

District of Columbia Insurance Market Structure Recommendations

Presentation to the District of Columbia Health Benefits Exchange Executive Board

August 21, 2012

Presentation Overview

- Recommendations Summary
- Market Recommendation Process
- Guiding Principles
- Market Structure Recommendations



Recommendation Summary



Insurance Subcommittee Recommendations

- 1. Consolidated Market:** All small group and individual plans should be sold through the DC HBX.
- 2. Minimum QHP Requirements:** All plans sold in the DC HBX must meet minimum requirements in the ACA.
- 3. Merged Risk Pools:** The risk pools of the small group and individual markets should be merged into one single risk pool within the DC HBX.
- 4. Expanded Small Group Size:** Small group size should be defined as 100 or fewer.
- 5. Shared financial programs:** DC should use the federally administered risk adjustment and reinsurance programs.



Market Recommendation Process



Process Summary

- Gathered information from existing resources including NAIC, HHS/CCIIO, and fellow implementer states.
- Worked with Establishment Grant contractor Mercer to develop District-specific Exchange deliverables.
- Shared information and engaged stakeholders through regular public Subcommittee meetings and working groups.
- Published market structure options in March 2012 for public comment.
- Published market structure recommendations in April 2012 with public comments.
- Presented recommendations in May 2012 to HRIC and heard public testimony.
- Referred recommendations to the DC HBX Board in June 2012.



Guiding Principles & Goals



Mayor's Principles for ACA Implementation

1. Affordability for consumers and reasonable administrative costs for operating the DC HBX
2. Transparency
3. Administrative efficiency
4. Consistent regulations and non-duplicative administrative functions
5. Ease of access and enrollment for District residents and employers seeking health insurance



Key Implementation Risk

- The most often cited floor of a sustainable Exchange risk pool is 100,000- articulated by Timothy Stoltzfus Jost in *Health Insurance Exchanges and the Affordable Care Act: Key Policy Issues* (July 2010).
- This number is the basis of the Center for Consumer Information and Insurance Oversight (CCIIO) assertion that the highest risk factor for Exchange success in the District is establishment and maintenance of a viable risk pool (Exchange Review, March 2012).



Unique Demographic Factors

The District has several unique demographic factors that greatly impact market structure and Exchange policies.

1. Relatively small number of uninsured residents (Approximately 7%)
2. Small population (approximately 610,000),
3. Daily transience of population (large number of out-of-District residents who work in the District and vice versa).



Goals

- Establishing a sufficient and sustainable risk pool for the Exchange to operate upon launch and to ensure financial sustainability by 2015.
- Maintaining the current number of health insurance carriers currently operating in the District while opening the doors to other carriers interested in the market.



Goals

- Building an administratively efficient system for not only the Exchange, but for health insurance carriers, agents and brokers, and DISB.
- Establishing a framework that gives the HBX Executive Board the ability to react to the insurance marketplace with policies and that can be applied equally across the market.



Market Structure Recommendations



DC HBX as Sole Marketplace

- This recommendation addresses the greatest risk to the success and sustainability of the DC HBX; a large, diverse, and robust Exchange risk pool.
- Ensures a consistent consumer experience for both individuals and employers and their employees.



DC HBX as Sole Marketplace

- Eliminates the opportunity for adverse selection against the Exchange.
- Potential for carriers to shift administrative costs to the Exchange where economies of scale can produce overall administrative cost reductions and lower premiums.
- By virtue of the consolidated marketplace, all District businesses with 25 or fewer employees who offer coverage would be eligible for 50% tax credit (cost of coverage).



Impact of Consolidated Market

- Projected enrollment in a consolidated marketplace would exceed 100,000
 - Approximately 184,000 under an expanded definition of small business, approximately 140,000 maintaining current practice of 50 or fewer.
- The administrative costs of a consolidated marketplace on a per member/per month (PMPM) basis would be significantly lower
 - \$13 PMPM in a consolidated marketplace
 - \$28 PMPM with an external market



Merging the Risk Pools

- Premium levels differ as a result of the merge, but the variance is minimal and does not significantly change projected enrollment.
- Relative to baseline scenario:
 - Individual market premiums would be 3.5%-4.2% lower (depending on small group size definition)
 - Small group market premiums would be 2.8%-3.6% higher (depending on small group size definition)
- The risk pools of the individual and small group markets may be merged solely for administrative purposes



Defining Small Groups as 100 or Fewer

- Expands the number of potential enrollees by approximately 40,000, contributing to a sustainable DC HBX risk pool.
- Gives better access to potentially more types of health insurance plans and more affordable options for businesses in the 51-100 range.

