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# Insurance Market Compliance with the Affordable Care Act House Health Care

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VERMONT HEALTH REFORM



# Overview

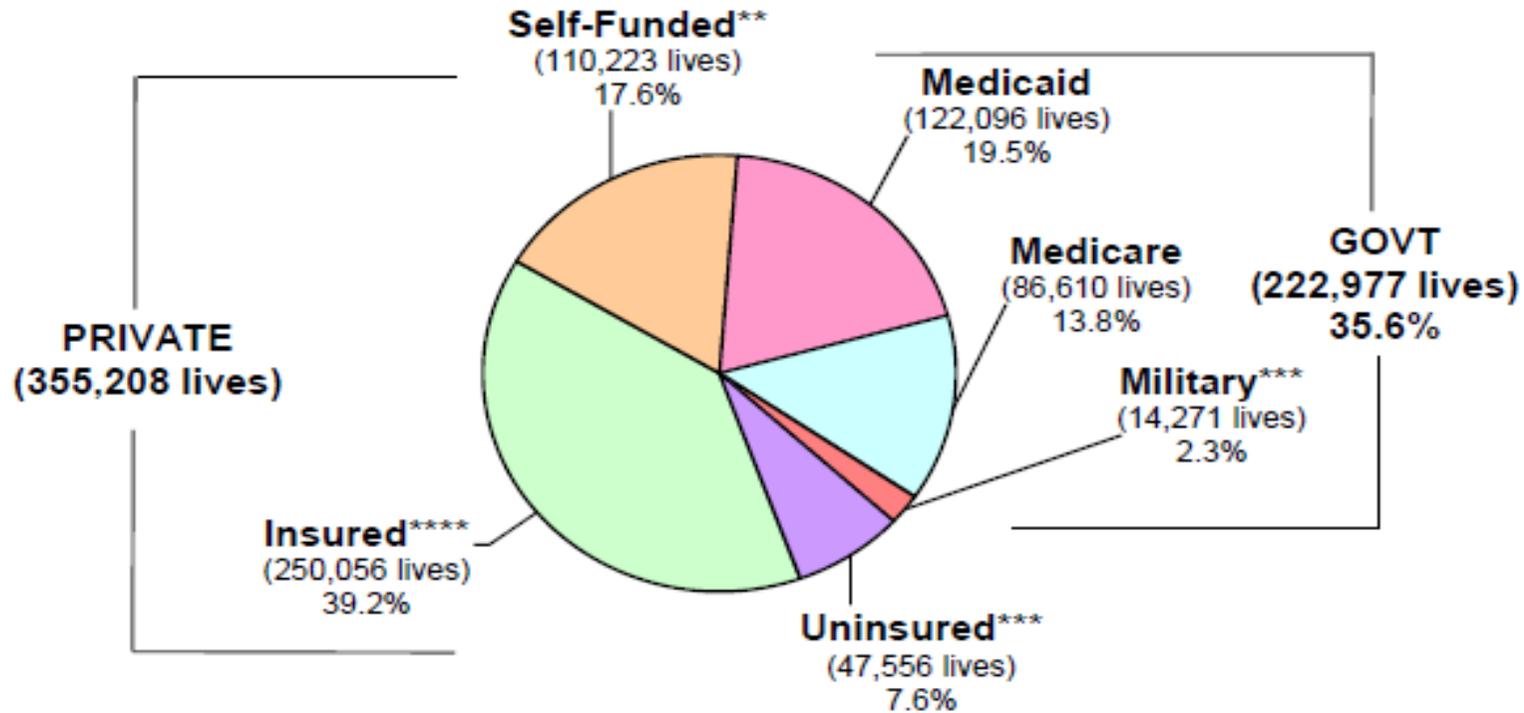
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- BRIEF review Vermont law & insurance markets
  - We'll skip what you did with Cliff Peterson yesterday
  - Facts & Figures
  - How rating of plans works today
- Review the ACA
  - Legal requirements
  - How rating works in 2014
- Act 48 study parameters & methodology
- Preliminary results & work still in progress



