

The State of Exchanges

October 31, 2013



The State of Exchanges

- Welcome! We will begin at 3 p.m. Eastern.
- There will be no sound until we begin the webinar. You can listen to the audio portion through your computer speakers or by calling into the phone conference number provided in your confirmation email.
- You will be able to submit questions during the webinar by using the “questions” box located on your webinar control panel.



The State of Exchanges

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- Catto & Catto
- Celedinas Insurance Group
- Commercial Insurance
- The Crichton Group
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- Engle-Hambright & Davies
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- Gillis, Ellis & Baker, Inc.
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- Kinney Pike Insurance
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- RCM&D
- Roach Howard Smith & Barton
- The Rowley Agency
- Senn Dunn Insurance
- Smith Brothers Insurance
- Starkweather & Shepley Insurance Brokerage
- Van Gilder Insurance
- Woodruff-Sawyer & Co.
- John L. Wortham & Son



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Agenda

- Background and History of Exchanges
- Exchange Overview
- State Decisions
- Exchange Details
- Subsidies for Purchase of Individual Health Insurance



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Background and Exchange Basics



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History

- Private Group Purchasing Cooperatives
 - Business coalitions, association plans, etc.
- Early Health Insurance Exchange Proposals
 - Republican “Health Equity and Access Reform Today Act of 1993”
 - *Requires each State to establish a program to: (1) certify insured health plans; (2) disseminate information on health care coverage areas; (3) establish procedures for purchasing groups...*
- Two states set up Exchanges prior to the ACA
 - Massachusetts – comprehensive small group and individual health insurance exchange
 - Utah – more limited small group Exchange



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History

- State Regulation of Insurance
 - States have always had the primary responsibility to regulate the sale of health insurance
 - Individual and group insurance laws varied dramatically from state to state prior to the ACA
 - Examples
 - VT and NY already had versions of guaranteed issue and community rated health insurance
 - MN and TX permitted medical underwriting of individual plans and group rates based on claims experience
- Affordable Care Act Exchanges
 - When the ACA was passed, Congress thought all states would want to keep control of the regulation of insurance and operate their own Exchange



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Current Situation Overview

- Federal Exchange
 - Significant technical problem with Federal website Healthcare.gov
 - Demand from individuals exceeding predictions
 - Very little activity in small group market
 - Choice option delayed (more later)
- State Run Exchanges
 - Some states running relatively smoothly
 - Demand from individuals exceeding predictions
 - Small group activity much smaller than individual health insurance, but varies dramatically by state
 - Some states have already introduced the small group choice option



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Exchange Overview



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Health Insurance Exchanges

- Public (State or Federal) Exchange (Marketplace) Role
 - A marketplace where health insurance carriers will sell individual and small group health insurance plans
 - Individual health insurance
 - Guaranteed issue, no medical underwriting
 - Small group insurance
 - Small group program is called Small Business Health Options Program (“SHOP exchange”)



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Health Insurance Exchanges

- Medal Levels of Coverage
 - Each carrier selling through a public Exchange must offer plans in each “medal level” of coverage based on actuarial value (i.e. Bronze – 60%, Silver – 70%, Gold – 80%, and Platinum – 90%)
 - Can also offer a cheaper “catastrophic only plan” to anyone under 30
- Public (State or Federal) Exchange (Marketplace) Role
 - Subsidy administration
 - Public Exchanges will certify and administer ACA subsidies for low and middle income individuals purchasing individual health insurance through the Exchange
 - Determination of eligibility for expanded Medicaid vs. ACA subsidies



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Medicaid Expansion

- ACA expands Medicaid eligibility to 138% FPL
 - Current Medicaid eligibility varies significantly by state

Examples (% FPL)	Adults with Children		Childless Adults	
Jan. 2012 Eligibility	Medicaid	1115 waiver or State	Medicaid	1115 waiver or State
Connecticut	185-191%	300-306%	56-72%	300-310%
Minnesota	100-120%	275%	75%	250%
California	100-106%	200%	n/a	200%
New York	68-74%	150%	n/a	100%
Georgia	27-49%	n/a	n/a	n/a
Pennsylvania	26-46%	n/a	n/a	n/a
Texas	12-26%	n/a	n/a	n/a



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Medicaid Expansion

- ACA expands Medicaid eligibility to 138% FPL
 - Supreme Court decision permits states to opt-out of expansion
 - Federal government pays 100% of costs for expanded Medicaid for 2014 –16, reduces to 90% by 2020

