



**2014 Seal of Approval  
Introduction (III):  
Subsidized Health Insurance  
& the QHP Wrap**

**Jean Yang  
Chief Financial Officer**

**Ashley Hague  
Chief of Staff &  
Assistant General Counsel**

**Board of Directors Meeting  
December 13, 2012**



# Agenda

- Background
- Subsidized Health Insurance Options under the ACA
- The Basic Health Plan Alternative
- Impact of the Alternative Model
- Next Steps



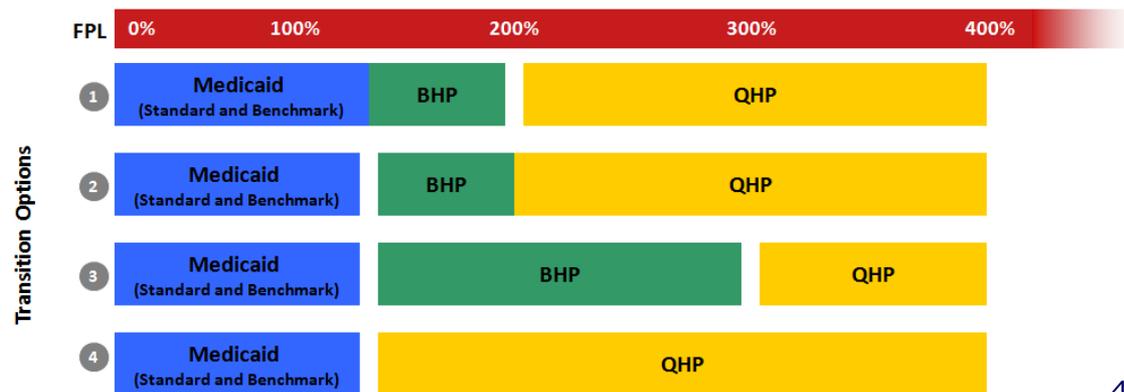
# Background

- We have previously presented to the Health Connector Board:
  - The core features of subsidized health insurance coverage under the Affordable Care Act (ACA)
  - Outstanding questions relating to implementing subsidized coverage in Massachusetts under the ACA
  - Guiding principles to consider as we design and implement subsidized coverage for 2014
  - Potential options for redesigning the Massachusetts approach to subsidized coverage in light of the ACA
  - A final recommendation from Health Connector staff and the Subsidized Insurance Workgroup to adopt and implement the Basic Health Plan (BHP) option outlined under the ACA along with a state wrap for Qualified Health Plan (QHP) enrollees up to 300% FPL
- Federal guidance detailing the requirements for a BHP will not be released in time for us to operate a BHP in 2014. Thus, in partnership with our colleagues at MassHealth, we have been developing an alternative approach to ensuring access to affordable coverage for the affected populations beginning in 2014



