The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
100 City Hall Plaza, 6th floor
Boston, MA 02108

Board of the Commonwealth Health Insurance Connector Authority

Minutes

Thursday, February 14, 2013
9:00 AM to 12:00 PM
One Ashburton Place
Boston, MA 02108
21st Floor Conference Room

Attendees: Glen Shor, Jean Yang, Jonathan Gruber, Nancy Turnbull, George Gonser, Louis Malzone, Celia Wcislo, Ian Duncan, Dolores Mitchell and Andres Lopez. Elizabeth Brodeur attended in place of Joseph Murphy and arrived at 9:10 AM. Julian Harris arrived at 9:18 AM.

The meeting was called to order at 9:05 AM.

I. **Minutes:** The minutes of the January 10, 2013 meeting were approved by unanimous vote.

II. **Executive Director's Report:** Jean Yang reported that Commonwealth Care enrollment increased to 198,269 members in February 2013 compared with 195,576 members in January 2013. She further reported that Commonwealth Choice membership increased five percent in paid subscribers. Ms. Yang also noted that in preparation for April 1, 2013 small group renewals, the Health Connector (CCA) has launched a Business Express advertising campaign that will run from February 8 - March 22, 2013. The campaign will include print, TV, radio and digital ads. She also mentioned CCA's increased effort in education and outreach.

III. **2014 Seal of Approval: Official Launch:** The PowerPoint presentation "2014 Seal of Approval: Official Launch" was used during this presentation. The presentation was given by a team from CCA including Jean Yang, Executive Director; Sarah Bushold, Plan Management Coordinator; Kaitlyn Kenney, Director of Policy & Research, National Health Care Reform Coordinator; Allison Kean, Manager of Strategy; Ashley Hague, Deputy Director, Strategy and External Affairs; and Roni Mansur, Deputy Director and Chief Operating Officer. Ms. Yang began the presentation by introducing the Seal of Approval (SoA) and reminding the Board of its importance. She explained that this SoA is a culmination of six to seven years of work and experience and illustrates the Commonwealth's readiness to take on this endeavor. She reminded the Board of Massachusetts's success in attaining near universal coverage and the key role of CCA as an Exchange since 2006. Ms. Yang then discussed the opportunities and tools presented by the Affordable Care Act (ACA). She explained that the successes and the goals of CCA including customer service and operations, policy, HIX-IES and member transition and outreach are tied together in this SoA and bring Connector 1.0 to Connector 2.0. Ms. Yang concluded her opening statements by expressing CCA's excitement for this SoA, the ambitious nature of this SoA and its potential to take CCA's impact to a new level and once again lead the nation. Ms. Hague then explained that the presentation was to be broken down into key components to be presented by various staff from CCA.

Ms. Bushold began the segment of the presentation on Qualified Health Plan (QHP) certification standards under ACA minimum requirements by giving an overview of QHP certification review. She explained that under the ACA, Exchanges must have "minimum certification standards" to ensure that plans are certified through a comprehensive review process in order to become QHPs. Ms. Bushold clarified that the Division of Insurance (DOI) has ensured that the majority of ACA-required categories are fulfilled through their comprehensive plan review process and that the current SoA process is already substantially compliant with the ACA's requirements. As such, CCA has been collaborating closely with DOI over the last several months.

Ms. Bushold gave an overview of the key categories of the ACA QHP certification standard categories illustrating the breadth and depth of the certification process. She highlighted areas where CCA had worked with DOI to augment the cost sharing process in 2014 to cover Essential Health Benefits (EHBs) and align with the metallic tiers as well as reviewing plans to ensure rating methodologies and premiums will align with market reform rules. In addition, Ms. Bushold thanked DOI for augmenting the existing process for network adequacy standards to ensure that all QHPs have a minimum number of essential community providers to serve the lower income and medically underserved populations. Ian Duncan asked what entails accreditation. Ms. Bushold answered that the Executive Office of Health and Human Services (HHS) is the entity that reviews QHPs for accreditation. Nancy Turnbull inquired what the requirements were for essential community providers and expressed concern for having sufficient Medicaid contracts. Ms. Bushold explained that QHPs and plans require a minimum number and a proper distribution of essential community providers and the standard for adequacy is one that DOI sets and reviews to ensure that members have sufficient access. Ms. Yang stated that Ms. Hague will discuss this issue as it pertains to the wrap and that this is something CCA will pay attention to.

