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# **2015 Qualified Health and Dental Plan Seal of Approval Part II – Issuer Administrative Fees**

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# Background



- At the Board meeting on March 27, 2014, we presented our plans for the 2015 Seal of Approval (SoA). At the time, however, we noted that we would return to this Board in advance of the 2015 SoA Issuer response due date to present our recommendation on the 2015 Issuer administrative fee
- A decision on our 2015 administrative fee structure is necessary to complete the Seal of Approval launch and to solicit Qualified Health and Dental Plans (QHPs and QDPs, respectively)
  - We recognize that these decisions will be made amidst substantial uncertainty in this environment, but it is nevertheless important to finalize our recommendation for 2015 fees to proceed with the SoA
- As you will recall, the Health Connector temporarily suspended charging carrier fees for calendar year 2014, with the stated plan to re-introduce them for January 2015 and beyond
  - We were able to do so in light of the availability of federal grant funds to support our operations
  - This also afforded our participating carriers the financial flexibility to build necessary infrastructure to support their own ACA transition

# Health Connector 2.0 Revenue Model Considerations



*It is vitally important that the Health Connector's 2015 carrier fee structure balances the policy goals of being a market-competitive distribution channel for carriers while keeping state funding needs at a reasonable level.*

- We envision that beginning in 2015, the primary long-term funding mechanism for the Health Connector will be through administrative fees on carriers
  - This is consistent with the previous Commonwealth Choice model, as well as the approach taken by most other state-based Marketplaces and the Federally-Facilitated Marketplace
  - Supports certain operational functions provided by the Health Connector (e.g., call center, enrollment and billing) that to varying degrees offset issuers' costs of distribution
  - We also serve as a platform that helps issuers promote their product offerings through our outreach and education efforts
- The secondary funding mechanism to help the Health Connector fulfill its public mission will continue to be state support
  - We are required to perform certain functions that are unique and essential to our mission, such as eligibility determination for subsidized coverage, a Navigator program that empowers applicants to better understand their coverage options, appeals and the administration of the market-wide risk adjustment program
  - The Health Connector contributes to broader health policy development in the Commonwealth, driving market-wide innovation, cost-containment and consumer-centric health care (demonstrated by the track record of Commonwealth Care)
  - The Health Connector will continue to assume many other state roles, including certain regulatory functions (e.g., Student Health Program) and procurement support for other state agencies contributing to state savings

# Establishing a Competitive Fee



- At the February 2013 Board meeting, we communicated our intent to establish a competitive carrier administrative fee structure for 2015 and beyond by:
  - Introducing a more favorable fee schedule than Commonwealth Choice
    - In 2013, 3.5% of premium for non-group business and 2.5% of premium for small group business
  - Looking at the carrier fee structure in other Marketplaces for both medical and dental products (some state examples below)
    - In general, state-based Marketplaces that use carrier fees fall into a range between 2.0% and 3.5% of premium
    - Dental products also follow a similar structure and range of fees
    - The Federally-Facilitated Marketplace applies a fee of 3.5% of premium

State	2015 Fee
Connecticut	2.8% mqd
Colorado	3.4% mqd
Kentucky	No fee, high risk pool tax on all policies (2%)
California	3.0% Individual, 4.0% SHOP
Nevada	\$6.50 q, \$0.47 d
Minnesota	3.5% qd
Federally Facilitated Marketplace (FFM)	3.5% qd

Note: m=marketplace assessment q=QHP and d=QDP

# Recommendation



Plan	Proposed Administrative Fee*	Rationale
Non-group and Small Group QHPs (>300% FPL)	2.5%	<ul style="list-style-type: none"> <li>Competitive or more favorable as compared to prior Commonwealth Choice model and among other state Marketplaces</li> </ul>
ConnectorCare Plans (0-300% FPL)	3.0%	<ul style="list-style-type: none"> <li>ConnectorCare Carriers leverage additional state and federal cost sharing reduction (CSR) subsidies to convert Silver plans to far richer benefit plans</li> <li>Propose a slightly higher administrative fee on ConnectorCare plan base premiums to improve parity between ConnectorCare and non-ConnectorCare QHPs offered through the Health Connector</li> </ul>
Non-group and Small Group QDPs	3.0%	<ul style="list-style-type: none"> <li>QDP rates are on average far lower than premiums for QHPs</li> <li>The decision to closely align the administrative fee for QDPs with that for QHPs is consistent with other state-based Marketplaces</li> </ul>

\*The proposed fee structure is premised upon the assumption that the Health Connector will implement a state-based HIX for open enrollment 2015. Should this condition change, the 2015 carrier fee recommendation will be revisited to reflect those populations and products served by the Health Connector.