



# Insurance Exchanges: What Makes Sense for Tennessee?

**HealthCare 21 Business Coalition**

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# Agenda

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- Summary of PPACA provisions
- Overview of insurance exchanges
- Tennessee's looming decisions
- Risks
- Role of employers and brokers
- Public process
- Next steps

# What Does the PPACA Include?

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- Insurance requirements and regulatory changes
- Medicaid expansion
- Individual mandate
- Employer penalties
- Establishment of “minimum essential benefit” standard

# Insurance Exchange Planning Initiative



- Purpose is to research and advise Governor and Legislature on all aspects of implementing an insurance exchange in Tennessee
- First question is whether Tennessee or the Federal Government should run Tennessee's exchange
- Funded by a federal implementation grant
- Two people on staff

# In Theory, What Do Exchanges Do?



1. Define and certify “qualified health plans”
2. Facilitate compliance with PPACA’s individual mandate
3. Allow consumers to easily compare regulated options
4. Enable consumers to apply for premium assistance and public programs
5. Help small employers to comply with PPACA and avoid penalties

**\*\*\* *Must become financially self-sufficient by 2015* \*\*\***

# Specific Functions of an Exchange

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## *Qualified Health Plans*

- Establish standards for qualified health plans
- Implement certification process for such plans
- Coordinate with regulators on certification
- Develop and implement rating system for health plans

# Specific Functions of an Exchange (cont'd)



## **Consumer Comparisons**

*(among individuals & small employers)*

- Provide both an individual and a small group insurance exchange website (or “portal”)\*;
- Present plan options in a standardized way (i.e., Platinum, Gold, Silver, Bronze);
- Provide web resources (e.g., cost calculator) and toll-free call center support to users;
- Operate a consumer assistance (or “Navigator”) program;

*\* Of course, the decision to operate separate or combined portals is different than the decision as to whether Tennessee should consolidate individual and small group markets.*

# Specific Functions of an Exchange (cont'd)



## ***Eligibility Determinations***

- Determine eligibility for and enroll applicants in public programs (e.g., Medicaid and CHIP)\*;
- Determine eligibility for new tax credits and cost-sharing reductions for persons with MAGI between 100-400% FPL;
- Facilitate advance payments by Treasury to insurers of individual premium assistance tax credits;

*\* As required by statute and allowed under forthcoming federal rules, though implementation has yet to be determined.*

# Specific Functions of an Exchange (cont'd)



## *Other Eligibility Determinations*

- Determine whether employer-sponsored insurance is “**unaffordable**” and, thus, whether certain individuals with access to employer-sponsored coverage are eligible to purchase insurance via the insurance exchange; and
- Receive and process “**free choice**” vouchers for employees who have unaffordable employer-sponsored coverage.

# Spectrum of State-Level Exchanges



Market  
Organizer

“Prudent  
Purchaser”

Market  
Definer

## Examples

Utah  
“Craig’s List”

Massachusetts  
Aggressive Negotiator

# Pros/Cons of Running Exchange?



## ***Some Pros:***

- Retains State control of TennCare eligibility determinations
- Enables State to reinforce insurance regulation/health policy goals
- Allows for regional customization

## ***Some Cons:***

- Administrative costs until 2015
- Risks of politicizing design choices and plan selection criteria
- Risk of capture by special interests

*Others? Please share your thoughts!*

# Policy Goal (draft)

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IF Tennessee were to operate an exchange...

then we would do so with the express purpose of providing a meaningful choice of high-quality health insurance options at the lowest possible price.

*What are the key words?*

# Evaluative Criteria (draft)



- Provide meaningful consumer choice of a number of participating insurers
- Facilitate easy comparisons and plan selections by all consumers
- Optimize ability of ordinary lay person to make intelligent, informed choice within a reasonable amount of time
- Ensure rural-urban equity both in terms of network access and insurance cost

# Evaluative Criteria (draft, cont'd)



- Ensure sustainability of exchange-based insurance options over a minimum period of five years
- Maximize affordability of options for consumers who do not qualify for public subsidies or tax credits
- Maximize federal funds available to Tennessee residents (through refundable tax credits, etc.) to offset their insurance costs

# Risk: Market Instability



***When Exchange goes live, insurers and brokers face:***

- Transition to community rating with age, tobacco bands
- End to pre-existing condition exclusions
- Different rate reforms in all States
- Employers entering and leaving market

**So, we must proceed cautiously!**



## Risk: Adverse Selection

- Community rating (and gaming)
- Cherry picking and lemon dropping
- Risks to Exchange and to participating insurers

### ***Mitigation strategy:***

- Limits on Open Enrollment (annual only)
- Risk adjustment, risk corridors, reinsurance
- Broker buy-in

# Possibilities that Keep Me Up at Night



- Insurers don't participate in the Exchange
- Insurers leave Tennessee
- Exchange unable to handle consumer demand
- Technical failures
- Eligible Tennesseans don't apply for tax credits
- Existing insurance rates skyrocket
- Employers drop coverage

***Some we control, others we compound***



# What Don't We Know?

- What criteria will Feds use to approve state-operated exchanges?
- Can we use medical questionnaires for prospective risk adjustment?
- What are the “streamlining” rules for Medicaid/CHIP?
- What are the federal parameters for benefit design variation?
- Can an Exchange pay brokers, and if so, how and under what conditions?

**Also:** If the Exchange can pay brokers directly, how might we resolve conflicts of fiduciary obligations?

# Even If TN Doesn't Run an Exchange...



- Consolidation of individual and small group markets
- Title 56 coverage mandates
- Promotion of premium assistance tax credits
- Mitigating potential “shock” of community rating
- Addressing the “churning” and continuity of coverage
- Basic Health Plan option?

# What's the Role for E'ers and Brokers?



- Will the function of a broker *go away*? No.
- Will the function of a broker *change*? Absolutely.
  - Individual market: PPACA may accelerate change.
  - Small employers will still need help!
- We need the input of brokers **and** employers:
  - TAG meetings
  - Informal notice/comment process
  - Ongoing feedback
  - Meet and confer

# Public Process

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- Open records
- Stakeholder meetings
- All documents posted at [www.tn.gov/nationalhealthreform/exchange.html](http://www.tn.gov/nationalhealthreform/exchange.html)
- Send feedback to [insurance.exchange@tn.gov](mailto:insurance.exchange@tn.gov)
- Join listserv
  - ...please just check your spam filters