# PRIMARY SOURCE OF HEALTH INSURANCE ALL VERMONT RESIDENTS, 2010

N=625,741 VT Residents\*



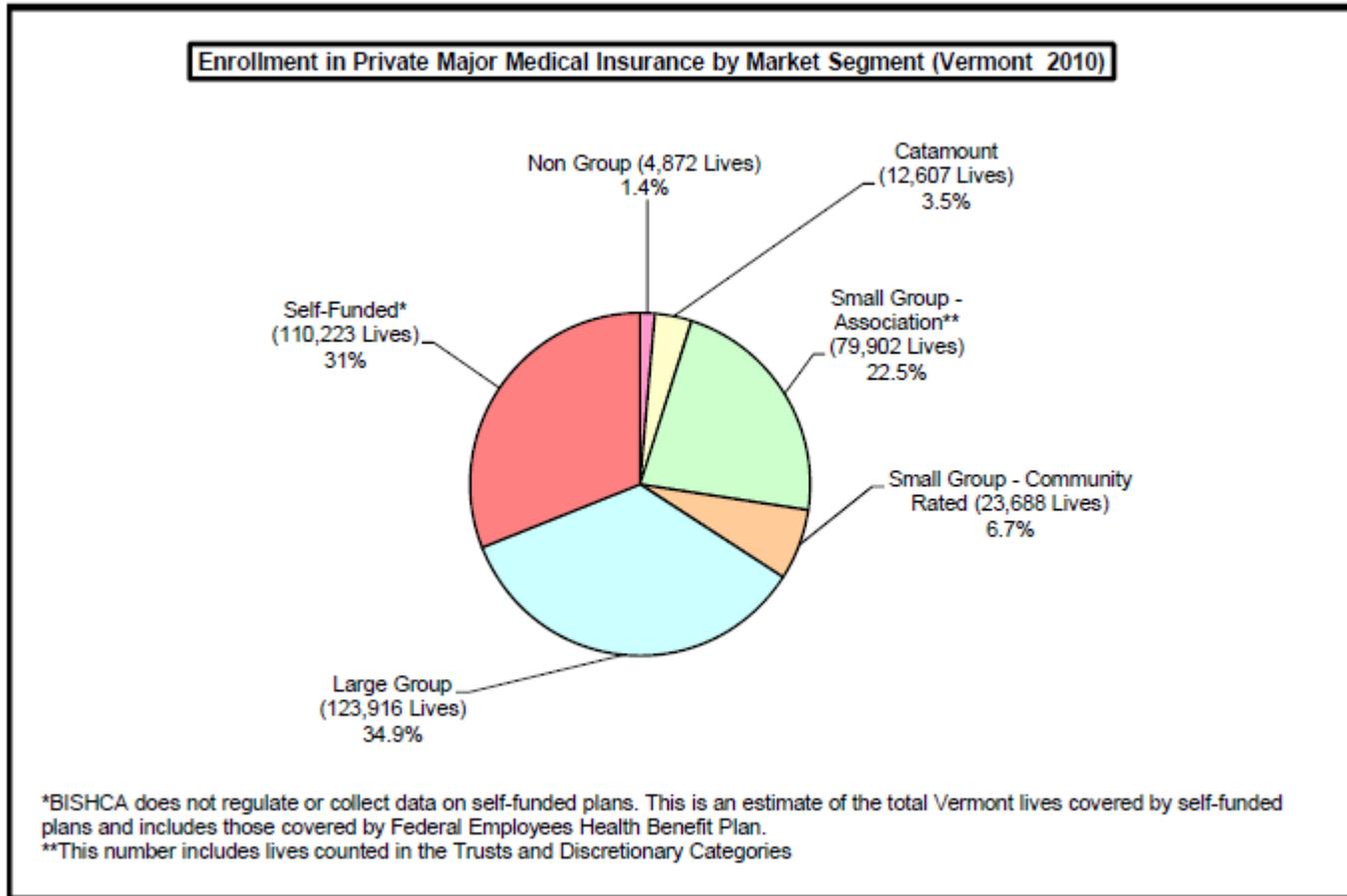
\* 2010 U.S. Census Bureau state-level annual population estimate.

