South Dakota Big Issues Update: Health Reform
Lieutenant Governor Matt Michels
South Dakota Medical Group Management Association Meeting
April 26, 2013
PPACA Overview

- PPACA (Patient Protection and Affordable Care Act) signed March 23, 2010 by President Obama
- The Affordable Care Act (ACA) refers to PPACA and the Health Education Reconciliation Act which amended PPACA.
- Three major components of PPACA
  - Health Insurance Exchange
  - Medicaid Expansion
  - Health Insurance Reform
- 3 issues presented to United States Supreme Court
  - Mandate
  - Medicaid expansion
  - Pre-emption
What is an exchange?

• An exchange is a one stop shopping website where consumers can search and compare insurance plans.

• Tax credits to purchase insurance will be provided for those between 100% and 400% FPL $23,550 to $94,200 for family of 4.
  • must use exchange to get tax credits.
  • cannot have insurance from another source—ex. employer.

• Exchanges must at least screen for Medicaid eligibility.
Do we have to?

- PPACA requires a health insurance exchange to be set up in every state by 2014
- State can run, or federal government will
- Exchange must be operational by October 2013 for open enrollment
  - Date when people can start enrolling in coverage for 2014
  - Extends through March 31, 2014
Important PPACA Exchange Requirements

- Only qualified health plans may be sold on the exchange
  - These are plans that offer coverage in ten separate categories
    - Ambulatory Patient Services
    - Emergency Services
    - Hospitalization
    - Maternity and newborn care
    - Mental health and substance use disorder services
    - Prescription drugs
    - Rehabilitative and habilitative services and devices
    - Laboratory Services
    - Preventive and wellness services and chronic disease management
    - Pediatric services, including oral and vision care
  - The entity in charge of plan management on the exchange must certify that plans meet minimum standards in order to be sold
- Wellmark Blue Select chosen as benchmark plan
  - Benchmark sets the minimum benefits that must be provided by plans sold on the exchange
    - Not the same as actuarial value of benefits-co-pays, deductibles, etc. can vary
- Everyone that applies for coverage through the exchange must be screened for Medicaid eligibility
Five core exchange functions

- Consumer Assistance
  - Education and outreach, “Navigators”, etc.
- Plan Management
  - Insurance regulation for the exchange
  - Issuer outreach and training, plan selection active (MA vs. UT), plan certification, quality rating, issuer monitoring and oversight, etc.
- Eligibility
  - Verify information, collect applications, tax credit and Medicaid
- Enrollment
  - Enrollment in health plans, everyone gets paid
- Financial Management
  - User fees, financial integrity, support risk adjustment, risk corridors, and reinsurance
Exchange Component Overview

While the front end of an Exchange seems simple, the internal operations bring together complex systems, processes, and connections to agencies and payers.

A South Dakota family/small business may interact with the Exchange through:

- **Navigator**
  - Advocacy
  - Outreach

- **Phone**
  - Call Center
  - Tele enrollment

- **Internet**
  - E communications
  - Web enrollment

- **Mail**
  - Paper enrollment
  - Paper bills

- **Payments**
  - ACH transfers
  - Credit card payment

- **Marketing**
  - Print, TV, & radio
  - E marketing

What systems work behind the scenes?

- Data Warehouse
- Telecom
- Document Management

- Data Center
- Content Distribution
- Reporting & Analytics

- Decision Support
- Logging & Auditing
- Customer Relationship Management

- Billing & Payment
- Eligibility & Enrollment
- Security & Privacy

Where are agency connections?

- DSS
- Sanford Health
- Avera Select
- IRS
- [Other agencies]
State Options

• State based exchange
  • We do everything, website, consumer assistance, can let the feds calculate tax credits, reinsurance, risk adjustment
• Federal exchange (FFE) or now (FFM) (Federally Facilitated Marketplace)
  • Medicaid assessment v. determination
  • Reinsurance
• Partnership exchange (Still an FFE)
  • Consumer assistance
  • Plan management
  • Both
  • Medicaid assessment vs. determination
  • Reinsurance
• Plan Management FFE (SD’s Choice)
  • Can do plan management without becoming a partnership
  • Enter into an agreement to take on plan management functions
  • When performing plan management the state recommends qualified health plans and collects a standardized set of data from the qualified health plan to plug into the Federally-facilitated Exchange’s eligibility and enrollment functions
State decision

• SD will not run a state based exchange
  • Too expensive-ongoing $6.3-$7.7 million per year-$2-$3 per member per month
    • Exchange must be self sustaining by fees or taxes by 2015
• SD will pursue plan management activities on the federal exchange through an MOU
  • No reinsurance
  • No consumer assistance
Plan Management Deadlines

- June 15, 2013-Insurance plans that wish to sell on the exchange must submit rate and form filings to the Division of Insurance
- July 31, 2013-Division of Insurance must provide recommendations to HHS on whether plans qualify as Qualified Health Plans (QHP’s) for sale on the exchange
- September 4-9-HHS notifies issuers of QHP certification decision
- October 1, 2013-open enrollment begins on the exchange
- March 31, 2014-open enrollment ends for 2014
- January 1, 2014-coverage begins for policies sold on the exchange
FFE IT Requirements

- PPACA mandates that when an individual applies for coverage on an exchange they are assessed for Medicaid eligibility
  - As a result, South Dakota’s Medicaid eligibility system must be configured to communicate with the exchange
- SD’s eligibility system is a legacy system
- To be prepared for October, 2013, South Dakota will modify current processes and create methods to provide necessary information to the exchange
- In the longer term DSS is using a federal grant to replace the Medicaid eligibility system
Current State Action (HIX)

