District of Columbia

Report on Individual Premium Aggregation in the Health Benefit Exchange

Summary

The District's Health Benefit Exchange (HBX) is looking at two options for handling payment of individual health care premiums to issuers. This memo describes the background of premium aggregation, including the options the HBX should consider; the advantages and disadvantages of each; and identifies the next steps in determining which option to select. The District's HBX will begin enrolling individuals in QHPs effective January 1, 2014. All of these individuals will be responsible for paying all or a portion of their monthly premium costs. How this payment is collected needs to be defined so the premium aggregation responsibilities of the HBX can be determined.

Background

Premium aggregation is the process of collecting premiums owed in one month by individuals or families and paying an aggregated sum to Qualified Health Plans (QHPs) operating in the HBX. The Department of Health and Human Services (HHS) issued proposed rules distinguishing between individual and SHOP exchanges as they relate to premium aggregation. The proposed rule requires the SHOP exchange to aggregate premiums, but aggregation of premiums in the individual exchange is optional for states. The Affordable Care Act (ACA) specifies that "a qualified individual enrolled in any qualified health plan may pay any applicable premium owed by such individual to the health insurance issuer issuing such qualified health plan" (Section 1312(b)). As a result, the District's HBX cannot require individual members enrolled in QHPs to remit premium payments to the HBX, but the HBX can provide members with the option to remit premium payments directly to the HBX. Any payment processing and aggregation services the HBX offers would therefore apply only to a subset of its members. Regardless of how an individual pays their premium, federal tax credits will be provided directly to issuers from the federal government.

Next Steps

Please provide comments on these options for individual premium aggregation in the District's Exchange to Rekha Ayalur (rekha.ayalur@dc.gov) by Friday, December 14th. After feedback is received from stakeholders, a summary report along with a proposed recommendation will be provided to the HBX Authority Executive Board for further review and approval.

Options for Individual Premium Aggregation in the District's Health Benefit Exchange

Option 1	Option 2
HBX Collects Premiums	**Direct Payment Approach**
SUMMARY The HBX would elect to manage the collection of individual premium payments from the subset of members who choose to remit payments to the HBX, aggregate the collected payments, and forward them to QHP issuers. The HBX would contract with a vendor to provide Individual premium aggregation services, as it is for SHOP premium aggregation.	**SUMMARY** The HBX would leverage the QHP issuers' existing payment processing infrastructure and direct HBX members to provide premium payments directly to their QHP issuer.
PROS ▪ Enrollees interact with the HBX for the entire shopping experience. ▪ HBX customer service assists with billing issues that create changes in enrollment. ▪ Complete enrollment and payment files sent to issuer at one time.	**PROS** ▪ Issuers offering individual plans could leverage their current premium payment processes. ▪ Enrollees would pay premiums to the same organization that would coordinate benefits, care management, and other customer services. ▪ Lowest cost solution for the HBX.
CONS ▪ Requires the HBX to implement two sets of processes for tracking and reconciling premium payments, one for payments remitted directly to the HBX, and a second for those remitted to QHP issuers. ▪ Exchange bears the cost of performing monthly billing and financial transactions. ▪ Issuers' current individual payment process is not leveraged. ▪ Coordinating monthly billing and grace periods with the Exchange creates an administrative burden for issuers.	**CONS** ▪ Does not allow individuals a seamless enrollment experience within the Exchange system. ▪ Issuers and enrollees would need to coordinate with the Exchange concerning grace periods and billing changes and impacts on enrollment.