Health and Human Resources

Virginia Health Reform Initiative – Response to HB 2434

Secretary of Health and Human Resources
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November 22, 2011

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Addressed 4 overarching questions:

1. Where to house a possible HBE;
2. The make-up of the governing board for a possible HBE;
3. A delineation of specific functions to be conducted by a HBE; and,
4. An analysis of the potential effects of the interactions between a Virginia HBE and relevant insurance markets or health programs, including Medicaid.

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Outside Expertise/Consultants

Alan Newman Research (ANR): conducted eight focus groups and completed a representative survey (1,200) of small and medium Virginia based employers.

Findings:

- Most are concerned about the cost of health insurance and health care
- Approximately 80% believe that government can or will do much to improve the level of un-satisfaction in the insurance market
- Most were supportive of the role agents play now and hope they can continue their role in the future
- Employers expressed a desire to have choice over what products their workers could have access to
- Employers expressed interest in low cost wellness programs that are currently unaffordable

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Outside Expertise/Consultants

Price-Waterhouse Coopers (PWC):

Drew upon their experience in Virginia and other insurance markets to help explain the importance of: stable risk pools both in and outside of a Health Benefit Exchange, facilitating competition and market performance regarding price and quality from the perspective of purchasers, employers, and citizens.

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Outside Expertise/Consultants

The Urban Institute:

Selected to do econometric modeling for at least 13 other states and used Virginia-specific survey data sets. Provided valuable information, of greatest interest is the coverage change between today (2011) and with the implementation of anticipated reforms in 2014.

	2011	2014	change
Uninsured	1,041,000	515,000	-526 ,000
Medicaid/FAMIS	1,245,000	1,665,000	+ 420,000
Private non-group	312,000	352,000	+ 40,000
Private group	4,331,000	4,397,000	+ 66,000

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Outside Expertise/Consultants

The Urban Institute: Modeled a possible exchange with and without the Individual Mandate

Table 1. Health Insurance Coverage Distribution of the Non-Elderly in Virginia, With and Without a Mandate

	With Mandate		Without Mandate		*Change*	*Percentage-Point Change*
Insured	6,414,000	92.6%	6,114,000	88.2%	-300,000	-4.3%
Employer (Non-Exchange)	4,165,000	60.1%	4,051,000	58.5%	*-114,000*	-1.6%
Employer (Exchange)	232,167	3.4%	215,000	3.1%	*-17,000*	-0.2%
Non-Group (Non-Exchange)	69,000	1.0%	54,000	0.8%	*-14,000*	-0.2%
Non-Group (Exchange)	282,672	4.1%	184,000	2.6%	*-99,000*	-1.4%
Medicaid/CHIP	1,236,000	17.8%	1,180,000	17.0%	*-56,000*	-0.8%
Other (including Medicare)	429,000	6.2%	429,000	6.2%	*0*	0.0%
Uninsured	515,000	7.4%	815,000	11.8%	*300,000*	4.3%
Total	*6,929,000*	*100.0%*	*6,929,000*	*100.0%*	*0*	0.0%

Premium Findings: *Individual market premiums would rise 15 percent without a mandate*. This adverse selection is moderated by the subsidized who would still take up coverage even without a mandate. Many of the lowest income people eligible for subsidies qualify for an affordability exemption to the mandate, so their behavior is essentially unchanged.

Where to House a Possible HBE

Options

1. **An existing state agency, such as the Department of Medical Assistance Services or the State Corporation Commission;**
2. A new state agency that could report to the Governor, Secretary of Health and Human Services, or other Cabinet level Secretary;
3. **Quasi governmental entity, similar to the Virginia Housing Development Authority (VHDA); or**
4. A not for profit private entity, similar to the Virginia Health Quality Center (VHQC).

Majority vote: 11-3 (2 abstentions) in favor of establishing a quasigovernmental agency with a governing board.

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The Make-up of the Governing Board for a HBE

Recommended Governance Considerations

- The Governance structure should have the administrative flexibility in hiring, compensation, procurement, and transparency
- The Executive Director should be hired by the Governing Board/Advisory Committee
- Conflict of interest guidelines should follow existing state guidelines
- Members should be appointed to the Board/Committee by the Governor and the General Assembly
- The size of the membership should be from 11 to 15, with staggered terms of two years, not to exceed four consecutive years
- The Board/Committee should include the Secretary of Health and Human Resources as an ex-officio member.

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A Delineation of Specific Functions to be Conducted by the HBE

While a governance structure would have overall responsibilities for a HBE, many operational tasks could be performed by existing agencies and/or through the private sector.

The VHRI Advisory Council identified that Virginia:

- Should utilize existing Exchange entities to the extent possible to avoid duplication and costs of setting up an Exchange;
- Should conduct Medicaid eligibility determinations for the Exchange through DMAS, also acknowledging the work of Health and Human Resources and affiliated secretariats through the development of a one stop system for Medicaid enrollment; and,
- Through the Bureau of Insurance, should conduct HBE functions that are within their current mission and that the HBE or other state agencies should assume roles that are not.

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An Analysis of the Potential Effects of the Interactions Between a Virginia HBE and Relevant Insurance Markets or Health Programs, Including Medicaid.

Key Considerations

- Have one administrative structure for a HBE, but two separate risk pools, one for individuals and one for small groups;
- Have the same insurance market rules both inside and outside of a HBE;
- Have the same state mandates inside and outside of a HBE;

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An Analysis of the Potential Effects of the Interactions Between a Virginia HBE and Relevant Insurance Markets or Health Programs, Including Medicaid.

Key Considerations (cont.)

- Allow both agents and navigators to have a role in the HBE;
- Design the HBE to be a "passive purchaser" model by allowing all qualified health plans to participate, but in the event of extreme adverse selection, allow the Board, with approval of the Governor, to make temporary adjustments to stabilize the market; and,
- Set the parameters of what decisions should be determined by the legislature, the Board, and the Executive Director.

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Additional Consideration

Sustainability of a possible Health Benefits Exchange

Options include but are not limited to:

- Insurance industry user fees;
- State Funding; and
- Exchange entity funding operations.

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Federal Timeline for a Health Benefits Exchange

- **January 2012**
  - Last opportunity to apply for federal grant to pay for establishing a state based HBE.
- **January 2013**
  - HHS approves that states are willing and able to implement a HBE by January 2014 (fallback is federal exchange or a federal/state partnership)
- **January 1, 2014**
  - Exchange must be operational
- **2015**
  - Exchange must be self-funded
- **2017**
  - State Option: Exchange can choose to add large employers

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Next Steps

- Governor will consider the recommendations put forth by the Virginia Health Reform Initiative Advisory Council
- Policies will be considered and options identified as to how best prepare the Commonwealth to meet federal expectations regarding a Health Benefits Exchange

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