



# Brave New World: Health Insurance Exchanges

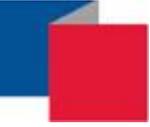
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# Agenda

1. Discussion Regarding the last 12 months
2. What has happened nationwide thus far regarding Health Insurance Exchanges (HIE)
3. What has happened in Florida thus far regarding Insurance Exchanges (yes, this is the shortest section of our presentation)
4. The Future



# Politics of Healthcare

## A Win by the President

- Implementation of Regulations regarding the Affordable Care Act
- Timeline for Implementation continues to be followed; see <http://www.healthcare.gov/law/timeline/> for a really comprehensive outline of the timeline

# Politics of Healthcare, cont.

So, given that the President won re-election, what does this mean for health reform in this country?

- The ACEA of 2013 and Beyond;
- President Obama supports \$4 trillion in deficit reduction over 10 years;
  - Including \$321 billion in Medicare and Medicaid spending reduction; (OMB 9/2011)
  - House Republicans want more than that, so there could be more like ½ trillion in Medicare/Medicaid spending reductions over 10 years;

# Politics of Healthcare, cont.

- The Affordable Care Act
  - Coincidentally, projected to cut \$575 billion from Medicare over 10 years;
  - Sequestration (the little dog and pony show from August 2011) cut \$120 billion from Medicare over a 10 year period;
    - Nothing cut from Medicaid;
    - Why is this significant?



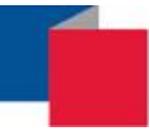
# Politics of Healthcare, cont.

- If you're a provider, now what?
  - There is no shame in prayer.
- Hospitals: expect reductions in Medicare dollars for outpatient and graduate med. education;
  - Also bad debt reimbursement will take a hit, as well as other areas;
  - New fraud and abuse initiatives and enforcement;
  - SNFs and other post-acute facilities?



# Politics of Healthcare, cont.

- Payors?
  - Medigap coverage could be affected;
- Not unreasonable to expect changes to the ACA as a whole;
  - Part of some grand bargain;





# Health Insurance Exchanges

What is a Health Insurance Exchange (HIE)?

- A set of state-regulated and standardized health care plans, from which individuals may purchase health insurance eligible for federal subsidies. All exchanges must be fully certified and operational by January 1, 2014 under federal law. (Section 1311 et seq. of ACA)



# Health Insurance Exchanges (continued)

- Some Requirements of Exchanges:
  - Guaranteed issue: insurers will not be permitted to refuse to insure any individuals
  - Limit to price variations: prices will vary based on four factors and not beyond a total factor of approximately 10
  - Plans will be offered in four comparable tiers ranging from bronze to platinum with limited out of pocket expenses
  - Strict regulations on rescission
  - Lifetime and annual limits eliminated



# Health Insurance Exchanges (continued)

- Limit deductibles for health plans in the small group market to \$2,000 for individuals and \$4,000 for families unless contributions are offered that offset deductible amounts above these limits. This deductible limit will not affect the actuarial value of any plans.
- Limit any waiting periods for coverage to 90 days.
- Allow states the option of merging the individual and small group markets\*.
- Create an essential health benefits package that provides a comprehensive set of services, covers at least 60% of the actuarial value of the covered benefits, limits annual cost-sharing to the current law HSA out-of-pocket limits (\$6,250 for self-only coverage and \$12,500 for family coverage for 2013, according to the IRS ), and is not more extensive than the typical employer plan. For 2014, those numbers go up to \$6,350 and \$12,700.
- Require all qualified health benefits plans, including those offered through the Exchanges and those offered in the individual and small group markets outside the Exchanges, except grandfathered individual and employer-sponsored plans, to offer at least the essential health benefits package.

# Health Insurance Exchanges (continued)

Exchanges will have four tiers:

Bronze: Covers 60% of bill (at approved rates)

Silver: Covers 70% of bill

Gold: Covers 80% of bill

Platinum: Covers 90% of bill

Each of these plans will also be limited in its out of pocket expenses at the annual limits.



# Health Insurance Exchanges (continued)

- Possible problems (from an insurance company perspective)
  - Adverse selection, i.e., only sick individuals will enroll when they need care
  - Waiting to enroll until care is needed.
- One possible solution: create open enrollment periods
- What else springs to mind as an issue for the plans?
  - Why would providers care how it affects plans?