\*\* BISHCA does not regulate or collect data on Self-Funded. This is an estimate of the total Vermont lives covered by Self-Funded plans which includes Federal Employees Health Benefit Plan

\*\*\*2009 Vermont Household Insurance Survey number trended forward and weighted based on the U.S Census Bureau uninsured estimates

\*\*\*\*This number includes 61,796 Vermonters covered by health plans licensed in other states.

# Size of Vermont markets



# Individual Market

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- Individual Market: 4,872 lives
- Catamount Health: 12,607 lives
  - 2 insurers
- Guaranteed issue
- Community Rated by insurer



# Risk Pools – Individual Markets

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Individual Market - MVP

Catamount Health MVP

Individual Market - Blues

Catamount Health Blue



# Vermont: Small Group Market

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- Small Group Market: 23,688 lives
  - Current definition of 50 employees or less
- Guaranteed Issue
- Community Rated by insurer
  
- NOTE: will talk about associations separately

# Risk Pools – Small Group Market

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Small Group  
Blues  
X lives

Small Group  
MVP  
X lives



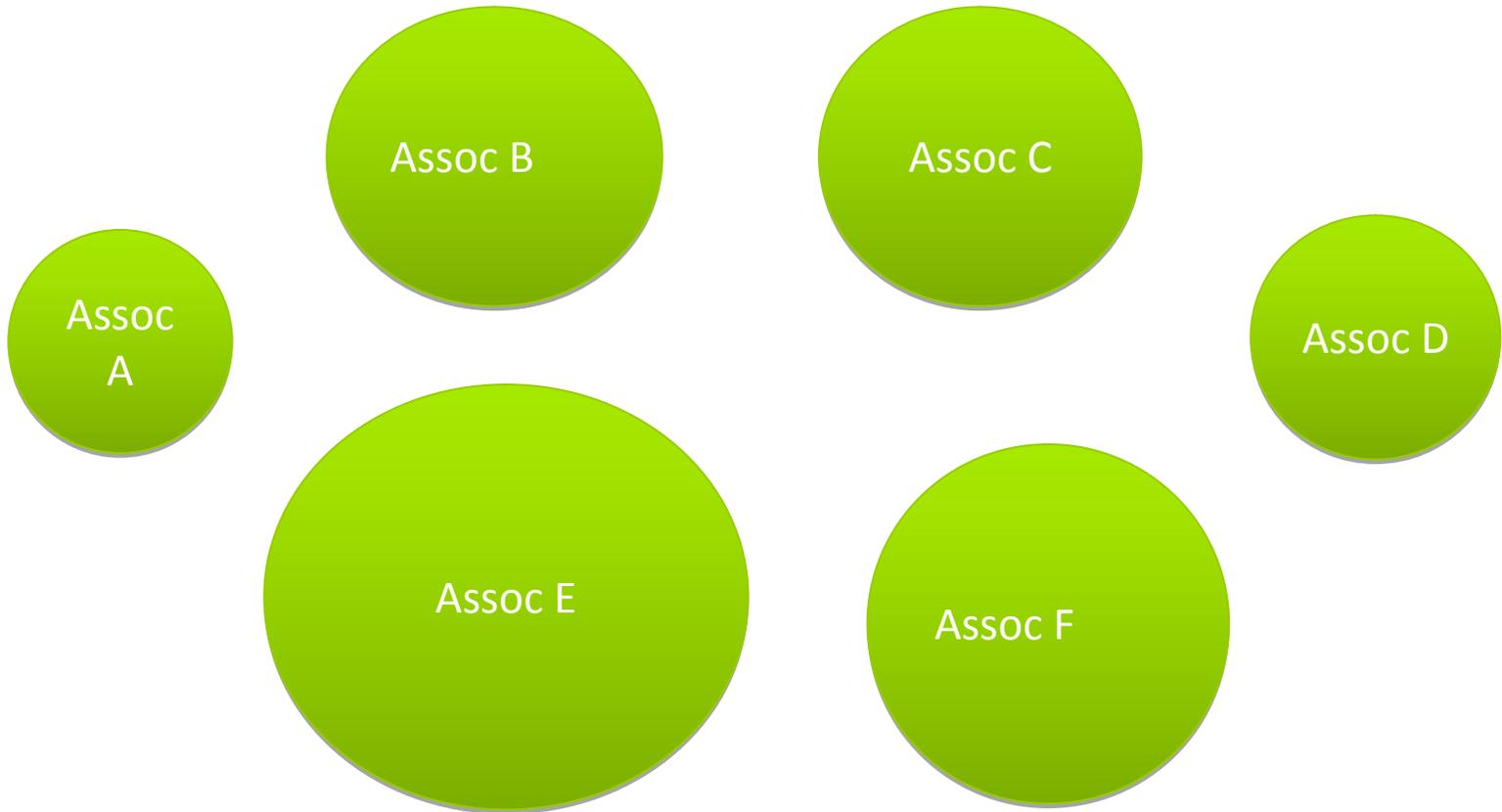
# Vermont: Association Market

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- 79,902 lives, including VEHI Trust
  - VEHI has 40,000 lives
- Exception from small group community rating
  - Each association is rated as its own pool
  - Similar to a large employer
- 11 Associations + VEHI

