The Health Connector
The Massachusetts Exchange

The Massachusetts Health Policy Forum

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Manager of External Affairs

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Massachusetts Health Reform

• Created in 2006 by Massachusetts health reform law (Chapter 58 of the Acts of 2006)
  − Quasi-public agency with eleven-member Board, chaired by Secretary of Administration & Finance
  − Four ex-officio: A&F/GIC/DOI/MassHealth
  − Four Gov. appointees: small business/actuary/health economist/broker
  − Three AG appointees: consumer/labor/Taft-Hartley

• Staff of 50+ FTE’s: mix of private health care industry and public sector experience
The Role of the Health Connector

- Health insurance exchange facilitating access to private health insurance coverage
  - Merged market with individual and small group, transparency in shopping
- Policymaking and appeals related to the Massachusetts individual mandate
- Outreach and public education about health insurance, how to access it and why to have it
- State procurement partnerships
State Procurement Partnerships

- The Health Connector partners with other state agencies to promote system-wide savings
  - Medical Security Program (MSP) Direct Coverage program
    - Previously administered by the Division of Unemployment Assistance (DUA), MSP provides subsidized health insurance to residents receiving unemployment benefits up to 400% FPL
    - The Health Connector assisted DUA in re-procuring coverage for the program, resulting in ~$30M in savings
  - Student Health Insurance Program for Public Institutions
    - Renegotiated rates on behalf of public college and university students, dramatically improving benefits with below-trend rate increases
  - The Group Insurance Commission (GIC)
    - The Health Connector provides procurement assistance to the GIC in the GIC's efforts to effectuate payment and delivery system reform through coverage for state and municipal employees and retirees
Key Features of the Affordable Care Act

• The Affordable Care Act (ACA) was signed into law in 2010, with implementation phased in over time
  – Many key provisions became effective starting January 1, 2014
• The ACA aims to expand coverage and to change the health care delivery system and builds on Massachusetts’ historic health reform efforts
• The federal law creates health insurance marketplaces where individuals, families and small businesses can purchase affordable health and dental insurance and introduces new ways to help pay for this coverage
• Implements insurance market reforms and new consumer protections
• Requires all adults to get health insurance for themselves and their children, if it is affordable
ACA Protects Consumers and Promotes Market Competition

• Builds upon Massachusetts’ reform of the insurance market
  – Free preventive care
  – Allows children to stay on their parents health insurance until age 26
  – Prohibits pre-existing condition exclusions and waiting periods
  – Risk mitigation programs discourage “cherry-picking”, stabilize premiums and promote long-term competition
  – Makes comparison shopping for small employers and individuals easier by grouping health insurance products by metallic tier (originally introduced by the Health Connector)
ACA streamlines state health programs

- Substantially simplifies a “patchwork” of subsidized programs, making them easier to navigate and more efficient to administer
- While many programs ended, everyone in those programs qualified for similar or better benefits
ACA Preserves and Expands Access to Affordable Health Insurance

- Expands Medicaid to 133% of the Federal Poverty Level (FPL)
  - Streamlines programs for current MassHealth members and opens up eligibility to new populations
- Provides premium tax credits for individuals from 133-400% FPL (lawfully present immigrants 0-400% FPL) through the Health Connector
  - Previously, Commonwealth Care only went up to 300% FPL
  - The Health Connector now provides a state “wrap” to 0-300% FPL members to preserve affordability through a set of ACA-compliant qualified health plans called ConnectorCare Plans

### 2014 Federal Poverty Level (FPL) Guidelines

<table>
<thead>
<tr>
<th>Household size</th>
<th>100%</th>
<th>150%</th>
<th>200%</th>
<th>250%</th>
<th>300%</th>
<th>400%</th>
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<tbody>
<tr>
<td>1</td>
<td>$11,670</td>
<td>$17,505</td>
<td>$23,340</td>
<td>$29,175</td>
<td>$35,010</td>
<td>$46,680</td>
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<tr>
<td>2</td>
<td>15,730</td>
<td>23,595</td>
<td>31,460</td>
<td>39,325</td>
<td>47,190</td>
<td>62,920</td>
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<tr>
<td>3</td>
<td>19,790</td>
<td>29,685</td>
<td>39,580</td>
<td>49,475</td>
<td>59,370</td>
<td>79,160</td>
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<tr>
<td>4</td>
<td>23,850</td>
<td>35,775</td>
<td>47,700</td>
<td>59,625</td>
<td>71,550</td>
<td>95,400</td>
</tr>
</tbody>
</table>

For each extra person, add:

- 4,060
- 6,090
- 8,120
- 10,150
- 12,180
- 14,210
## New ACA Health Connector Programs

