



Testimony of
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Before the
Council of the District of Columbia
Committee on Health
Yvette Alexander, Chair
Fiscal Year 2014 Budget Hearing
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John A. Wilson Building
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Good morning Madam Chair and members of the Committee. My name is Mila Kofman and, as the Executive Director of the D.C. Health Benefit Exchange Authority, it is my pleasure to provide testimony on our proposed FY2014 budget.

The District of Columbia is a national leader in protecting and improving the health of our residents. Approximately 93 percent of our residents have health coverage as a result of significant investments in our City's health care delivery and coverage initiatives and strategic policy decisions by you and other policymakers. We have the *second highest insured rate* in the nation and something we all should be very proud of.

But our job is not yet done. More than 42,000 residents of the District do not have any health coverage – neither private nor public insurance. And thousands of people are underinsured. Their insurance does not provide access to needed medical care or leaves them with significant medical bills, not providing needed financial security. The premium increases over the last five years have strained individuals and families. Small businesses struggle to afford health coverage for their workers. According to national studies, small businesses are charged approximately 18 percent higher premiums than large companies. Here, just like all around the country, double-digit premium increases have become a norm, with businesses reporting having to make difficult decisions to raise deductibles and other out-of-pocket expenses in order to keep premiums down.

The Affordable Care Act creates a significant opportunity to ensure that nearly all District residents have health coverage, to make coverage more affordable, and to ensure that coverage actually works for people who need it and to provide their families with financial security. Through Marketplace Exchanges, the ACA creates an opportunity for small businesses to have the type of purchasing power that large businesses enjoy today. By combining the purchasing power of individuals, families, and small businesses, the District Marketplace Exchange will create the kind of private market competition needed to drive down costs and improve quality. Through the District's Marketplace Exchange, qualifying small business as well as individuals and families will have access to tax credits paid by the federal government to help reduce the cost of premiums. The Exchange's Web portal will help create a truly competitive private marketplace that provides new choices of health insurance companies and health insurance policies – choices that do not exist in the current insurance market.

The District's Marketplace Exchange will improve coverage, increase choices, and make coverage affordable for people who live in the District and for small businesses, both nonprofit and for-profit companies.

The District is one of only 18 jurisdictions across the nation that is tackling the job of building a Marketplace Exchange tailored to the needs and the values of its residents. Rather than accepting a one-size-fits-all exchange run by the federal government, the District has, once again, stepped forward to lead. Shortly after President Obama signed the health care law on March 23, 2010, the District began preparing for implementation. In 2011, the City Council approved the Health Benefit Exchange Authority Establishment Act, committing the District to building an Exchange. In January 2012, Mayor Gray signed this legislation into law and last July appointed the Health Benefit Exchange Authority Executive Board to begin the work necessary to create the DC Marketplace Exchange. In December 2012, the District was conditionally approved to have a state-based exchange by the Center for Consumer Information and Insurance Oversight, one of the federal agencies overseeing the Affordable Care Act. We were one of the first jurisdictions to gain that approval.

Importantly, to-date the District has received \$82 million in federal funding to help establish our exchange. Last month we applied for an additional \$18.2 million in supplemental funding.

We are committed to using federal funds prudently and effectively to create a marketplace exchange that truly serves the needs of the residents and business owners of the District. Since receiving conditional approval, the Exchange authority has been focusing our efforts on the following priority areas:

1. Building the information technology system needed to support the web-based portal that will serve as the District Marketplace Exchange. This includes on-line eligibility, enrollment, and plan selection;
2. Building a team of professionals to ensure full implementation and enable on-going operations of the Marketplace Exchange; and
3. Ensuring that the District's Marketplace Exchange reflects the priorities and values of our community. This means making decisions that are recommended

and developed by community based policy working groups, representing diverse voices and interests.