# Risk Pools – Association Market

Each circle represents separately-rated risk pool



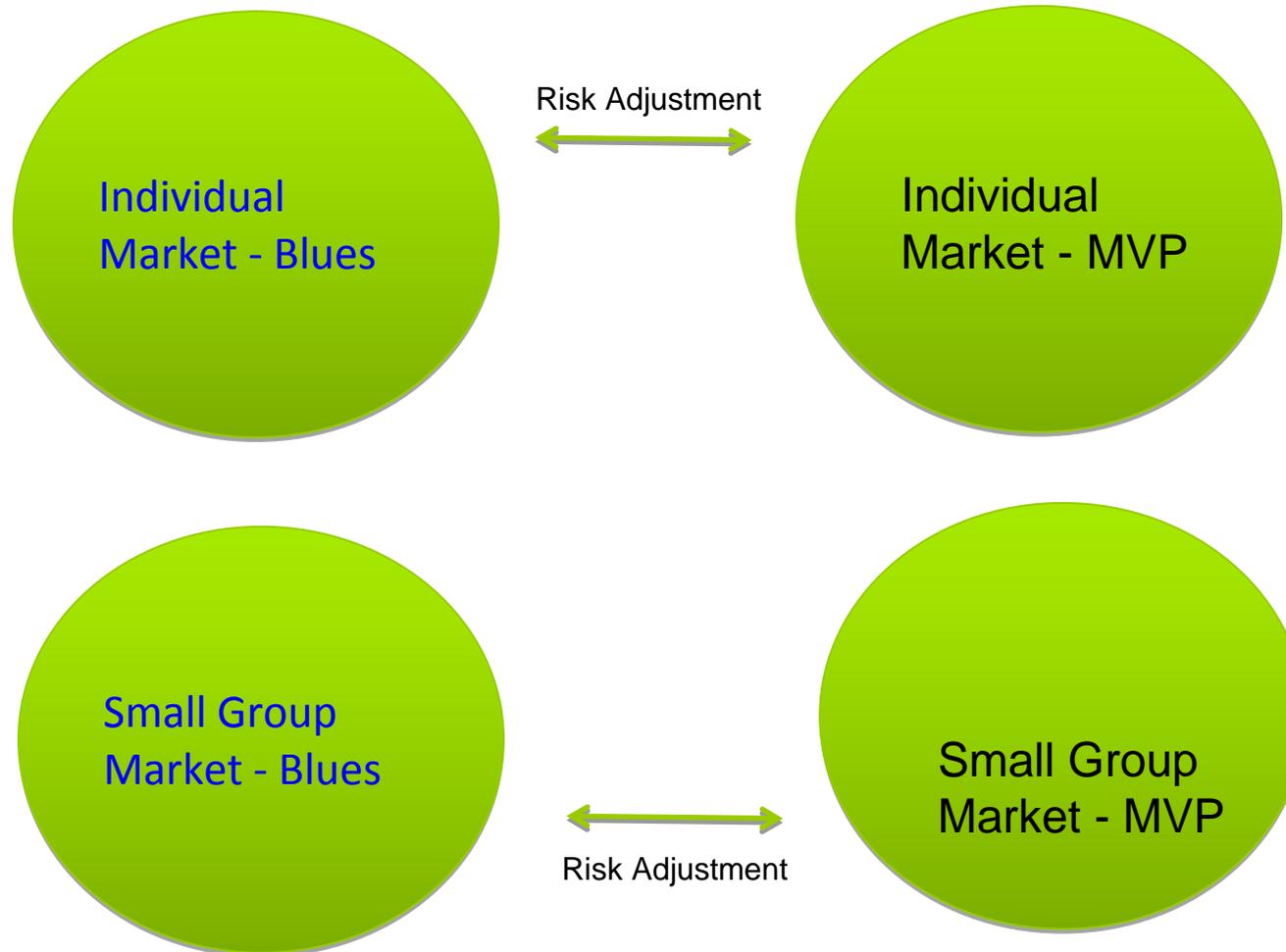
# ACA Requirements - 2014

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- Community rated pool by insurer w/ risk adjustment
  - Individual market
  - Small group market
    - Definition of small group:
      - 2016 – 100 employees or less
      - 2014 & 2015 – state option of 50 employees or less
    - State option to merge Individual and small group market
- Federal essential health benefits package applies to individual & small group markets
  - Essential health benefits – benchmark plans
  - Benefits packages (“metal levels”)
  - We come back to this....