# Subsidized Coverage Options under the ACA

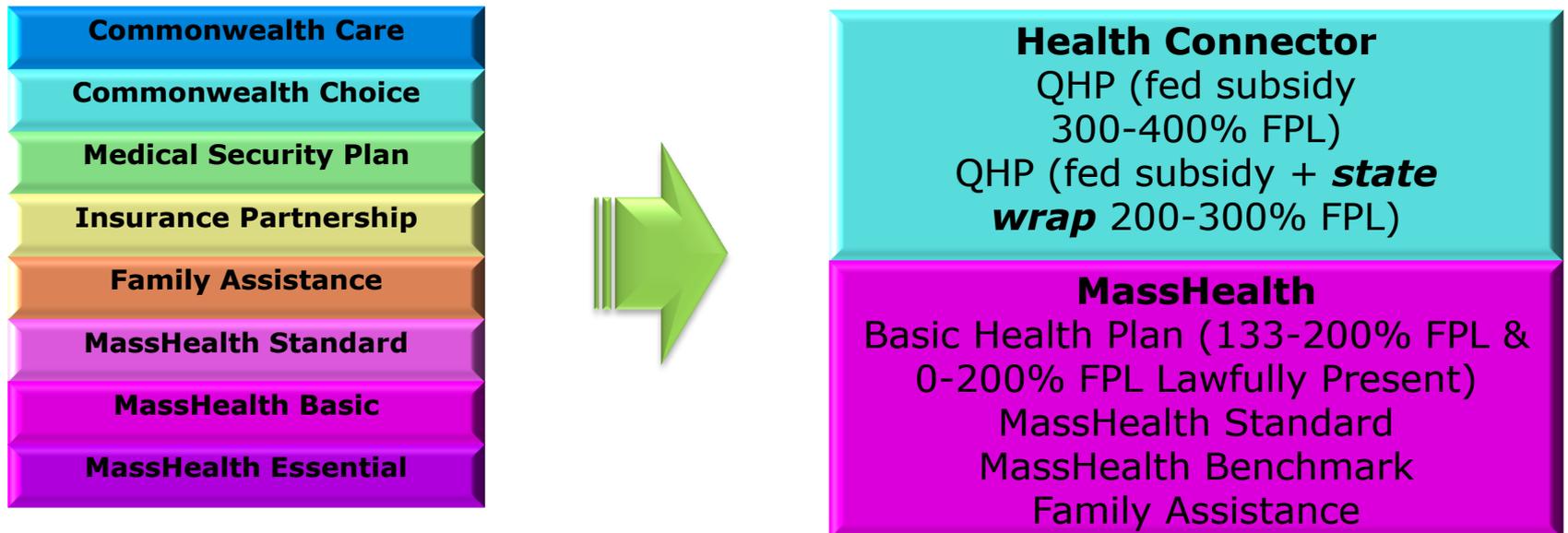
- As a brief refresher, the ACA outlined two approaches to providing subsidized coverage starting in 2014
  - Expand Medicaid up to 133% FPL, provide federal subsidies through QHPs offered in the Exchange to individuals up to 400% FPL through advanced premium tax credits (APTCs) and, where applicable, point-of-service cost-sharing reductions (CSRs); OR
  - Expand Medicaid up to 133% FPL, adopt a BHP for individuals up to 200% FPL, and provide federal subsidies through QHPs offered in the Exchange for individuals between 200-400% FPL through APTCs and, where applicable, CSRs
- The Health Connector hired Manatt/Mercer to analyze these and other options for Massachusetts to consider:





# Subsidized Coverage Options under the ACA (cont'd)

- Based on the analysis provided by Manatt/Mercer, the Subsidized Insurance Workgroup proposed adopting a BHP in Massachusetts, operated by MassHealth, and using state dollars to enhance federal subsidies for people up to 300% FPL purchasing coverage through the Health Connector