As a way of background, currently the DC Department of Health Care Finance (DHCF), as the original grantee, acts as the fiduciary for Exchange grant funding while the Exchange Authority builds the necessary infrastructure to have the grant transferred to the Exchange. In fiscal year 2013, most Exchange funding has been spent through DHCF.

Building the Proposed Exchange Authority Budget

The FY 2014 budget for the Exchange Authority is approximately \$26.14 million. This supports four main categories of spending:

- Personnel,
- Contracts,
- In-Person Assister grants, and
- Operations.

Personnel

Personnel costs for Exchange staff, including salaries and fringe benefits, are less than \$5 million, a relatively small portion of the total budget.

Contracts

The largest portion, approximately \$12 million, will fund several contracts, including agreements with other agencies performing Exchange functions, as well as marketing, and IT vendor support.

For example, a key principle in building the Exchange is creating an efficient organization leveraging existing District resources and infrastructure to keep the costs of the Exchange, and the revenue needs, low. To this end, the Exchange will enter agreements with multiple District agencies to perform key Exchange functions, including plan management, eligibility, and appeals. Hence, the FY 2014 budget includes funding for the Department of Insurance, Securities and Banking; Department of Human Services; and Office of Administrative Hearings to perform federally required functions on behalf

of the Exchange. This approach alleviates the need to build new operations, in some cases avoiding duplicating already existing governmental functions.

The contracts funding will also support short-term needs for expert consulting help and staff support. While some state exchanges have chosen to hire staff for the first several years and then downsize as operational needs change, we decided to use additional consulting support up front. We are building a small permanent team that will be needed for initial and on-going operations. Our approach is similar to some other state exchanges, focusing on temporary consultant assistance.

Call Center

The budget also includes \$2.8 million in contracts to operate the Exchange call center. The call center is a critically important part of our consumer services, answering questions and guiding people to available services. It will operate 24 hours a day, seven days a week during open enrollment to ensure that assistance is available at all times, particularly for working residents who may need to enroll during non-business hours. The RFP for the call center was posted on our webpage last week. We encourage all vendors to apply. Note that one requirement in the RFP is that the call center is located in designated District space and that District residents are given preference as staff hires for the call center.

Marketing

Beginning this summer, we will work with a broad coalition of community-based partners to provide District residents with information about the new benefits, rights, and responsibilities under the law.

Marketing and communications efforts will include television and radio ads, on-line information, and materials that can be distributed broadly. We plan to work in partnership with business associations, consumer and patient advocates, providers, faith-based organizations, and government agencies. Our goal is to reach people where they live, where they work, where they shop, and where they play. We have included almost \$1 million in the proposed budget for these contract activities.

In-Person Assister Grants

In addition, the FY 2014 budget includes over \$5 million for In-Person Assister grants that will be awarded to nonprofit organizations and other groups to conduct education and enrollment activities for the Exchange. Assisters will provide one-on-one help to consumers. Community organizations and other groups in the District who know and work with District residents and businesses now will help us to be successful through targeted education, outreach, and enrollment assistance directly to individuals and small businesses.

Operational Costs

Other operational costs of approximately \$1 million include rent, supplies, equipment, and support services.

All Exchange implementation and operational costs through calendar year 2014 are funded by federal grants.

Future

Beginning January 1, 2015, the DC Health Benefit Exchange is required by federal law to be financially sustainable without federal grant funds. We have initiated a policy working group of diverse stakeholders to advise the Authority on sustainability and sources of revenue to support our operations. They are considering diverse revenue sources including those similar to what other states will be using like industry assessments, fees, and other options.

CONCLUSION

In conclusion, we appreciate the opportunity to present testimony on FY 2014 budget request for the Health Benefit Exchange Authority. As you can see, we are moving ahead quickly with the components needed to assure successful implementation. With your continued support, we will ensure the creation of a health insurance marketplace that meets the needs of our population and will continue to place the District at the forefront of our nation in ensuring quality, affordable health coverage for our residents.