Ms. Bushold then explained that CCA is leveraging existing DOI processes by using DOI processes as a baseline and establishing CCA's own more rigorous standards for plan designs as outlined in the Request for Responses (RFR). Dolores Mitchell asked would cause CCA to reject a plan design. Ms. Hague explained that CCA will look at standardized and non-standardized plan designs to make sure they are good products that strike the right balance. Ms. Kenney added that CCA will make sure plans comply with standardized product specifications and will also look at the reasonableness of cost sharing and the element of choice. Ms. Yang further stated that the difference between DOI and CCA is that CCA evaluates plans as a package on a limited product shelf that is diverse. Ms. Mitchell stated that she believed this evaluation based on best value uses good judgment. Lastly, Ms. Bushold explained the process of data collection involving collaboration with DOI leveraging the System for Electronic Rate and Form Filing (SERFF), which will simplify the administrative process. Ms. Turnbull asked whether CCA reserves the right to get additional information in concert with DOI. Ms. Bushold said that Massachusetts reserves the right to request whatever information it deems necessary. Ms. Bushold concluded by thanking DOI for their collaboration.

Ms. Kenney then began the presentation on the Exchange product portfolio by providing a recap of the core principles that create a meaningful product portfolio which meets market needs, promotes innovation, competition and consumer-centric product offerings. She elaborated by saying that the ACA requires the product shelf to be refreshed and that CCA wants to reflect what the market wants by introducing a requirement for tiered network plans, adding Catastrophic plans to the non-group Exchange and leveraging the opportunity to expand choice with a focus on the small group shelf by allowing a defined maximum of non-standardized plans, all of which are subject to review by the Board. As a follow up from the January 2013 meeting, Ms. Kenney discussed recommendations that have since been refined including expanding the categories of standardization to include specialist visits and reducing the total allowed number of non-standardized plans from ten to seven so they would not exceed standardized plans.

Ms. Kenney then presented an overview of the product designs for the federal actuarial value (AV) metallic tiers, highlighting the effort to make sure the portfolio represents appropriate continuum for people and that there is a good representation across plan types. She also noted that CCA is recommending only a co-pay based plan for the Silver tier and those eligible for wrap plans will see a different model akin to Commonwealth Care. Celia Wcislo asked Ms. Kenney to discuss how the federal AV tiers differ from the current metallic tiers in Massachusetts. Ms. Kenney explained that the current Massachusetts products use metallic tiers as nomenclature, and they are not tied to a certain AV as the federal tiers are. Jonathan Gruber then asked what imaging there was that is not considered high-cost and whether the co-pays are the ceiling. Ms. Kenney replied that it is the market practice for the plan to define imaging that is not high cost and that the co-pays are the ceiling per industry standards.

Ms. Kenney then presented the portfolio requirements of each issuer in terms of standardized, non-standardized and Catastrophic plans and explained that each issuer must offer each standardized plan on the broadest commercial network and can offer more standardized plans on limited or narrower networks. Ms. Turnbull asked whether carriers can choose which standardized plan is offered in narrow networks. Ms. Kenney replied that carriers can propose this and CCA can review the proposal. Ms. Kenney continued by explaining that non-standardized plans would be required to offer a tiered network plan and that seven non-standardized plans are allowed inclusive of the tiered network. Ms. Kenney added that carriers must also propose at least one Catastrophic plan but that CCA can reject a Catastrophic plan if they decide they have a sufficient number of those plans. Mr. Gruber asked whether an issuer could, for example, offer three Gold A plans. Ms. Kenney replied that this was possible. Mr. Gruber then inquired as to why not every carrier was required to offer a Catastrophic plan. Ms. Kenney explained that carriers have diverse interests in offering this plan and CCA has uncertainty of the demand for the product given that dependents can be covered until age 26 and the high level of coverage in the Commonwealth overall. She further stated that CCA will have at least two options for Catastrophic plans within each of the seven rating areas so there is always a choice. Ms. Turnbull stated that the last Department of Revenue (DOR) report of those uninsured were low income folks who may not buy Catastrophic plans. Ms. Kenney explained that there is no clear number but other opportunities from the ACA, as well as the expansion of Medicaid, indicates that Catastrophic plan holders will not be a robust population. Ms. Kenney concluded her segment of the presentation by presenting small group product options explaining that small groups will have access to all standardized and non-standardized products excluding Catastrophic plans. She described the three programs being offered – Business Express (BE), Employee Choice (where the small employer selects the level of coverage and employees can choose among plans within that level of coverage) and Dual-

