

# MINIMUM FEDERAL REQUIREMENTS FOR A HEALTH BENEFITS EXCHANGE

## PRESENTATION BEFORE THE ILLINOIS HEALTH BENEFITS EXCHANGE LEGISLATIVE STUDY COMMITTEE

Michael Koetting, Deputy Director for Planning & Reform Implementation  
IL Department of Healthcare and Family Services

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Kate Gross, Assistant Director for Health Planning  
IL Department of Insurance

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# Context

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**Vehicle for Exchange Establishment → Federal Affordable Care Act (ACA)**

## Goals of the ACA

1. Improve Access to Health Insurance Coverage
  - ▣ Illinois has more than 1.5 million uninsured
  - ▣ 1 million are expected to enroll in coverage
2. Experiment with delivery system reforms

# Improve Access to Health Insurance

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## **ACA Leverages Three Mechanisms to Improve Access:**

1. Improve Consumer Protections and Insurance Regulation;
2. Expand Medicaid; and
3. Establish an Exchange and provide subsidies to purchase private coverage on the Exchange.

# Illinois Exchange Planning: Division of Responsibilities

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- Overall Executive coordination under Governor's Healthcare Reform Council.
  
- Day-to-day DHFS and DOI working together closely, with intent that many functions will move to Exchange when established:
  - ▣ DHFS working on Medicaid expansion and the very front end to an integrated eligibility system (as required by the ACA).
  
  - ▣ DOI working on all other parts of operational planning for Exchange establishment.

# Definition of an Exchange

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## WHAT IS AN EXCHANGE?:

- An Exchange is a transparent, centralized competitive health care marketplace that leverages an easy-to-use website and health plan comparison tool, to empower *individuals* and *small businesses* in shopping for and enrolling in health insurance coverage.

## FEDERAL AUTHORIZING LANGUAGE:

- **Section 1311** of the ACA provides states with the option of and funding for the planning and establishment of the Exchange.
- In states that do not establish an Exchange, the federal government will provide access to a federally-run Exchange for their constituents.

# Who Must the Exchange Serve?

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- **INDIVIDUALS.** Responsible for determining eligibility for coverage, facilitating enrollment, and providing access to subsidies for eligible individuals.
  - Tax Credits for Premium Subsidies
  - Cost-Sharing Subsidies
  - Reduced Out-of-Pocket limits
  
- **SMALL BUSINESS.** To assist qualified employers and their employees shop for and enroll in coverage.
  - Small Business Tax Credit (for small businesses with 20 or fewer employees).

# Plans Qualified to Be Sold

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- **Qualified Health Plans (“QHPs”):** Exchange must define and certify the plans that may be offered to consumers and small businesses.
  
- **Criteria for QHPs.**
  - ▣ **Federal Minimum Requirements for Plans.** Includes among them:
    - Minimum essential benefits;
    - Agrees to offer two plans at specific levels of health coverage and cost exposure to the consumer; and
    - Agrees to offer the same premium for qualified health plans inside and outside the Exchange.

# Minimum Requirements to Access Federal Funding through 2014

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- In advance of any State application for full federal funding for Exchange establishment (Level II grants), minimum requirements must be enacted:
  1. Legal Authority and Governance Structure for Exchange;
  2. Self-Sustaining Financing; and
  3. Agree to comply with minimum federal requirements.

# ACA Requirements for Governance

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- Section 1311(d)(1) of the ACA requires an Exchange to be “a governmental agency or a nonprofit entity that is established by a State.” This provides for three basic alternatives:
  1. New or existing state agency;
  2. Nonprofit entity established by State; or
  3. Quasi-governmental entity.
  
- Section 1311(d)(6) requires an Exchange to “consult with [relevant] stakeholders,” including enrollees, representatives of small businesses, Medicaid offices, and advocates for enrolling hard to reach populations.

# ACA Requirements for Financing

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- The ACA provides federal funding for states to establish an Exchange – Level 1 and 2 Establishment Grants.
- Section 1311(d)(5) of the ACA requires states to “ensure that such Exchange is self-sustaining beginning January 1, 2015.”
- The ACA does not prescribe how a State Exchange must be self-sustaining, and provides only:
  - “allowing the Exchange to charge assessments or user fees to participating health insurance issuers, or to otherwise generate funding, to support its operations.”

# Federal Guidance to Date

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- **November 2010.** Initial guidance from the Secretary of HHS (“Secretary”) on Exchanges, highlights two basic types of federal requirements:
  - 1. Minimum mandatory functions of the Exchange(s); and
  - 2. Oversight responsibilities in certifying/monitoring the performance of “qualified health plans” (“QHPs”).
  
- **July 2011.** The Secretary issued two **proposed** rules related to Exchange Establishment (Comments due by September 30, 2011):
  - 1. Minimum Federal standards for Exchange establishment (**including Governance and Financing**), including minimum individual and SHOP Exchange functions, eligibility determinations, enrollment periods, certification for QHPs, and health plan quality improvement; and  
Standards for reinsurance, risk-adjustment, risk corridors, and risk-adjustment.
  
- **August 2011.** The Secretary issued three **proposed** rules related to Exchange Establishment (Comments due by October 30, 2011):
  - 1. Exchange functions in the individual market, eligibility determinations and Exchange standards for Employers;
  - 2. Medicaid Eligibility Changes under the ACA; and
  - 3. Health Insurance Premium Tax Credit.

# Key Dates for Exchange Planning and Implementation

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- **June 29, 2012**: The last possible opportunity to apply for Level 2 Implementation Funding – Governance and Financing.
- **January 1, 2013**: States must demonstrate progress toward successful implementation of an Exchange, or the Secretary of Health and Human Services (HHS) will implement an Exchange in that State.
- **October 1, 2013**: State Exchanges must begin with an open enrollment period for individuals and small businesses.
- **January 1, 2014**: The Exchange must be fully operational.

# Action-to-Date in Illinois

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## □ **Federal Grant Funding**

- September 2010: Exchange Planning Grant
- August 2011: Level 1 Exchange Establishment Grant/Enhanced Medicaid Match

## □ **Exchange-Related Research**

- Background Research Report
- Needs Assessment Report

## □ **Department/Agency Logistical Planning**

- Initial Draft Business Plan/Operational Plan for Exchange
- Eligibility, Verification and Enrollment
- Risk-Adjustment and Reinsurance