Household Size	2013 100% FPL	138% ACA Medicaid Eligibility	400% FPL – Max to qualify for subsidies
1	\$11,490	\$15,856	\$45,960
2	15,510	\$21,404	\$62,040
3	19,530	\$26,951	\$78,120
4	23,550	\$32,499	\$94,200
5	27,570	\$38,047	\$110,280
6	31,590	\$43,594	\$126,360



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Medicaid Expansion

Expanding Medicaid		Not Expanding Medicaid	
Arizona	Michigan	Alabama	New Hampshire
Arkansas	Minnesota	Alaska	North Carolina
California	Nevada	Florida	Oklahoma
Colorado	New Jersey	Georgia	Pennsylvania
Connecticut	New Mexico	Idaho	South Carolina
Delaware	New York	Indiana	South Dakota
Wash. D.C.	North Dakota	Kansas	Tennessee
Hawaii	Ohio	Louisiana	Texas
Illinois	Oregon	Maine	Utah
Iowa	Rhode Island	Mississippi	Virginia
Kentucky	Vermont	Missouri	Wisconsin
Maryland	Washington	Montana	Wyoming
Massachusetts	West Virginia	Nebraska	



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Exchange Models

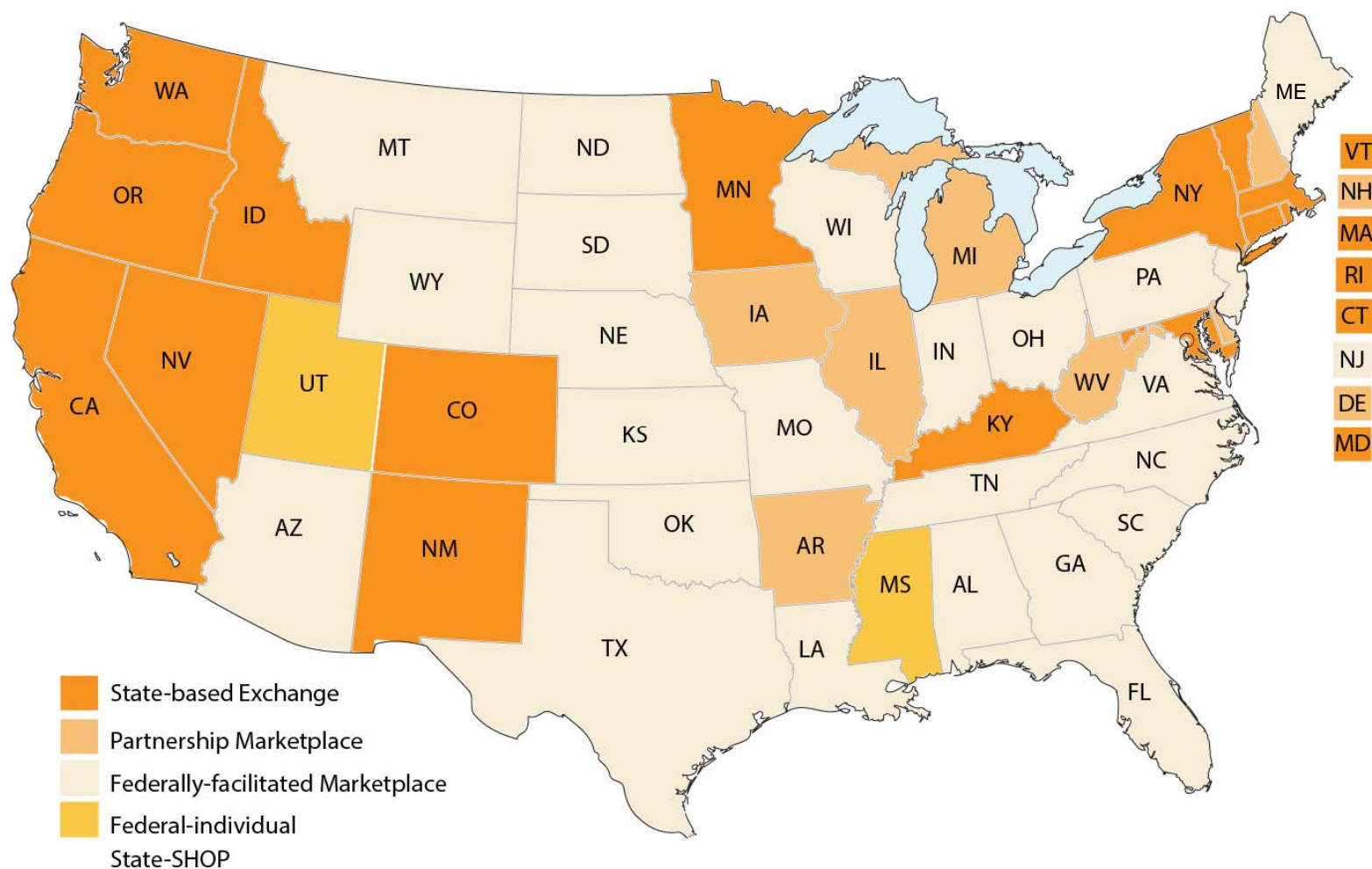
- State Operated
 - State operated technology, call centers, and customer support
 - State certification and regulation of carriers selling on the Exchange
- Federally Operated
 - Federally operated technology, call centers, and customer support
 - Federal certification and regulation of carriers selling on the Exchange
- State/Federal Partnership
 - Federally operated technology, call centers, and customer support
 - Various levels of state control over certification and regulation of carriers selling on the Exchange
- Private Exchanges
 - Privately operated technology giving employers various plan design and choice options (ACA subsidies not available in a private Exchange)