Triple (where an employer indicates two or three plans and employees may choose within these options that are offered by that carrier as a bundle). Ms. Wcislo asked where the Employee Choice model came from and whether CCA knew what the repercussions might be, indicating a concern for rates over time. Ms. Kenney explained that CCA's own experience dictated this model and that all of these programs will be closely monitored to analyze the implications on the market, but that market wide risk adjustment will be an advantageous tool that will be newly available.

Ms. Kean began her presentation on Qualified Dental Plans (QDPs) by reminding the Board that pediatric dental coverage is an EHB required for an ACA-compliant Exchange and that CCA can meet this requirement through standalone dental plans. She added that this is important for compliance and for addressing current unmet market needs for individuals and small businesses. Ms. Kean explained that CCA has been working closely with dental carriers to leverage the Exchange as an outlet for more streamlined distribution. Ms. Mitchell asked that Ms. Kean clarify her understanding of streamlined distribution. Ms. Kean explained that aggregating small groups and individuals in the market offers the opportunity for standalone dental issuers to come to the Exchange and reach a broader population. Secretary Shor added that CCA is offering a single marketplace for standalone dental plans for individuals and small businesses. Ms. Hague further added that for those purchasing medical plans, this also offers the opportunity for one-stop-shopping. Mr. Gonser then stated that he would disagree that small groups have no access to dental plans. Ms. Kean clarified that she was primarily referring to the individual market but that this poses advantages to the small group market as well. Ms. Kean further explained that by broadening the dental market, products will become more affordable and that, for small groups, access alongside medical products will bring competition to the market and will help to moderate affordability concerns currently seen. Secretary Shor noted that there is a longer range vision of helping affordability. Ms. Yang added that small group dental insurance is low and, as a result, pricing is inflated. She explained that CCA's goal is to make access to these products easier so that over time the risk pool grows and products become more affordable.

Ms. Kean then presented the key program requirements, noting that the structure is similar to that of the medical market. Ms. Kean thanked DOI for their collaboration in this new product. Ms. Turnbull asked what permissible rating factors applied to QDPs. Ms. Kean replied that ACA requirements do not apply to the dental market so participation rates, group size, age, geography, etc. are all permissible rating factors. Ms. Mitchell asked whether CCA was working with DOI on quality measures in dental products. Ms. Kean responded that CCA is aware the market is moving towards more robust quality measures and will follow this closely. Ms. Turnbull requested that, in the same way CCA should be a force for innovation in the medical market, it should also play that role in the dental market where there is a great amount of need.

Ms. Kean presented the standardized plan designs which have three plans, a pediatric plan, a high plan and a low plan, reflecting market standards. Mr. Gruber asked whether coverage beyond $750 or $1250 was low to which Ms. Kean replied that these were market standards. She added that roughly five percent of people reach their out of pocket maximums. Ms. Wcislo inquired as to the cost of a low plan. Ms. Kean responded that the market had available $35 for low plans and $55 for high plans. Mr. Gonser stated that he found those rates to be very conservative compared to what he has seen in the market. Mr. Duncan asked what defines medically necessary orthodontia. Ms. Kean replied that the definition was a severe and debilitating malocclusion of the mouth requiring prior authorization. Ms. Turnbull stated that dental insurance is important because it allows dollars to go further and because it enhances access to dentists that would not otherwise be accessible. Ms. Wcislo added that dental insurance encourages prevention of medical issues.

