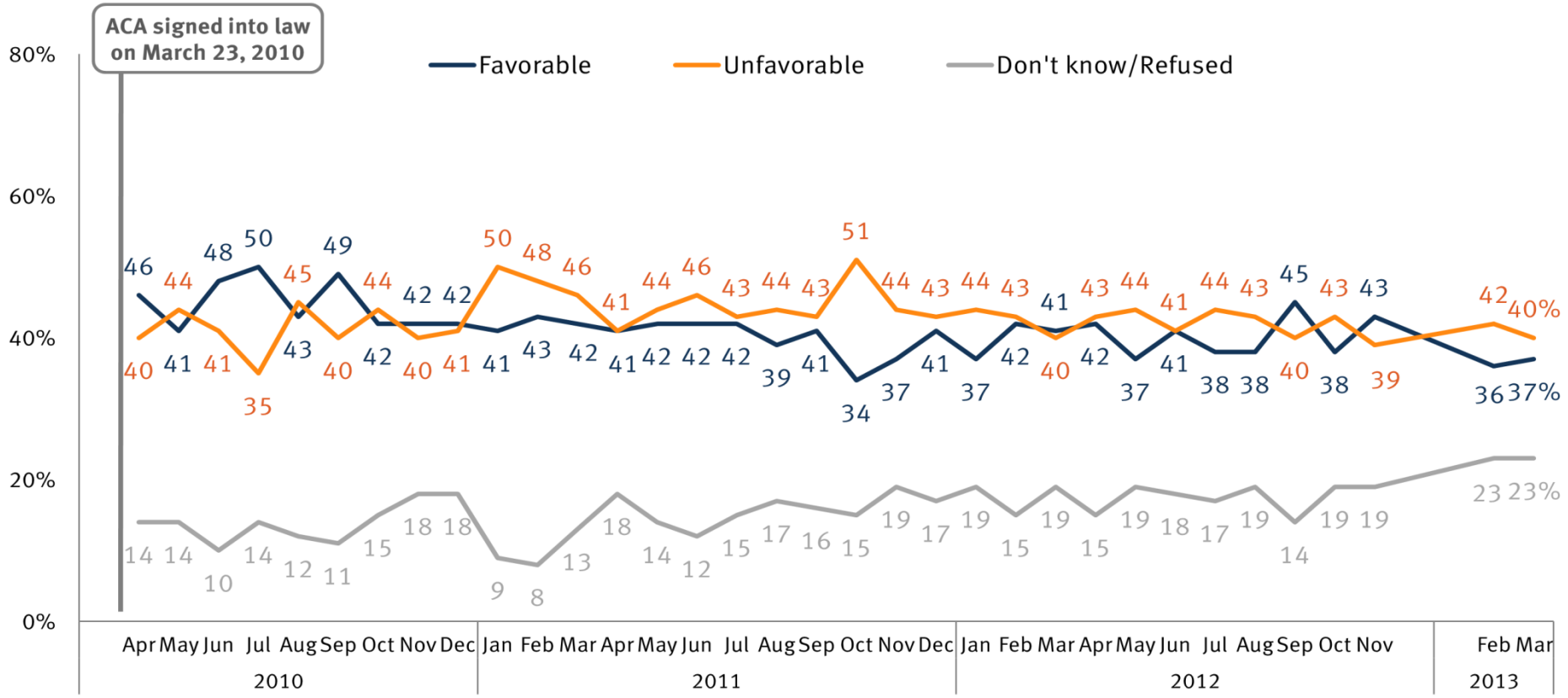


SOURCE: Kaiser Family Foundation Health Tracking Polls



At Three Years, Opinion On ACA Remains Divided

As you may know, a health reform bill was signed into law in 2010. Given what you know about the health reform law, do you have a generally favorable or generally unfavorable opinion of it?



SOURCE: Kaiser Family Foundation Health Tracking Polls