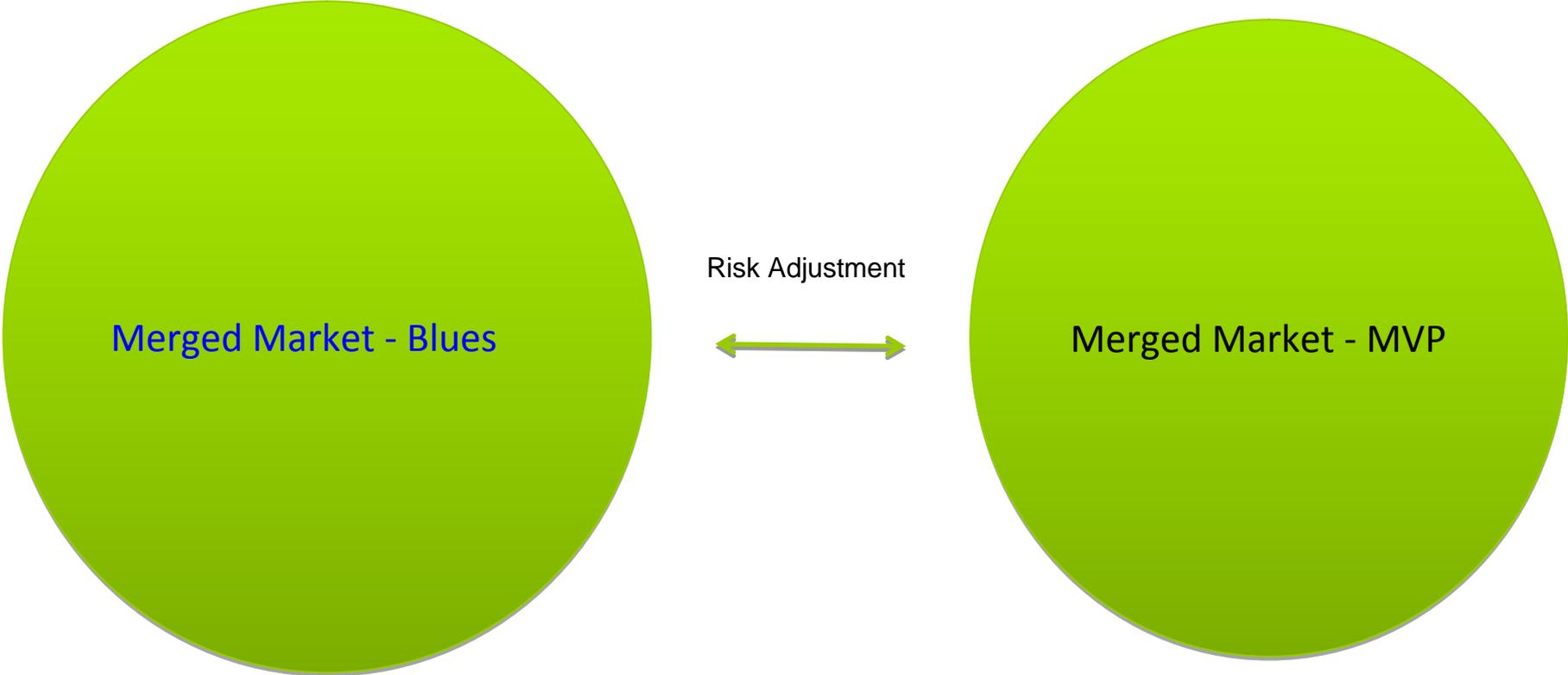
# Risk Pools: Option 1 – 2014

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# Risk Pools: Option 2 – 2014

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# Application of Risk Adjustment (3R's)

ACA Provision	Sold within Exchange		Sold Outside Exchange			Who Administers	
	Individual	Small Group	Individual	Small Group	Grand-Fathered	State Run HIX	Federal Run HIX
Risk Adjustment	Yes	Yes	Yes	Yes	No	State or HHS <sup>1</sup>	HHS
Reinsurance	Yes	No	Yes	No	No	State	State or HHS <sup>1</sup>
Risk Corridor	Yes	Yes	No	No	No	HHS	HHS