Ms. Kean then explained that CCA will also allow issuers to include both embedded and bundled plans, that this will not be a significant portion of the shelf and that consumers will still be able to make an apples-to-apples comparison of products while shopping. Ms. Wcislo asked whether an individual can buy dental on their own if an employer does not offer dental coverage through the Exchange. Ms. Yang replied that CCA would give access to these products. Secretary Shor added that this was a great example of why Exchange products are a necessity for the dental market. Mr. Gonser asked if these plans would be available outside of the Exchange. Ms. Hague replied that there is no prohibition on this and that it would be up to the carriers and DOI. Ms. Hague further added that the EHB for pediatric dental specifically permits standalone dental products to be offered through the Exchange to alleviate carrier responsibility to bundle or embed products. Ms. Hague thanked Ms. Kean for teaching CCA about dental and contributing her knowledge to the team.

Ms. Hague then began her presentation on subsidized coverage through CCA by discussing the new subsidies accessible through CCA as a result of the ACA. She explained that this was being discussed as part of the SoA because CCA will be dealing with subsidized individuals in a different way than CCA has dealt with Commonwealth Care members. Ms. Hague discussed the newly subsidized population of 300-400 percent of the Federal Poverty Level (FPL) and reviewed the distribution of advanced premium tax credits (APTCs) which can be applied to any QHP on the Exchange except for Catastrophic plans. She then explained that for individuals 0-300 percent FPL, premium affordability, cost sharing and co-pay will be akin to Commonwealth Care. Ms. Hague presented a summary of how Commonwealth Care levels of coverage for this population will be maintained in maximizing the value of available funding and by injecting greater competition into the Exchange, leading to lower premiums on products accessible by both subsidized and non-subsidized populations. These lower premiums, Ms. Hague explained, would make coverage more affordable and would reduce APTC liability for the federal government. Secretary Shor then summarized Ms. Hague's points emphasizing that CCA wants to keep coverage as affordable for members as it is today and that they propose to put this in the budget in a selective way by encouraging competition among carriers for low pricing. He explained that the federal government will benefit because they will not need to give as much money to get to federally specified levels of affordability. All of this, he concluded, holds together very tightly and any deviation would unravel this plan. Ms. Hague then stated that regardless of the wrap plan a member chooses, co-pays will be the same. Ms. Wcislo asked whether individuals would be noticed when they no longer were eligible for the wrap. She also expressed concern that, if CCA were to implement a Basic Health Plan, there would be a negative effect on membership. Ms. Hague answered that this was a key part of CCA's consideration.

Ms. Hague then discussed CCA's hope to be in a position to invest additional state dollars to maintain premium differentials for the population below 100 percent FPL so that there is a zero dollar plan and several other plans with nominal premium payments. Louis Malzone asked how many individuals below 100 percent FPL would be eligible for this product. Ms. Hague explained that the bulk of that population would be in Medicaid but that AWSS members would remain in the Exchange. Ms. Yang explained that there are roughly 20,000 individuals below 100 percent FPL in the Exchange.

Ms. Hague then explained that cost sharing of wrap plans would be tied to the Silver plans where there is the best investment of federal dollars. She discussed how members will see the same cost sharing and plan design features as is currently seen in Commonwealth Care with several small differences that will be favorable to the member. Mr. Malzone expressed his concern for members navigating the shopping experience. Ms. Yang explained that these members would only be shown wrap plans they are eligible for and that the shopping process would be simplified. Mr. Duncan asked whether the base plan for the wrap would be the Silver plan shown earlier in the presentation. Ms. Hague answered that carriers have the option to wrap a non-standardized plan but the way in which the RFR was written ensures that wrap plans would be offered based on the standardized plan design. Ms. Yang added that this is within the control of CCA and that it is a balance because these plans will be available to both subsidized and non-subsidized members. Ms. Mitchell expressed concern for carrier understanding of this product. Ms. Hague explained that CCA has designed a system that is easy for carriers to navigate and has also been meeting with carriers once every two weeks for several months. Carriers will know what type of plan members have purchased when they call and will be able to assist members with these plans. Mr. Malzone asked how many members were in the 300-400 percent FPL. Secretary Shor explained that there is no income information available for this population from Commonwealth Choice so CCA does not know. Ms. Hague then discussed the payment and delivery system reform and explained that Dr. Harris and Ms. Yang have been closely involved in this process. She added that carriers are required to respond to their approaches to payment reform as a condition of the RFR. Ms. Hague concluded her segment of the presentation by providing a summary of member transitions. Mr. Gruber asked how CCA had progressed on decision support tools. Scott Devonshire stated that CCA is in the process of evaluating tools required for day one and will follow up with Mr. Gruber on this. Ms. Hague added that at the March Board meeting CCA will present on Navigators and Assisters. Celia Wcislo asked that someone follow up with her regarding this. Dr. Harris thanked Ms. Yang, Ms. Hague and MassHealth for their work on member transitions. Secretary Shor then thanked Dr. Harris for his leadership.

