

A Health Benefit Exchange for Oregon: Administrative Functions and Business Plan

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Three Key Customer Groups

- Individuals
- Small employers
- Employees of small employers



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From the Customer's Perspective

A high-performing health benefit exchange can provide *value*:

- **Choice of health plans/providers**
- **Convenience**
 - Easy shopping, ability to make apples-to-apples comparisons
 - Easy choice and enrollment process
 - Easy payment processing
- **Customer Service**
 - Easy to get answers to questions, before and after enrollment
- **Lower Costs**

by establishing a fair marketplace (a "level playing field") in which there is healthy competition among insurers to enroll employees, individuals and the self-employed.



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The Exchange can Provide Value to
Individuals & Employees

by doing the following very well:

- **Determine eligibility** for exchange participation and individual tax credits, using a single portal (“no wrong door”) in coordination with Medicaid/CHIP eligibility determination.
- Establish **standards for insurer participation**, including **certification** of “qualified health plans”
- Develop a **standardized format** for presenting plan options
- **Grade participating insurers** on quality, cost, enrollee satisfaction, etc.
- Develop a **website** that allows people to easily compare health plan options
- Provide an electronic **calculator** to determine cost of coverage, and other decision support tools for individuals



(cont.)

The Exchange can Provide Value to
Individuals & Employees

by doing the following very well (cont.)

- Manage the **open enrollment process** for individuals and employees and **facilitate enrollment** in health plans
- Operate a **toll-free telephone hotline** to respond to requests for assistance
- Establish a **Navigator** program for outreach and enrollment support
- Develop a process for handling customer **complaints**; establish a grievance and appeal process
- Determine **exemptions** for individual responsibility requirement
- Conduct **public education and outreach**



The Exchange can Provide Value to
Employers

by reducing the burden of health benefits management
and doing the following very well:

- Manage the **open enrollment process** for employees
- Provide plan **enrollment information** to employers
- Provide **consolidated billing** and enable simplified premium payment by employers
- Establish the interface and **facilitate the flow of funds** between insurers, employers, individuals – including subsidies and use of “free choice vouchers”



From the Perspective of Other Stakeholders

Insurers want:

- Opportunity to compete on a level playing field
- Easy enrollment, billing and payment processing
- Opportunity to reduce administrative and sales costs
- Protection from adverse selection

Brokers want:

- Opportunity to provide -- and be paid for -- services to their clients

Government Agencies want:

- Easy exchange of data: e.g., eligibility for Medicaid and tax credits, verification of coverage, income, exemptions



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The Exchange Can Meet the Needs of *Other Stakeholders*

by doing the following very well:

- **Monitor the market** to ensure fair competition
- **Facilitate enrollment** in health plans
- Establish the interface and **facilitate the flow of funds** between insurers, employers, individuals
- Administer **contracts** fairly and expeditiously with insurers, TPAs, navigators and other vendors
- Administer **risk adjustment** mechanisms between insurers
- Provide **information** to federal government on exemptions, tax credits, etc.



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Building the Business Plan

Background

- Exchanges will begin enrolling people in late 2013 for coverage effective 1/1/2014.
- Start-up expenses will be incurred in prior to 2014.
 - Federal government will fund start-up expenses, per ACA.
- Exchange must be self-supporting by 2015 (year 2 of operations).
 - Federal government will cover operating costs in 2014 (year 1), per ACA



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The Business Plan: Structural Assumptions

- Dual Market
- Active purchaser role
- 3-4 benefit options in each tier
- Active marketing
- Public corporation structure



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The Business Plan: Approach

Membership: Used forecasts developed by Jonathan Gruber, PhD (MIT), presented at August 2010 Board meeting. Assumed rapid enrollment beginning January 2014.

Expenses: based generally on experience of MA Connector

- Similar scale and role

Fixed and variable expense model

- Variable: eligibility processing, enrollment, premium billing, customer service
- Fixed: management, marketing/communications, professional services, IT, other infrastructure (cont.)



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The Business Plan: Approach (cont.)