<sup>1</sup> State can decide to administer or allow HHS to administer. If HHS administers, all parameters will be Federal.							

Source: Wakely Consulting Group



# Where is the association market?

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- ACA does not include an exception from community rating for associations
- Small & Large group now defined by employer size
- Employers purchasing from an association now will get insurance from the small or large group, depending on their size and be rated as part of the applicable small or large group risk pool

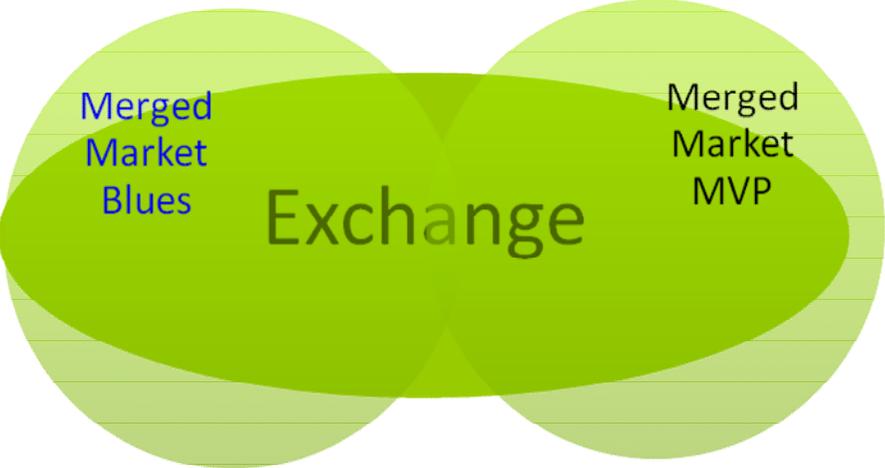
# Where is the Exchange?

