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HEALTH MANAGEMENT ASSOCIATES

## **Health Insurance Exchanges: Improving the Consumer Experience**

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The Health Insurance Exchange is a critically important vehicle for achieving two central goals of the Patient Protection and Affordable Care Act (ACA): (1) organizing the health insurance market place so that individuals and small firms have clear, transparent, and understandable choices; and (2) assuring through sliding scale federal subsidies that health insurance is affordable. To achieve these goals, Colorado will need to ensure its Exchange(s) will be easily accessible and customer-friendly for individual and small business consumers.

Key consumer-oriented responsibilities for the Exchange include supplying standardized benefit plan and cost comparison materials, using “Navigators” (explained in detail below) to assist consumers in selecting a health insurance plan, and streamlining the process to enroll in a plan, and if qualified, apply for subsidies. Each State must decide on the best approach to empower and inform consumers and create an efficient, hassle-free gateway to coverage in their health insurance market.

### **CONSUMER EXPERIENCE IN THE INDIVIDUAL AND SMALL-GROUP MARKET AND PUBLIC PROGRAMS**

Over the past nine years, Colorado has experienced a nearly 47 percent decline in the number of small-group employers providing health care coverage in Colorado. In 2009, approximately 37,328 small-group employers — those with 50 or fewer employees — provided health care in Colorado, down from 70,270 in 2000. This decline is not directly correlated with an increase in the number of uninsured since some individuals may have obtained coverage through other means such as a spouse’s plan, the individual market, or the small business may have become self-insured. Nonetheless, the downward trend in the small-group market is significant.

Currently, the individual and small- group health insurance consumer faces several disadvantages compared to the large-group market consumer. The smaller risk pool and lack of bargaining power leads to higher premiums in the small-group market compared to the large-group market. Nationally, small businesses pay, on average, 18 percent more than large businesses for the same coverage and health insurance premiums have increased three times faster than wages in the past 10 years. Consumers in the individual market confront a different set of challenges, including the inability to obtain coverage or dramatically higher premium and cost sharing arrangements based on health status, use of services, and age. Those that qualify for coverage may have difficulty negotiating the vast array of benefit plans and prices that can be difficult to interpret and compare. On the public programs side, significant numbers of

individuals are either unaware they are eligible or find it difficult to apply for coverage in the Medicaid and Children's Health Insurance Program (CHIP).

The ACA addresses many of these market distortions through insurance market reforms such as disallowing carriers from denying coverage based on pre-existing conditions, creating standards for setting and increasing premiums, establishing a basic benefit package, and requiring coordination with public programs. Additionally, the ACA uses the Exchange to carry out consumer-oriented functions designed to improve access to affordable coverage by facilitating and informing consumers in the individual and small-group market as they evaluate and choose health care coverage. This brief summarizes these major provisions.

### **HOW WILL THE EXCHANGE IMPROVE THE CONSUMER EXPERIENCE?**

The health insurance exchange is intended to provide an organized market for the purchase of health insurance. Every person eligible for tax credit subsidies must enroll through the Exchanges. The Exchange has the potential to improve the consumer's experience in the health insurance marketplace by playing a number of different roles, including:

- Provide structure and customer-oriented resources to facilitate consumer choice among health insurance plans.
- Provide assistance to individual and small business consumers as they select, enroll and manage participation in their health plan.
- Screen individuals for public subsidies and public coverage programs

The following sections describe some of the key functions involved in each of these roles and the components of the individual and small business insurance market that will be affected. The challenge for Colorado is identifying the tools and resources necessary for performing these roles in the most comprehensive and efficient manner.

#### ***Provide structure and inform choice for Individual and Small Business consumers***

Exchanges are required to "certify" (evaluate as "qualified") health plans for participation in the Exchange. Each qualified health plan on the Exchange will fall into four levels of coverage (Platinum, Gold, Silver, Bronze); the Exchange can also offer a Catastrophic plan for adults under 30. All plans are required to meet a minimum benefit level, so the plan levels are primarily established based on cost-sharing more so than on the list of healthcare benefits provided. Improving transparency around these benefit choices represents one of the essential opportunities Exchanges have to improve the consumer's experience purchasing products in the individual and small-group insurance marketplace. Several ACA provisions aim to give people appropriate and meaningful information to learn about their coverage and cost options.