Start-up: Full year of expenses in 2013, prior to 1st year of operations (2014)

Eligibility, enrollment, premium billing, customer service: higher expenses in start-up year (2013); expenses based on pmpm in subsequent years (2014-)

Marketing, Website Development, Professional Services: higher expenses in start-up year (2013) and 1st year of operations (2014), declining in subsequent years (2015 -)

Other fixed expense categories: increase only for inflation 2014-

Administrative fees: amount set to *ensure breakeven in 2015* (year 2 of operations). Same amount used in 2014-2016.



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The Business Plan: Summary

	2013	2014	2015	2016
Membership (YE):				
Individuals	-	142,500	190,000	232,500
Employees of small groups	-	65,000	87,000	95,000
Operating Revenue - \$ millions	0	\$31	\$42	\$50
Operating Expense - \$ millions	\$37	\$36	\$42	\$48
Net Gain (Loss)*	\$(37)	\$(5)	\$ 0	\$ 2
Admin. fee (% of est. premium)	-	3.1%	2.8%	2.6%

*Federal government will fund start-up expenses and 2014 operating costs, per ACA. Previously uninsured, covered in the exchange in 2019: 150K individuals, plus additional employees of small groups TBD



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The Value Proposition

What do we get for the money spent for the Exchange?

- Expanded consumer choice + good decision tools
→ healthy competition → lower premiums
- Reduced administrative and sales costs for insurers
→ lower premiums
- Reduced administrative expense (and hassle) for small employers

(cont.)



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The Value Proposition (cont.)

The exchange is the vehicle through which certain *individuals* will receive tax credits.

	2015	2019
Tax Credit Recipients	150,000	270,000
Value of Premium Tax Credits and Cost-Sharing Subsidies	\$462M	\$922M

(cont.)



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The Value Proposition (cont.)

Certain *small employers* are eligible for tax credits, beginning in 2010.

	2015	2019
Value of Small Employer Tax Credits	\$43M	\$29M



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Administrative Policy Issues and Recommendations

1. Insourcing/outsourcing
2. Procurement
3. Financial planning and management



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Administrative Policy Issues and Recommendations:

1. Insourcing/outsourcing

- Certain exchange functions are inherently governmental functions and should not be outsourced, e.g.,
 - Establishing standards for qualified health plans
 - Certifying plans to be offered in the Exchange
 - Oversight of marketing activities of insurance plans
 - Determining individual eligibility for tax credits
 - Determining exemptions from individual responsibility requirement



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Administrative Policy Issues and Recommendations:

1. Insourcing/outsourcing (cont.)

- Other functions can be outsourced based on:
 - Financial analysis (“make vs. buy”)
 - Capability of existing state agency or public corporation resources
 - Availability of private sector capabilities
- Potential activities for outsourcing:
 - Eligibility and enrollment processing
 - Premium billing
 - Customer service/ call center
 - Website development and maintenance



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Administrative Policy Issues and Recommendations:

2. Procurement

- Since outsourcing is likely to be used for at least some important administrative activities, procurement is a critical function.
- Skills required include:
 - Development of business requirements/ technical specifications
 - Contract negotiation
 - Performance monitoring
 - Contract management



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Administrative Policy Issues and Recommendations:

3. Financial Planning and Management

- Since there is considerable uncertainty about key financial variables, financial planning and management are critical functions
- Prudent planning will require the development of multiple scenarios and contingency plans
- Skills required include:
 - Forecasting
 - Monitoring
 - Rapid response



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Other Administrative Issues – To be Addressed During Planning Phase

- Marketing and outreach
- Customer service
- Coordination/integration with other state agencies, esp. coordinated eligibility determination with OHP

Lessons from Other States

- Don't underestimate complexity and resources required.
- Growth and size matter to capture economies of scale.
- Importance of outreach and marketing.
- Importance of customer service: for individuals and small employers.
- Be smart about insourcing/outsourcing.
- Strong and robust information systems are a key success factor.
- Priority: eligibility determination system and process – very complex, need long lead time to design and implement.

Summary

- Value Proposition: a fair marketplace + healthy competition
→ improved choice, convenience, customer service, and lower costs (+ individual and small employer tax credits)
- Start-up and first year operating costs to be paid by federal government: est. \$42M
- Ongoing operations (must breakeven by 2015) covered by fee paid by insurers : est. 3% of premium. Should be offset by lower administrative and sales costs by insurers.
- Key administrative issues and capabilities:
 - Insourcing/outsourcing
 - Procurement
 - Financial planning and management