<table>
<thead>
<tr>
<th>Health Connector Program</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Health Plan (QHP) NEW</td>
<td>A health plan available through the Health Connector to all Massachusetts residents that are U.S. citizens, nationals or otherwise lawfully present and are not in jail.</td>
</tr>
<tr>
<td>Qualified Dental Plan (QDP) NEW</td>
<td>A dental plan available through the Health Connector to all Massachusetts residents that are U.S. citizens, nationals or otherwise lawfully present and are not in jail. This is the first time the Health Connector has sold dental products.</td>
</tr>
<tr>
<td>Qualified Health Plan with Premium Tax Credit NEW</td>
<td>Middle-income individuals and families (earning at or below 400% FPL) that meet all the requirements for purchasing a QHP may be eligible for a premium tax credit to lower the cost of their monthly premiums if they also do not have access to other public health insurance programs (e.g., Medicare, Medicaid) and do not have access to ‘affordable’, comprehensive coverage from their employer.</td>
</tr>
<tr>
<td>ConnectorCare NEW</td>
<td>Lower-income individuals and families (earning at or below 300% FPL) that meet all the requirements for purchasing a QHP with a premium tax credit may be eligible for a ConnectorCare plan, which through a mix of state and federal funding, has even lower monthly premiums and co-pays than a standard QHP.</td>
</tr>
</tbody>
</table>
Cost Containment

- The Health Connector, both under Chapter 58 and the ACA, participates in and creates mechanisms for increased cost containment in the Commonwealth
  - Comparison Shopping
  - Competitive Procurements
  - The 3Rs
  - Promotion of Alternative Payment Methodologies
Comparison Shopping

- Prior to Chapter 58, there was little opportunity to comparison shop between health plans.

- The Health Connector offered transparency in pricing and plan design and creates standardized plan designs to promote consumer friendly, apples-to-apples comparison shopping.

- The ability for a consumer to compare rates among similar plans creates market competition for more competitive premium rates.
Competitive Procurement

• The Health Connector has used competitive procurements to create increased competition and drive down costs

• Commonwealth Care (Chapter 58)
  - At the beginning of the program, auto assignment into the lower cost plans
  - Transfers to zero dollar premium plans (PTIIA)
  - New zero dollar premium payers to lowest cost plan (PTI)
  - 2008-2010 increase in rates of less than 2 percent when the rest of the market increased by 7.5 percent
  - Fiscal Year 2011 showed a 12 percent decrease due to competitive procurements

<table>
<thead>
<tr>
<th>Commonwealth Care FY14</th>
<th>I</th>
<th>IIA</th>
<th>IIB</th>
<th>IIIA</th>
<th>IIIB</th>
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<tr>
<td>BMC</td>
<td>$0</td>
<td>$0</td>
<td>$40</td>
<td>$78</td>
<td>$118</td>
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<tr>
<td>CeltiCare</td>
<td>$0</td>
<td>$0</td>
<td>$40</td>
<td>$78</td>
<td>$118</td>
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<tr>
<td>NWH</td>
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<td>$3</td>
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<tr>
<td>NHP</td>
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<td>$81</td>
<td>$138</td>
<td>$182</td>
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<tr>
<td>Fallon</td>
<td>$0</td>
<td>$28</td>
<td>$81</td>
<td>$138</td>
<td>$182</td>
</tr>
</tbody>
</table>
Competitive Procurement (cont’d)

• ConnectorCare (ACA-compliant)
  – Largely retains the same affordability (premium) structure as Commonwealth Care
  – Rewards low cost plans
  – Unlike Commonwealth Care, could drive down prices market-wide as these plans are based on plans available inside and outside of the exchange

| ConnectorCare 2015 (All Region, Blended) |
|-------------------------------|--------|--------|--------|--------|--------|
| I    | II A | II B  | III A | III B |
| Lowest | $0   | $0    | $40   | $78   | $118   |
| 2nd   | $0   | $6    | $50   | $93   | $134   |
| 3rd   | $0   | $14   | $61   | $108  | $151   |
| 4th   | $0   | $23   | $74   | $127  | $171   |
| 5th   | $0   | $28   | $81   | $138  | $182   |

• 2015 Qualified Health Plans (ACA-compliant)
  – The 2015 Seal of Approval (certification for QHPs in Massachusetts) resulted in favorable premium outcomes, reflected by an overall average increase of 1.6% over 2014 rates
    ▪ Weighted by 2014 QHP non-group population mix
  – Compares with 3.1% average increase in the broader merged market (QHPs and non-QHPs)
The 3Rs

- The ACA introduced additional measures to smooth the risk that carriers take on, thereby creating a less volatile market and a space where pricing competition can be implemented more readily.

- **Reinsurance**: help with high cost individual claimants (temporary)
  - Formula where carrier can stabilize costs when they are faced with high cost claimants who have claims above a certain threshold (“attachment point”).

- **Risk Corridors**: equalize budget (temporary)
  - Determine budget of carriers and equalize from HHS funding.

- **Risk Adjustment**: equalize risk “score” (permanent)
  - Massachusetts- first and only federally approved state-specific methodology.
  - Creates an average market risk score based on claims data and creates budget neutrality between carriers (payments to higher risk scores, payments from lower risk scores).
Promotion of Alternative Payment Methodologies

- As part of the Health Connector’s Seal of Approval process, carriers are required to submit plans for Alternative Payment Methodologies and cost containment strategies

- We are encouraged by the responses we receive from our approved carriers and continue to follow their progress in implementing these measures
Questions?