Mr. Mansur presented an overview of the CCA operating model with ACA components stressing the importance of efficiency and streamlined, standardized interactions with carriers. He then discussed the standard operating model for CCA and showed the key functions CCA will be performing. Ms. Mitchell asked what Federal Data Services Hub was and Mr. Mansur explained it was a system that validates information such as income and citizenship to determine eligibility. Ms. Wcislo asked whether there was an internal waiver process for this. Mr. Mansur replied that this was the first of many steps. Ms Wcislo then asked whether wrap plans would pay CCA or the carriers. Mr. Mansur explained they must pay CCA who would then send the entire payment to the carriers. Ms. Turnbull asked the effect of someone's income changing. Ms. Hague responded that this is a very complicated topic that will be taken offline because it would cause the meeting to run over time to discuss it. Mr. Mansur concluded his presentation by presenting the new concept of a flexible operating model.

Ms. Yang concluded the SoA presentation by discussing Administrative support and long term financial sustainability. She reminded the Board that after 2014 there will be no federal funding and that significant changes will be occurring within CCA as it transitions to an ACA-compliant Exchange. Ms. Yang explained that CCA is currently funded by the state and by carriers. She emphasized that the most important factor is how big CCA will be. She noted that compared with Connector 1.0, Connector 2.0 will have a higher proportion of fixed cost allowing CCA to leverage economy of scale as enrollment grows. She emphasized the importance of HIX-IES and investment in the small group market. Ms. Yang stated that the primary long term funding of CCA will be the carrier administrative fee because CCA provides functions that offset carrier costs. She stressed the importance of market competitiveness and state funding, as CCA is a public Exchange that performs a unique function. The "straw-man" model, according to Ms. Yang, is carrier contribution supported by state funding. She then explained that there will be no carrier administrative fee for 2014 because CCA is able to leverage Federal Exchange Establishment Grant dollars and that CCA will propose a longer term administrative fee to be approved by the Board. Mr. Gruber stated that Massachusetts has set a great example for the nation for coming to the fore and getting it right. He thanked CCA for their incredible work. Ms. Yang then thanked the carrier community in advance as the SoA is critically dependent on carrier support.

IV. **Draft Affordability Schedule (VOTE):** The PowerPoint Presentation "Draft Affordability Schedule (VOTE)" was used during Kaitlyn Kenney's presentation. This presentation was presented out of order so that a vote could be obtained in case the meeting ran over time. Ms. Kenney began the presentation by updating the timeline for the Minimum Creditable Coverage (MCC) regulations explaining that the final regulations will be proposed at the March 2013 meeting. Ms. Kenney explained that certain elements of the regulations will be influenced by current federally proposed regulation and that, furthermore, modifying the timeline would not cause any delay in effective date of the proposed amendments. Ms. Kenney then presented information on the individual mandate previously presented before the Board. She reminded the Board that the proposed policy is an approach that meshes the state and federal individual mandates.

Ms. Kenney stated that the focus of her presentation was the recommended approach for maintaining a progressive affordability structure by phasing in the federally imposed eight percent cap for the Calendar Year (CY) 2013 affordability schedule. She explained that for individuals below 300 percent FPL, CCA proposes to maintain aligning the state affordability schedule with the Commonwealth Care premium contribution. This would result in no changes to the maximum allowable premium contributions in the affordability schedule for those with income below 300 percent FPL. For individuals with income above 300 percent FPL, Ms. Kenney explained that the focus is to move towards a schedule that incorporates an eight percent income gap on what is considered affordable health insurance.