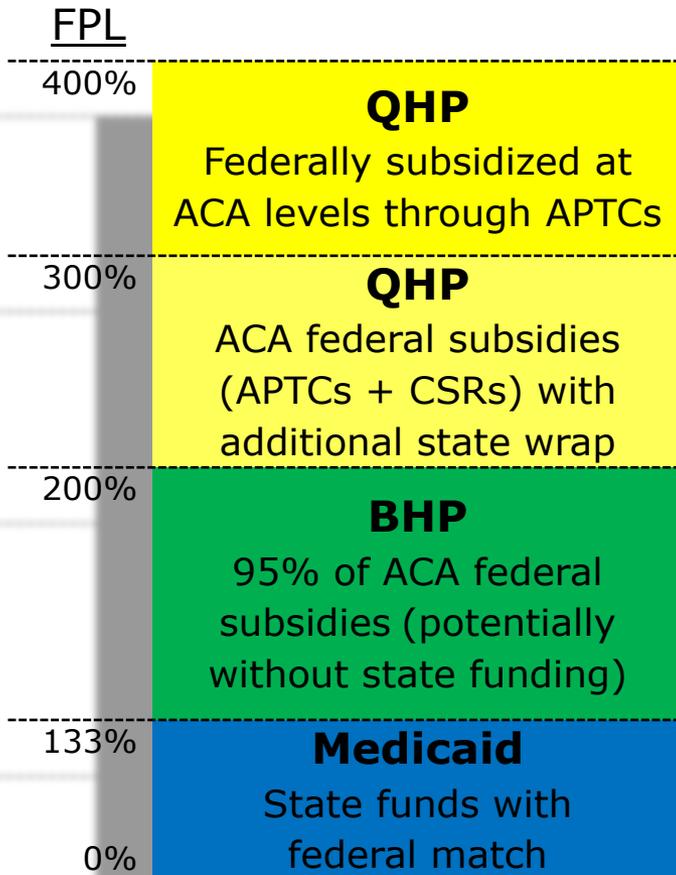
# BHP Alternative Proposal

- We have been informed that we will not receive federal guidance detailing the administration of a BHP in time to operate one for at least calendar year 2014
- MassHealth and Health Connector staff have accordingly been working together to develop an alternative structure that:
  - Reflects the guiding principles previously developed by the Subsidized Insurance Workgroup
  - Maintains the coverage gains achieved in Massachusetts to date
  - Resembles the highly successful Commonwealth Care program to provide access to comprehensive coverage that is affordable to both enrollees and the Commonwealth
  - Leverages new systems and builds new program design features to minimize gaps in coverage as individuals transition between MassHealth and the Health Connector
  - Works within existing state and federal legal parameters without having to seek legislative changes