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- Method of purchasing, *not* a separate pool
  - Plans are rated by carrier, but not by whether they were purchased through the Exchange, through an insurance broker, or directly from the insurer
  - Exchange is essentially a distribution channel for purchasing health insurance

# Exchange as part of Market—2014

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# Common features of *all* plans in 2014

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- All small group & individual market plans
  - No large group
  - As discussed, no separate pooling for associations
- Essential services (list of 10)
  - Federal Guidance – set services in 2014 & 2015 to a benchmark plan chosen by the state
    - Largest plan by enrollment in any of the 3 largest small group insurance products
    - Any of the largest 3 state employee plans
    - Any of the largest 3 national FEHBP plans
    - Largest commercial HMO plan
  - Most of these plans include state mandates



# Common features of *all* plans in 2014

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- “Metals” – must meet an actuarial level
  - Applies to all plans in the markets, not just the Exchange
  - Bronze (60%), silver (70%), gold (80%), platinum (90%)
  - Act 48 begins at silver; seeking clarification in the final rules
  - Suggestion by actuaries nationally that plans will not be able to design a bronze plan that also complies with medical loss ratio of 80%
- Community rating by insurer
- Guaranteed issue & renewal

# Act 48

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## Section 8. Integration Plan

- Should “small employer” be defined as an employer with 100 or 50 employees or less?
  - Defines small versus large group markets
  
- What will the individual and small group market look like in 2014?
  - Pros/cons to having mechanisms for purchasing health benefit plans outside of the Exchange
  - Pros/cons to having “unqualified” plans outside of the Exchange

# What does the study entail?

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- Collection of data from insurers
  - Used 2010 data
  - Needed to be “standardized” so data was in the same format
  - Needed to collect information about associations that insurers did not have & add to data
  - Done by Kappel
  
- Provide data to Oliver Wyman (actuarial firm)

# What does the study entail?

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- Combined data in stages & analyzed
  - Merged association data with small group data
  - Merged Catamount data with individual market data
  - Merged the 2 above into one set
- Did this twice – once w/ data from employers with 50 employees or less; once w/ data from employers with 100 employees or less
- Checked association information against BISHCA list of associations
  - Didn't match, so sorting that out & re-running the data
  - VEHI numbers don't fit the employer definition

# What does the study entail?

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- Policy analysis of non-financial pros/cons from different perspectives (Wakely Consulting)
- Refining actuarial analysis (Wakely)

# Small Group: 50 versus 100

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- 50 employees or less:
  - 16,060 FIRMS (2009 MEPS)
  - 7,514 FIRMS offer insurance (2009 MEPS)
  - Approximately 24,000 lives (Wakely; 2010 claims data)
- 51 -100 employees:
  - 590 FIRMS (2009 MEPS)
  - 539 FIRMS offer insurance (2009 MEPS)
  - Approximately 15,000 lives (Wakely; 2010 claims data)
- Association broken down separately

# Association Market: 50 to 100

- Currently 11 associations and VEHI trust
  - Numbers below are a DRAFT – still checking them
- VEHI numbers below reflect insurance groups
  - NOT accurate accounting using ACA definition of employer
  - Working to reanalyze