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State Exchange Decisions



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State Decisions



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State Decisions

Federally Run		State/Federal Partnership	State Run	
162,547,331 (52.6%)		32,743,943 (10.6%)	107,723,082 (34.9%)	
Alabama	North Carolina	Arkansas	California	Oregon
Alaska	North Dakota	Delaware	Colorado	Rhode Island
Arizona	Ohio	Illinois	Connecticut	Vermont
Florida	Oklahoma	Iowa	Wash. D.C.	Washington
Georgia	Pennsylvania	Michigan	Hawaii	
Indiana	South Carolina	New Hampshire	Idaho	
Kansas	South Dakota	West Virginia	Kentucky	
Louisiana	Tennessee		Maryland	
Maine	Texas	Fed. Individual, State SHOP	Massachusetts	
Missouri	Virginia	5,731,182 (1.9%)	Minnesota	
Montana	Wisconsin	Mississippi	Nevada	
Nebraska	Wyoming	Utah	New Mexico	
New Jersey			New York	



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Exchange Details



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Health Insurance Exchanges

- Individual Health Insurance Exchange
 - Individuals must purchase plan during open enrollment period, or after a “qualifying event”
 - Open Enrollment Period
 - 2014 - October 1, 2013–March 31, 2014
 - For 2015 and later years, the Open Enrollment Period is October 15 to December 7 of the previous year
 - Qualifying Events eligible for two months beyond the month of an event



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Health Insurance Exchanges

- Individual Health Insurance Exchange
 - Qualifying Events
 - Losing other coverage, including loss of Medicaid and CHIP
 - Gaining or becoming a dependent through marriage, birth, or adoption
 - An individual, not previously lawfully present, gaining legal status
 - A qualified individual experiencing an error in enrollment
 - An individual enrolled in a QHP adequately demonstrating to the Exchange that the QHP in which he or she is enrolled substantially violated a material provision of its contract
 - An individual becoming newly eligible or ineligible for the premium tax credit or experiencing a change in eligibility for cost-sharing reductions
 - A permanent move making individual eligible for new plans



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Health Insurance Exchanges

- COBRA
 - DOL issued model language to use in COBRA notices encouraging COBRA QBs to explore coverage through an Exchange
 - Loss of employer coverage is an Exchange special event so individual may be able to enroll outside the annual enrollment period
 - Subsidy eligibility
 - COBRA QB may qualify for subsidized coverage through exchange if they decline COBRA continuation
 - If an individual elects COBRA continuation they will be ineligible for subsidies since they are covered by an employer plan



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Health Insurance Exchanges

- SHOP and Small Group Insurance Rules
 - Group plans available to small employers
 - 2014 & 2015 small employer is <50
 - Beginning in 2016 small employer is <100 in all states
- Small Group Rating and Underwriting Rules
 - ACA small group reform rules apply to all small group plans both inside and outside the Exchange
 - No medical underwriting or pre-ex limitations
 - Modified Community Rating
 - No rating based on claims experience
 - Age rate spread of no more than 3:1