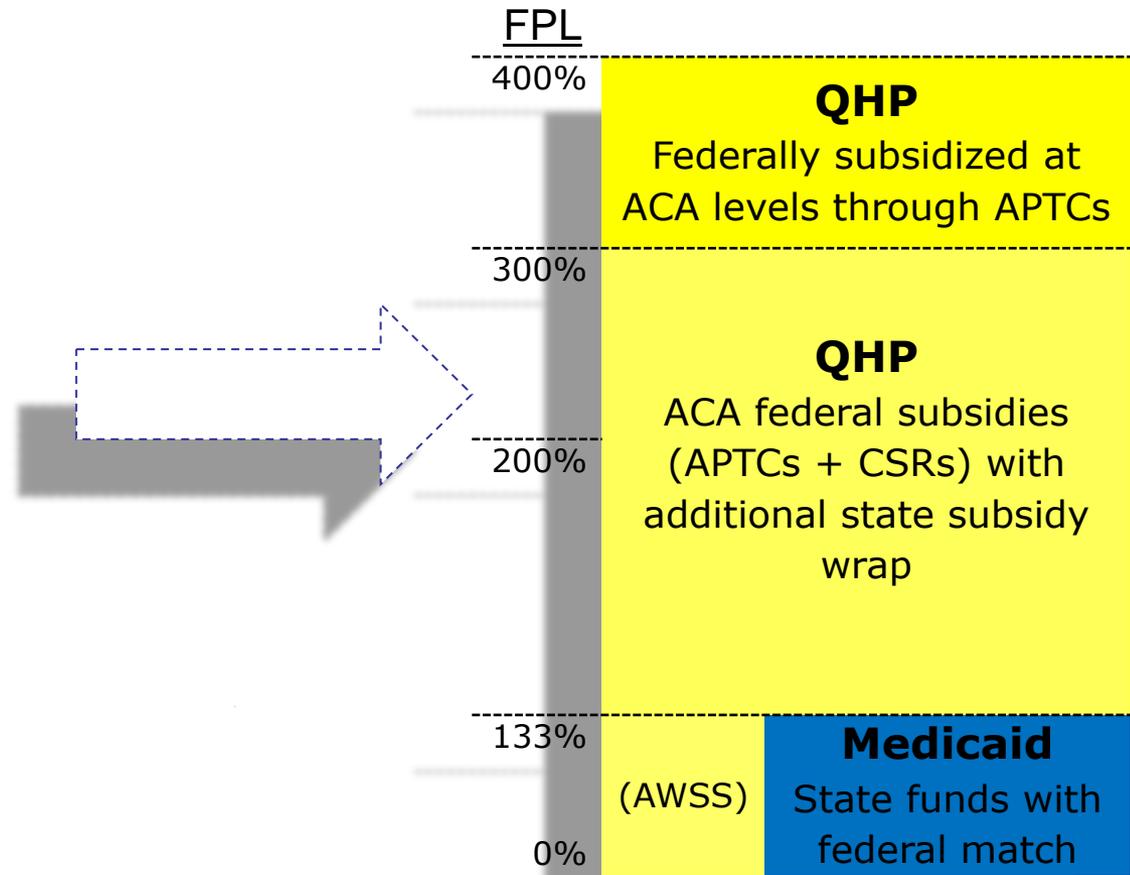


# BHP Alternative Proposal (cont'd)

## Previously Proposed Structure with BHP



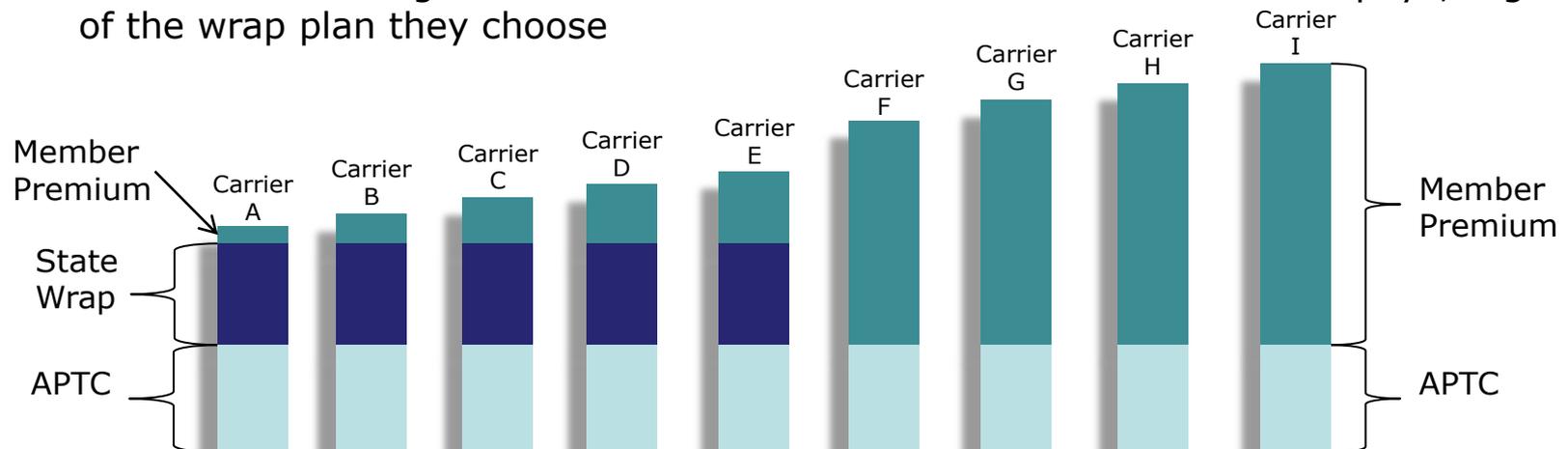
## New Proposed Structure





# BHP Alternative Proposal (cont'd)

- The proposed alternative structure builds upon our prior planning for a QHP wrap and borrows heavily from today's Commonwealth Care program
  - The wrap will be available to enrollees through a subset of QHPs offered on the Health Connector's Silver shelf
  - Only certain carriers will qualify to offer wrap plans – those that offer the lowest priced QHPs and potentially other requirements developed and specified by the Health Connector
  - As in Commonwealth Care today, enrollees who choose the least expensive wrap plan will pay a base enrollee premium tied to their income level; enrollees who choose more expensive plans will pay higher premiums
  - Also similar to Commonwealth Care today, cost-sharing will vary by "plan type" and enrollees within a given income level will have access to the same co-pays, regardless of the wrap plan they choose





