

**District of Columbia Health Benefits Exchange
Insurance Subcommittee**

Market Structure Recommendation Overview

August 21, 2012

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Affordable Care Act:

State-based health insurance Exchanges are meant to create a new, competitive private health insurance market that will give tens of thousands of Washingtonian small business owners and residents access to quality, understandable, affordable coverage.

These Exchanges give individuals and small businesses the purchasing power of larger entities by pooling them together in the Exchange risk pool.

Implemented correctly, Health insurance Exchanges will create¹:

- **Lower Costs:** Exchanges will increase competition among private insurance plans through greater comparative shopping and more informed consumers. They will also provide small businesses the same purchasing power in Exchanges as large businesses.
- **One-Stop Shopping:** The Exchanges will make purchasing health insurance easier by providing eligible consumers and businesses with tools to compare benefits, pricing and quality.
- **Greater Benefits and Protections:** Exchanges will create a health insurance marketplace that will allow employers and consumers to choose from plans offering high quality benefits. Individuals and families purchasing health insurance through Exchanges may also qualify for tax credits and reduced cost-sharing depending on their income.

Mayor's Health Reform Implementation Committee:

Mayor Gray reestablished the HRIC on June 7, 2011 with the following stated purpose:

"The Committee shall advise and make recommendations to the Mayor on implementation of the federal Patient Protection and Affordable Care Act..."²

In addition:

"The functions of the Committee shall include advising the Mayor on implementation of federal health reform and coordination of health reform in the District of Columbia."³

¹ <http://www.healthcare.gov/news/factsheets/2010/07/esthealthinsurexch.html>

² Mayor's Order 2011-106

³ Mayor's Order 2011-106

HRIC Insurance Subcommittee:

The Insurance Subcommittee was charged with providing recommendations on the health insurance exchange and insurance market regulations. The Insurance Subcommittee provided recommendations on Authorizing Legislation and the current Market Recommendations.

Insurance Market Recommendations:

In addition to leveraging the implementation work of both the NAIC and other States also implementing ACA and building an Exchange, the Insurance Subcommittee (under the Planning Grant awarded to DHCF) engaged Mercer to evaluate the current health insurance landscape in the District and to model various scenarios under ACA.

Based on Mercer's work, external resources, and stakeholder feedback, the Insurance Subcommittee made the following 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.

Rationale:

The primary reason for these recommendations is long-term sustainability of the DC HBX.

- CCIIO identified sustainability as the top risk to the DC HBX during our review in March.
- Experts have indicated at a minimum 100,000 people are needed to support an Exchange.
- The District will not achieve 100,000 people in the DC HBX without supporting this recommendation.

There are unique features to the District market that are conducive to having all small group and individual insurance plans sold through the Exchange.

- The District is a single market. No other jurisdiction in the country has one market for health insurance, which makes a consolidated marketplace approach logical.
- Because DC already has a high level of insured residents and has already implemented many ACA requirements that may cause "rate shock" in other jurisdictions, our consultants have determined there will be minimal impact to premiums in DC.

Small employers, their employees, and individuals selecting coverage through the DC HBX will have unprecedented options and information available to them.

- Employees of small employers will have much broader options to select plans without the employer incurring additional cost or administrative responsibilities.
- Individuals will be also be able to make “apples-to-apples” comparisons among plans in the DC HBX.
- In addition to ease-to-compare premiums, individuals, employees and employers will have an easy way to review information on provider networks and quality and customer service metrics.

Agents and brokers will have access to the DC HBX and will be able to utilize its resources to provide information to small employers without a constant back and forth with the carriers.

- Licensed producers will be able to offer any plan to their clients through the DC HBX

Conclusions:

To keep the District on track towards ACA implementation, the HBX Board must take action on the market structure recommendations.

Key Dates-

- November 16, 2012- Due date for States to file for Exchange certification.
- January 1, 2013- Certification determinations released by HHS/CCIIO.
- October 1, 2013- The Exchange must be open to new enrollees for the 2014 plan year.

Should the Board choose to amend the key recommendation- consolidation of the marketplace- we must be prepared for the impact it will have on implementation.

- Enrollment projections will have to be amended within our Level 2 grant application to reflect the anticipated decline.
- This could impact the amount of funds we are awarded and it could put certification for a state-based Exchange in jeopardy.

The Insurance Subcommittee carefully deliberated on all materials made available and stakeholder feedback before a final recommendation was released

Recommendations have been available on heathreform.dc.gov since April and discussions have been ongoing with staff and the stakeholder community.