Table 3

Group Size	< 51		51 to 100		100+	
Association	Members	Earned Premium (\$Millions)	Members	Earned Premium (\$Millions)	Members	Earned Premium (\$Millions)
Agriservices	1,379	\$4.6	0	\$0.0	0	\$0.0
Associated Industries of Vermont Insurance Services (AIVIS)	193	\$1.4	0	\$0.0	0	\$0.0
Business Resource Services (BRS)	2,130	\$10.5	0	\$0.0	0	\$0.0
Vermont Automobile Dealers Association (VADA)	3,086	\$5.5	694	\$1.0	1,066	\$2.0
Vermont Education Health Initiative (VEHI)	1,614	\$7.5	3,353	\$16.2	35,421	\$172.4
Vermont Assoc of Chamber Executives (VACE)	19,433	\$54.5	0	\$0.0	0	\$0.0
Vermont Dental Society	521	\$2.2	0	\$0.0	0	\$0.0
Vermont League of Cities and Towns (VLCT)	3,090	\$17.9	517	\$2.9	1,153	\$6.5
Vermont Health Services Group (VHSG)	1,725	\$8.2	69	\$0.4	0	\$0.0
Vermont Ski Areas Assoc (VSAA)	310	\$0.6	127	\$0.2	203	\$0.4
Vermont Veterinary Medical Association (VVMA)	468	\$1.3	0	\$0.0	0	\$0.0

Source: Wakely Consulting



# How does that add up?

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- Small group = 50 employees or less
  - 24,000 current small group
  - 32,000 association groups
  - Total: 56,000
- Small group = 100 employees or less
  - 24,000 current small group
  - 15,000 employers with 51-100 lives (not in associations)
  - 32,000 association groups with 50 or less
  - 5,000 association groups with 51-100
  - Total: 76,000
- VEHI not included because of data issues & because could be grandfathered still

# 50 versus 100: A few pros & cons

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- 50 employees or less:
  - provides familiarity for 1 or 2 years
  - More gradual transition of the markets
  - Exchange has fewer people; less sustainable
  
- 100 employees or less:
  - Larger pool
  - More sustainable Exchange
  - Very slight reduction in premiums for many groups
    - Based on initial run; could change
    - Based on 2010 data; migration has already happened

# Qualified versus “Nonqualified”

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- Don't have federal rules yet
- At first blush, differences between federal requirements for qualified plans seem very similar to current Vermont law

# Qualified versus Vermont law

Federal requirement	Current Vermont law
Marketing may not discourage enrollment of individuals with significant health needs	Some marketing review as part of form review
Network adequacy & services area	Network adequacy requirements
Transparency	Transparency (new Act 48 requirements)
Essential Community providers & access for underserved populations	FQHCs commonly in networks now
Quality measures	Rule H-2009-03 (formerly rule 10)
Satisfaction Surveys	Managed Care insurers, yes

# Method of purchasing (“inside/outside”)

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- Probably higher fees when purchased through a broker
  - Additional analysis of broker roles under implementation grant
- Otherwise, plans are in same rating pool, so same plans must have same premium
  - Risk adjustment mitigates against adverse selection between insurers

# Method of purchasing (“inside/outside”)

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- Number of insurers
  - Unlikely to vary
  - Act 48 & proposed federal regulations for small employer plans require at least 2 insurers
- Possibly more variation at a given metal level if purchased outside the Exchange
  - But variation is controlled by actuarial values, so this is not unlimited
  - Variation increases provider administrative costs
- Choice of plans in the Exchange
  - 3 metal levels + 2 insurers = 6 possible plans
  - Feedback is more than 12 is too complicated!

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# Method of Purchasing (“inside/outside”)

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- Individual premium & cost-sharing subsidies
  - *Only available* for plans purchased through the Exchange
  - Subsidies available up to 400 % of poverty
  - Individual cannot have employer-sponsored coverage
- Small business tax credits
  - *Only available* for plans purchased through the Exchange
  - Available for 2 years
  - Employers with 25 employees or less
    - Wages under \$25,000

# Summary

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- Integration Plan due Tuesday, Jan 17<sup>th</sup> (with 14 other reports)
  - Analysis, however, is on-going
  - Continue to refine data
- Working on bill draft with Legislative Council
- Tomorrow
  - Medicaid & Exchange eligibility and where we go in 2014