# BHP Alternative Proposal (cont'd)

- The degree to which we are able to subsidize enrollee premiums and cost-sharing depends on funds made available through the state budget
- MassHealth is seeking Federal Financial Participation (FFP) through the 1115 Demonstration for the state wrap for enrollees up to 300% FPL, building on federal support already in place for Commonwealth Care
  - CMS has not yet provided a response about whether it will provide FFP for the proposed state wrap
- The availability and level of FFP may affect the level of state wrap provided through the budget process



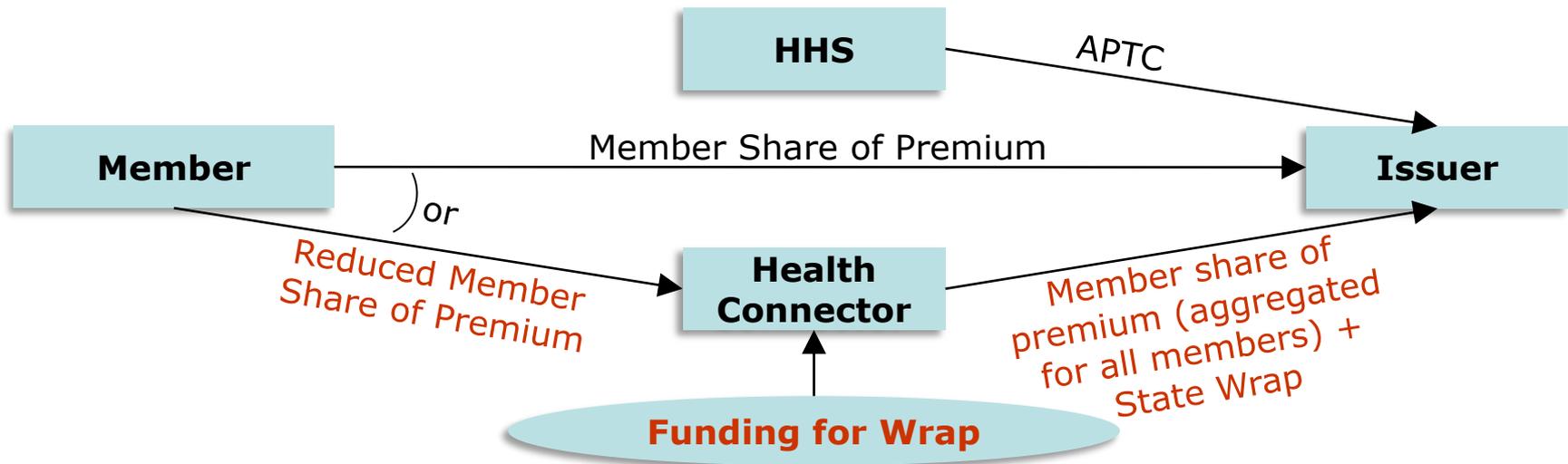
# BHP Alternative Proposal (cont'd)

- Another important aspect of the proposal and a key feature of our QHP wrap planning to date is the administration and payment of the premium and cost-sharing subsidies
- The goal in designing the operational and systems approach to wrapping QHPs has been to:
  - Maintain the Commonwealth Care member experience
  - Ensure administrative simplicity for participating carriers
  - Align with the model outlined in the ACA