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Health Insurance Exchanges

- The Small Group Plan "Choice" Option
 - Employer can fund plan at a specific level of coverage (i.e. Bronze, Silver, Gold, or Platinum), and employees can choose from multiple plans and carriers
 - Choice option delayed until 2015 in federal Exchange states
 - A number of states have introduced a choice option effective 1/1/2014
 - Choice option basics
 - Exchange will group bill the employer regardless of employee choice
 - Details for choice option vary from state to state



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Tax Credit for Small Employers

- Up to a 35% credit for tax years 2010-13
- Up to 50% beginning in 2014, but only available for group plans purchased through a public Exchange
 - Full credit for employers with 10 or fewer full-time equivalent employees and average annual wages of less than \$25,000
 - Partial credit for employers with up to 25 full-time equivalent employees and average annual wages up to \$50,000
 - Sole proprietors, 2% S-Corp owners, and some partners are not considered employees and are not counted in determining FTEs or average annual wages
 - Employer must pay at least 50% of premiums
 - Tax exempt organizations eligible for partial credit
 - IRS website - <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>



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Subsidies for Purchase of Individual Health Insurance



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ACA Subsidies and the Uninsured

- Core goal of the ACA is an attempt to reduce # of uninsured
 - ACA includes multiple elements specifically designed to expand insurance coverage and reduce the number of uninsured
 - The individual mandate - requires most in U.S. to have health insurance or pay a tax
 - Exchanges through which individuals can purchase coverage, with premium and cost sharing subsidies available for individuals/families with household income of 100% - 400% of federal poverty level
 - Employer shared responsibility rules - requires large employers to offer coverage to all full time employees or pay penalties
 - Expands Medicaid to 138% of poverty level
 - In states that choose to take advantage of this option



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Uninsured in the U.S.

- Uninsured rates vary dramatically by state

	2011 Adult Uninsured Rate
U.S. Average	18%
Texas	27%
California	22%
Illinois	17%
Michigan	15%
Minnesota	11%
Massachusetts	5%



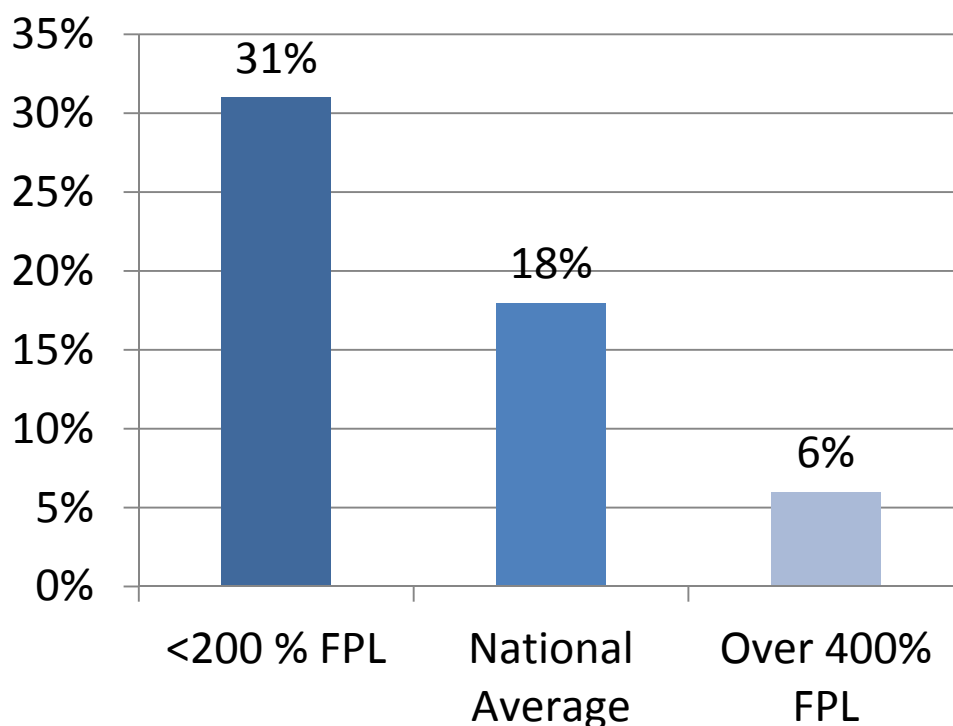
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Uninsured in the U.S.