Ms. Kenney then proposed a "two-step" approach to phase in the eight percent cap by 2014. First, the approach maintains the progressivity of the existing schedule but introduces a ten percent cap in 2013 and moves to an eight percent cap in 2014. Second, the approach requires modest revisions to some existing income cohorts and affordability standards to diminish the likelihood of inconsistencies in the affordability schedule during transition. She then presented the specific methodology including updating income brackets for those below 300 percent FPL, identifying circumstances in the current standard where the lower bound of an income cohort is above eight percent FPL, transitioning in 2013 to a dollar standard that is a midpoint of the current value and what would be eight percent in 2014 and possibly introducing new income cohorts to maintain relative consistency for an affordability standard for a given cohort. Ms. Kenney then presented the proposed affordability schedules for individuals, couples and families. The Board voted unanimously to approve the recommended CY 2013 affordability schedule for public comment. Ms. Turnbull thanked Ms. Kenney for her thoughtful presentation.

V. **FY2014 Commonwealth Care Renewal Proposal:** The PowerPoint presentation "FY2014 Commonwealth Care Renewal Proposal" was used during Daniel Apicella's presentation. Mr. Apicella began his presentation by explaining that Fiscal Year (FY) 2014 is a unique because it spans the six months before and the six months after the majority of the ACA provisions go into effect. FY14, therefore, includes the last six months of Commonwealth Care before CCA transitions to a new subsidized coverage configuration. He stated that as was proposed at the

January 2013 Board meeting, CCA intends to renew the existing contracts with each of the five Managed Care Organizations (MCOs) for the final six months of the program in order to minimize member disruption and maintain the program's strong fiscal performance.

Mr. Apicella reminded the Board of Commonwealth Care's achievements to date. He highlighted the 12 percent capitation rate reduction in over two years without shifting costs to members or increasing cost sharing, the ability to leverage MCO incentives to contain costs and the resulting substantial contribution to state savings which helped the state to reintegrate the AWSS members into the Commonwealth Care population. Mr. Apicella explained that the Administration is proposing $482 million for the six month period of Commonwealth Care and that the projected enrollment for Commonwealth Care will reach approximately 206,000 members by December 2013. The proposed budget requires that CCA maintain the FY13 capitation rate in order to accommodate the projected enrollment.

Mr. Apicella then discussed the FY14 renewal parameters. He stated that each MCO will be asked to accept their FY13 base capitation rate for the renewal period subject to a 1.4 percent inflationary increase. Ms. Wcislo asked why there was an increase as opposed to a flat amount. Mr. Apicella explained that that it is an inflationary increase driven by medical trend. He then went on to explain that there will be no change to the rules with respect to the choices and MCOs applying to certain Plan Type 1 members. For Plan Types 2 and 3, Mr. Apicella stated, MCOs will have the option to provide a discount on these plans as total capitation rates come down and enrollment goes up. This would enable MCOs to compete to recruit paying members. Ms. Yang further explained that this could preserve the rate position while renewing the contracts. Mr. Duncan clarified that this would enable three carriers to change their premium rates to compete. Mr. Apicella stated that the core provisions of the FY13 Commonwealth Care program will remain in place for the FY14 contract extension period but that stop loss and MOOP would change.

Mr. Apicella ended his presentation by describing next steps including conducting a member survey and reporting the results at the April Board meeting and carrying out Open Enrollment in June 2013. Ms. Wcislo asked whether CCA would leverage Open Enrollment to explain what changes will occur for 2014 to members. Mr. Apicella stated that CCA would do this. Secretary Shor then explained that while the content of Mr. Apicella's presentation does not require a vote it does require approval from the Board. The Board unanimously approved of the Commonwealth Care FY14 renewal.

The meeting was adjourned at 12:00 PM.

Respectfully submitted,
Rebekah D. Diamond