# BHP Alternative Proposal (cont'd)

## High-Level APTC + Premium Wrap Process Flow



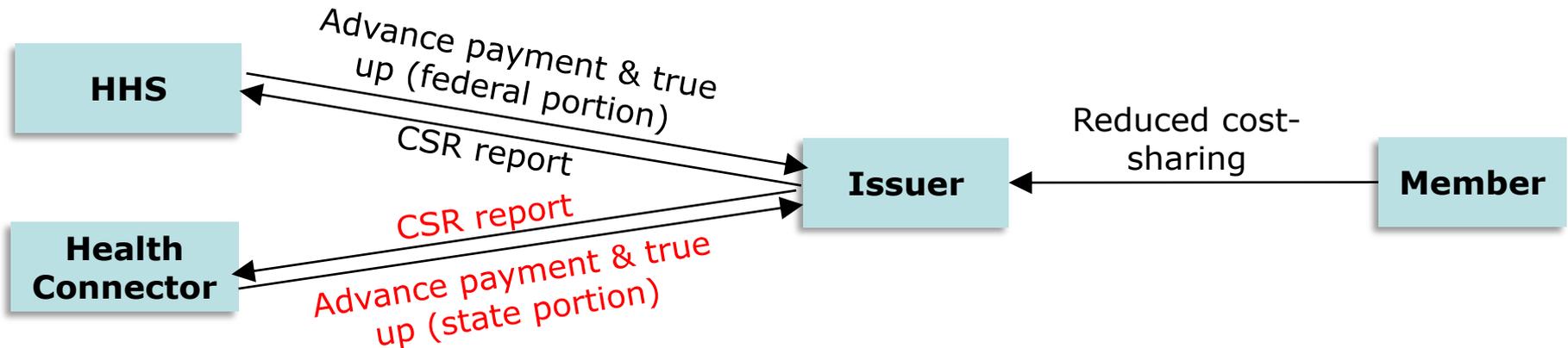
***Enrollees will only be responsible for paying the premium amount remaining after applying both APTCs and the state wrap***

- Under the ACA, assuming no state wrap, APTCs are paid directly to the carrier ("issuer") and enrollees have the option to pay their remaining member premium either directly to the carrier or to the Exchange
- In our wrap proposal, enrollees will be required to pay their premiums through the Health Connector to obtain the wrap. We will aggregate enrollee premiums and pay the wrap directly to the carriers



# BHP Alternative Proposal (cont'd)

## High-Level CSR + Cost-sharing Wrap Process Flow



***Enrollees will only be responsible for paying the cost-sharing amounts tied to their income, net of any state or federal contribution***

- Under the ACA, Cost Sharing Reductions (CSRs) are also paid directly to the carrier (“issuer”)
- Specifically, the federal government will make monthly advanced payments to carriers based on an estimated PMPM amount, and then conduct a “true up” at the end of the year based on the actual cost of CSRs reported by the carrier
- In our wrap proposal, we will leverage the process outlined under the ACA to remit payments to carriers for additional cost-sharing reductions supported by the state wrap



# Goals of the Alternative Model

- Maintain coverage gains achieved in Massachusetts to date by preserving affordability for enrollees
- Preserve the experience of Commonwealth Care
- Promote competition among carriers, which may result in lower premiums for all consumers in the Exchange (not just those under 300% FPL)
- Leverage the tools and power of the Health Connector to empower enrollees to select the coverage that is right for them
- Employ creative solutions to minimize gaps in coverage as people transition between MassHealth and the Health Connector



# Next Steps

- Finalize Details of Proposal
  - Develop a standardized Silver product offering to serve as the base for the QHP wrap
  - Work with MassHealth to develop and effectuate strategy for minimizing coverage gaps as people transition across programs
  - Address additional coverage design and carrier qualification issues
- Engagement with CMS & CCIIO
  - Work with federal partners to obtain federal financial support for the QHP wrap
- QHP Certification Process/Seal of Approval for 2014 Coverage
  - To be launched in early 2013 with specific parameters for carriers to qualify as “Wrap Plans”