# Health Insurance Exchanges (continued)

As of today:

- Thirteen states, and one federal district, have HIE establishment legislation: California, Colorado, Connecticut, Hawaii, **Idaho**, Maryland, Massachusetts\*, Minnesota, Nevada, New Mexico, Oregon, Vermont, Washington, and the District of Columbia
- Utah has an exchange set up for small businesses only
- Establishment Legislation means these states have begun the process, including budgetary line items.

\* Denotes those states that had insurance exchange establishment legislation on the books prior to the ACA



# Health Insurance Exchanges (continued)

As of today (continued):

- Four states have HIE establishment legislation pending: Illinois\*, Michigan, Ohio and Pennsylvania
- Three additional states have created the beginnings of HIE through executive order by the governor: Kentucky, New York, and Rhode Island

\* Illinois has since been passed.



# Health Insurance Exchanges (continued)

As of today (continued):

- The following states either have not yet enacted HIE establishment legislation, or it failed to pass the state's legislature: Alabama, Alaska, Arizona, **Florida**, Georgia, Indiana, Kansas, Louisiana, Maine, Mississippi, Missouri, Montana, Nebraska, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Wisconsin and Wyoming.



# Health Insurance Exchanges (continued)

As of today (continued)

- Nine states have stated they will not be creating HIEs: Alaska, South Dakota, Texas, Louisiana, Wisconsin, South Carolina, New Hampshire, Maine and....
- That bastion of voter integrity, FLORIDA (but more on this in a bit)



# Health Insurance Exchanges (continued)

Two Examples of HIE legislation:

Oregon:

- 2011 SB 99, Chapter 415
- Independent Public Corporation of the State
- 9 member board, 2 ex-officio members
  - Appointed by the Governor

# Health Insurance Exchanges (continued)

## Oregon (continued)

- October 2012: Cover Oregon – the official name, along with a website: [www.coveroregon.com](http://www.coveroregon.com)
- Initial Grants:
  - \$1 million Planning Grant
  - “Early Innovator” cooperative agreement: \$48,096,307
  - \$8,969,600 First Level One Establishment Grant
  - \$6,682,701 Second Level One Establishment Grant



# Health Insurance Exchanges (continued)

## Oregon (continued)

- Active Purchaser in the selection of carriers
  - This indicates how a state will operate its exchange
- “Active Purchaser” model: exchange operates as large employers often do, using market leverage and the tools of managed competition to negotiate product offerings with the exchange.
- “Open Marketplace” exchange operates as a clearing house that is open to all qualified insurers and relies on market forces to generate product offerings as is the case in CO and UT.

# Health Insurance Exchanges (continued)

## Vermont

- 2011 HB 202, Act No. 48
- Part of an existing agency, the VT Department of Health Access
- Consultation with 22 member Medicaid Exchange Advisory Committee
- Not an Active Purchaser
- HIE will be overseen by Green Mountain Care Board
  - Plan is to move VT through several stages of health care change.
    - Goal in VT is a single payor system

# Health Insurance Exchanges (continued)

## Massachusetts

- Chapter 58 of the Acts of 2006
- Independent State Agency: HealthConnector, found at <https://www.mahealthconnector.org>
- Active Purchaser
- Manages two programs: Commonwealth Care and Commonwealth Choice.
  - Commonwealth Care: Subsidized program for individuals w/ no employer-sponsored plan.
  - Commonwealth Choice: commercial plans for small business employers and individuals ineligible for care.



# Health Insurance Exchanges (continued)

## Massachusetts Grants:

- \$1 million planning grant
- \$25 million appropriation from general fund
- \$11,644,938 First Level One Establishment Grant
- \$41,679,505 Second Level One Establishment Grant
- Early Innovator Cooperative Agreement with U Mass Med. School: \$35,591,333



# Health Insurance Exchanges (continued)

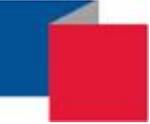
## The Federal Option

- Under development by the US Department of Health and Human Services
- Likely not a simple 'federal' plan
- States likely going to be brought into day to day administration
- Remember, these exchanges are supposed to be seamless to the insured



# Florida

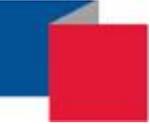
- June 2012: *National Federation of Independent Businesses et al v. Sebelius*
- Governor Rick Scott announced that the state will not implement a state health insurance exchange because of the potential rise in cost for health insurance premiums.
  - First 3 years of Insurance Exchange program covered by the federal government. Self funded after 1/1/15.
  - Legitimate concern regarding year 4 and onward.