By January 1, 2014 the Exchange must have an operational website that provides, in a standardized format, each health insurance plan's benefits, premiums, cost sharing, quality scores, and medical loss ratio (the total percentage of premium revenue spent on medical benefits, as opposed to administrative costs and profits). The website must also include the same information (and format) for the Medicaid and CHIP health plans. Additionally, the Exchange will be responsible for not only calculating eligibility for subsidy levels, but also establishing an on-line calculator for individuals to determine the actual cost of coverage after the application of any premium tax credit or cost-sharing reduction.

Given the extensive array of consumer assistance offered under ACA, it will be important to balance the interest in providing comprehensive support against the potential for overwhelming consumers with information.

***Provide assistance to Individual and Small Business consumers to select, enroll and manage participation in their health plan***

Administering a successful and proactive outreach and enrollment strategy is critical to generating enrollment levels needed to support the Exchange's individual and small-group markets and ensure its sustainability. While the website will be instrumental in establishing an organized and uniform comparison of benefits and costs, the successful administration of the Exchange depends on effectively using personal, consumer assistance to carry out their necessary enrollment functions.

Along with the website, the Exchange must have a toll-free telephone call center to assist individuals with choosing a plan and applying for health coverage. For further assistance in plan selection and enrollment facilitation, the Exchange will establish Navigator grant programs with organizations that can provide information regarding qualified health plans and subsidy options. Organizations eligible to receive Navigator grants include trade, industry, and professional associations, community and consumer-focused nonprofit groups, chambers of commerce, unions, small business development centers, other licensed insurance agents and brokers, and others. The only requirement is that navigators cannot be reimbursed on a percentage basis for enrolling people in the Exchange. The ACA assigns the following duties to the Navigator:

- Conduct public education activities
- Distribute fair and impartial information about qualified health plans and subsidy availability
- Facilitate enrollment in qualified health plans
- Refer individuals to offices of health insurance consumer assistance, ombudsman, or other appropriate state agencies regarding grievances, complaints or questions about their health plans, coverage
- Provide culturally and linguistically appropriate information

Key to the Navigator role will be leveraging existing relationships with the individual and small-group market as well as with uninsured individuals who may not have a history of participating in the insurance market.

***Screen individuals for public subsidies and public coverage programs***

The Exchange is required to facilitate access to subsidies and to coordinate enrollment functions with other public coverage programs to ensure there is no wrong door to coverage. The ACA extends Medicaid eligibility to legal residents with incomes under 133 percent FPL. For individuals with incomes up to 400 percent of the federal poverty level (FPL), the law makes available tax credits to subsidize the cost of premiums through the Exchange. People with incomes up to 250 percent FPL are also eligible for reduced cost sharing paid for by the federal government. The Exchange is responsible for determining eligibility for subsidies and notifying consumers of their eligibility. The tax credit subsidies will be refundable (available to a person even if he or she has no tax liability) and advanceable (a person may receive the tax credit at the time that they purchase insurance, rather than waiting until they file their annual tax return).

The tax credit subsidy amounts are determined by using the Silver plan premium and setting an amount that a person would have to pay to ensure they would not exceed a specified percentage of their income (adjusted for family size), as follows:

Income Level	Premium as a Percent of Income
Up to 133% FPL	2% of income
133-150% FPL	3 - 4% of income
150-200% FPL	4 - 6.3% of income
200-250% FPL	6.3 - 8.05% of income
250-300% FPL	8.05 - 9.5% of income
300-400% FPL	9.5% of income

To ensure coordination with public programs, the Exchange will use a single application form that will allow individuals to apply for enrollment in Medicaid, CHIP or Exchange subsidies and receive a determination of eligibility. Exchanges are required to inform individuals of eligibility requirements for Medicaid and CHIP. If an Exchange determines that such individuals are eligible for either program, Exchanges are required to enroll individuals in the appropriate program.

### SUMMARY

Health Insurance Exchanges have the potential to create a more informed individual and small-group insurance consumer population and improve access to affordable coverage. By creating standardized and comprehensive descriptions of plan choices, consumers can efficiently evaluate their coverage options. Designing a process that ensures the information is appropriate and meaningful is key to the success of state implementation of the Exchange. Additionally, the Navigators and an effective consumer outreach and education approach are essential to ensuring adequate participation and facilitating the choice and enrollment process. Finally, the Exchange plays an important role in coverage through the administration of subsidy eligibility determination and enrollment coordination with all public coverage programs.

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