- Uninsured rates vary dramatically by income

2011 Uninsured Rates by FPL



Household	200% FPL	400% FPL
1	\$15,856	\$45,960
2	\$21,404	\$62,040
3	\$26,951	\$78,120
4	\$32,499	\$94,200
5	\$38,047	\$110,280
6	\$43,594	\$126,360



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ACA Subsidies

- ACA “Subsidies”
 - Available to individuals with household income 100% - 400% Federal Poverty Level (FPL)
 - “Advanceable” Premium Tax Credit
 - Qualified individuals will pay no more than a fixed maximum contribution depending on household income
 - Cost Sharing Reductions
 - Lower deductibles and out-of-pocket costs available to individuals with incomes less than 300% of FPL

	FPL	400% FPL
1	\$11,490	\$45,960
2	15,510	\$62,040
3	19,530	\$78,120
4	23,550	\$94,200
5	27,570	\$110,280



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ACA Subsidies

- Individuals Eligible for Employer Sponsored Plans
 - “Subsidies” not available to individuals eligible for “affordable” employer sponsored “minimum value” coverage
 - Affordable = Employee contribution for single (employee-only) coverage is no more than 9.5% of household income
 - Affordability for family members
 - An employee’s family member qualification for subsidy is based on the employee’s contribution for employee-only coverage
 - This approach will significantly limit the number of family members who will be eligible for subsidized coverage
 - Minimum Value
 - Employer plan with actuarial value of at least 60%



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ACA Subsidies

- Household income
 - Modified adjusted gross income (MAGI) of individual, spouse and tax dependents in household
 - For most taxpayers MAGI is the same as Adjusted Gross Income (AGI)
 - Found on Line 4 on a Form 1040EZ, or Line 37 on a Form 1040
 - AGI modified by foreign earned income, earnings on tax free investments
 - The employer will never know an employee's household income
 - AGI includes “above the line” adjustments such as alimony payments, HSA contributions, self-employed business profits and losses, etc.



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ACA Subsidies

- Subsidy Process
 - Individuals must apply for health insurance coverage through a public (state or federal) Exchange
 - Exchange will collect income and employer coverage data and certify if individual is eligible for a subsidy
 - Exchange must notify an employer if an employee is certified
 - Exchange will administer premium tax credits
 - Individual can choose to collect tax credit in advance on a monthly basis or collect when tax return is filed
 - Individual will pay only their portion of premium
 - Exchange will facilitate payment of tax credit to carrier
 - Tax credit will be “settled up” when individuals file their tax returns



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ACA Subsidies

- Employee Qualification for Subsidies
 - Bottom Line - Very few employees (or their family members) who are eligible for an employer plan will qualify for subsidized individual coverage through the Exchange!

\$24,000 Household Income	\$2,000/mth
	X 9.5%
Employee contribution for single coverage must exceed	\$190.00/mo.

- This is what employers really need to communicate to employees!



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Subsidized Coverage Examples

Assumes a Silver Base Plan with \$6300/\$12,600 OOP

Example of Monthly Retail Cost		300% FPL Income	Maximum Premium	Federal Premium Assistance	Max OOP
Age 30 family(4)	\$861	\$70,300	\$554	\$308	\$12,600
Age 30 single	\$275	\$34,500	\$273	\$2	\$6,300
Age 50 family(4)	\$1,436	\$70,300	\$554	\$882	\$12,600
Age 50 single	\$530	\$34,500	\$273	\$256	\$6,300

Kaiser Family Foundation Subsidy Calculator: <http://kff.org/interactive/subsidy-calculator>



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Subsidized Coverage Examples

Assumes a Silver Base Plan with \$6300/\$12,600 OOP

Example of Monthly Retail Cost		150% FPL Income	Maximum Premium	Federal Premium Assistance	Max OOP
Age 30 family(4)	\$861	\$35,250	\$117	\$745	\$2,250
Age 30 single	\$275	\$17,250	\$58	\$217	\$4,500
Age 50 family(4)	\$1,436	\$35,250	\$117	\$1,319	\$2,250
Age 50 single	\$530	\$17,250	\$58	\$472	\$4,500

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Decisions

- Examples of Subsidy Eligible Individuals Without Access to Affordable Employer Coverage
 - 30 Year Old Making About \$17,000/yr
 - Individual Mandate Tax in 2016 = greater of \$695 or 2.5% of income
 - Pay \$690/yr (57.50/mth) for \$3,000 deductible plan
 - 50 Year Old Family of 4 Making About \$70,000/yr
 - Individual Mandate Tax in 2016 = greater of \$2,085 or 2.5% of income
 - Pay \$6675.96/yr (556.33/mth) for \$3,000 deductible plan



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Thank you!



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Thanks for joining us.