# Florida (continued)

## Legitimate Concerns:

- Texas up on the Medicaid and Florida, for example, have among the largest Medicaid populations in the country
- How to manage the cost involved in managing the exchanges
- How to manage the millions of individuals who may end rolls, or are steered towards exchanges



# The Newly Insured

- 30 million newly insured
  - Median age of 33
  - Relatively good health
  - 24% have college degree
  - 1 in 4 will be black, Asian, Native American or multi-racial
  - 30% won't speak English

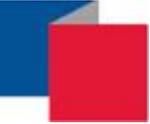
(Source: Congressional Budget Office and PwC HRI analysis)



# The Newly Insured

- More likely to be unemployed or underemployed than current insured population
- Many likely to cycle between Medicaid and subsidized exchanges (“churn”)
- Median income = 166% FPL (vs. 333% FPL for currently insured)

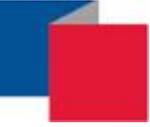
(Source: Health Research Institute, “Health Insurance Exchanges: Long on options, short on time”)



# The Newly Insured

- Over time, more likely that providers treat more potentially higher-acuity patients
- More paying customers
- New population more likely to have difficulty with English
- New population less likely to be familiar with health system and how to navigate it
- Will be a range of undetected medical issues to address

(Source: Health Research Institute, “Health Insurance Exchanges: Long on options, short on time”)



# Impact on Providers

- Increased number of patients arriving for first checkup in years
- Pent-up demand for services and undetected illnesses
- Pressure from insurers to deliver value over volume
- Shift in the balance of insurers/new payer mix



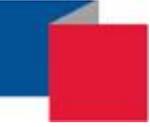
# Steps for Providers

- Provider-owned health plans/ACOs?
  - Providers to develop their own products?
- Improve information management
- New ways to demonstrate quality
- Improve care coordination
- Re-evaluate reimbursement and billing structures



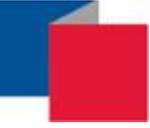
# So, what now?

- Idaho as a beacon of the future
- The Florida Bar as an example of what's next



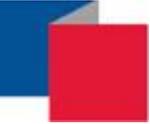
# The Florida Bar

- Created its own private health insurance exchange
- Goes live October 1, 2013
- Coverage begins January 1, 2014
- Company called Member Benefits, Inc. administering the program



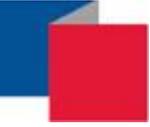
# From Florida to Idaho

- Seriously, Idaho
  - The only Republican-dominated state that chose to run its own exchange
  - Republicans outnumber Democrats in Idaho by 4 to 1 in the legislature
  - Only 1/3 of Idahoans voted for President Obama in 2012
    - The third lowest tally nationwide
  - Governor Otter (he goes by ‘Butch’, in case you were wondering, “ In Idaho, people have a fierce resolve to do things themselves...We want to prevent ceding any more control to the federal government than is necessary.”
    - ‘Red State Idaho embraces Obamacare insurance exchange – reluctantly’: [www.khi.org/news/2013/aug/09/red-state-idaho-embraces-obamacare-insurance-exchange-reluctantly](http://www.khi.org/news/2013/aug/09/red-state-idaho-embraces-obamacare-insurance-exchange-reluctantly)



# From Florida to Idaho, cont.

- Governor Otter credits the following groups for working with the legislature to create the exchange:
  - hospitals
  - business leaders
  - insurers
  - ‘other’ stakeholders
- Called a ‘state-run marketplace’ – an exchange
- 300,000 uninsured Idahoans as of today
- Idaho exchange will have a 1.5% surcharge on policies sold in the marketplace to pay for administrative costs; Federally operated exchanges will have a 3.5% surcharge



# The Future

- Rep. Fred Wood, of Idaho, a retired E.R. physician, put it best
- “The fact is, the gig is up and it’s (the Affordable Care Act) going to happen, so let’s make sure we do it our way, not someone else’s way.”



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