- Using federal grant dollars to prepare to do plan management on the FFE, keep up with federal guidance, and connect our Medicaid system to the FFE
- Very complex, technical regulations steadily coming from HHS since election
  - BIT is developing solutions to ensure that our state Medicaid eligibility system can communicate with the federal HIX by October
  - DOI will review form submissions from carriers in order to submit recommendations by July 31, 2013 and is promulgating rules that ensure SD is able to do plan management on the FFE
  - DSS is monitoring new guidance and coordinating with BIT on Medicaid related IT issues
Medicaid expansion

- The Supreme Court gave states a choice on expansion
- Unconstitutionally coercive to strip all funding if states do not expand
- Expands Medicaid to everyone below 138% FPL regardless of status (childless adults)
- 2014-services are 100% funded, graduates down slowly to 90% in 2020 and thereafter
  - Administrative costs at regular match rate
- Can accept the federal money now or later or never
Medicaid Opportunities and Challenges

- Governor Daugaard recommended that the state not expand Medicaid this year
  - Uncertainty over whether the federal government will pay for it at 90% after 2020
  - Uncertainty of effects of federal health reforms when fully implemented in 2014
- Legislature considered and did not pass Medicaid expansion during 2013 session
  - Medicaid Opportunities and Challenges Workgroup formed to identify pros and cons of expanding Medicaid
    - Led by Deb Bowman of the Governor’s Office
    - Comprised of legislators, physicians, behavioral health providers, dentists, community health providers, hospital officials, and state agency personnel
Medicaid Opportunities and Challenges Charge

**Goals:** 1) Examine the advantages and disadvantages of expanding Medicaid in South Dakota; 2) Get key provider stakeholder commitment on issues related to expansion of Medicaid, 3) Submit a report to the Governor and legislature on the findings of the Taskforce by September 15, 2013.

- **Health Care Access**
  - Adding more people to Medicaid will have implications for providers
    - Use of more health care services in general
    - Shift from emergency room care to primary care
    - Must provide access to specialty and other care by providers where we already have access issues for recipients, i.e. dentists
    - Must address attitudes among providers about people on Medicaid

- **Discussion Points**
  - Demographics, fiscal implications (state and others), ensuring access for an expanded population, potential cost increases/savings, providers participation, trigger mechanisms, working with IHS to minimize impact to Medicaid program

- **Opportunities for Reform**
  - Provider payment reform
  - Increased provider transparency and reporting on patient satisfaction, clinical outcomes and quality measures
  - Provider reinvestment of formerly uncompensated care into evidence based care or other state priorities, i.e., prevention services, home based/community based services, increased management of high cost eligibles
Medicaid Population

• South Dakota Medicaid covered 144,373 unduplicated individuals during FY12
  • Nearly 1 of every 7 persons in any given month will have health coverage through Medicaid or CHIP.
  • 1 of every 3 persons under the age of 19 in South Dakota has health coverage through Medicaid or CHIP.
  • 50 percent of the children born in South Dakota will be on Medicaid or CHIP during the first year of their life.
• Market Decisions performed an analysis to identify the estimated number of new eligibles from the Medicaid Expansion.
• Concluded that South Dakota Medicaid would expand by 54,000 (48,500 newly eligible, 5,500 already eligible but not enrolled).
  • 22,000 100-138% FPL and eligible for insurance subsidies on HIX
  • 26,500 below 52-100% FPL
• Income of individuals up to 138% FPL:
  • Household of 1 - $15,415 per year
  • Household of 4 - $31,809 per year
Who is covered by Medicaid?

- 66% of the population: Children
- 31% of the population: Adults
- 2% of the population: Pregnant Women
- 11% of the population: Low Income Families
- 21% of the population: Aged/Blind/Disabled
ACA Health Coverage Expansion

100% to 400% of FPL

Subsidized Coverage in Health Insurance Exchanges

400% of Federal Poverty Level (FPL) = $44,680 for individual, $92,200 for family of four

Federal Premium Subsidies on Sliding Scale, about $4,800 per person

Plus Subsidized Cost Sharing up to 250% FPL

0% to 138% of FPL

Medicaid Expansion (State Option)

138% of Federal Poverty Level (FPL) = $15,415 for individual, $31,809 for family of four

Medicaid eligibility for most adults 18-64 if state opts in
Can stay on parents plan to age 26 regardless of financial dependency, residency with parent, student status, employment, or marital status
  • Already implemented through state law passed during 2011 session (SB 43)
  • Under Governor Rounds, South Dakota passed legislation to allow full-time students to stay on their parents plans until age 29

Every individual is required to purchase insurance or pay a penalty

Employers with 50 or more employees are required to provide minimum value coverage to employees or pay a penalty

As of January 1, 2014 insurance companies will not be able to deny coverage for pre-existing conditions or rate for age beyond defined limits
  • Move to community rating vs. individualized rating today
  • Rate everyone based on the characteristics of the entire group not individual risk characteristics (age, health history, etc.)

Medical Loss Ratios—in small group market and individual market required to spend 80% of premiums on claims payments or activities to improve health of members or pay a rebate
  • Rebates began in 2012
# PPACA Insurance Timeline

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<td>2013</td>
<td><strong>Adoption of state statutes and/or administrative rules for 2014 PPACA requirements</strong></td>
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<td>Guaranteed issue/open enrollment</td>
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<td>Modified community rating</td>
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<td>Possible licensure of Navigators</td>
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<td>Certifying qualified health plans</td>
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<td>Defining small employer (1-50 vs. 1-100)</td>
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<td>Implementation of Plan Management/consumer assistance programs if elected</td>
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<td>Transition plan and implementation for state and federal risk pools</td>
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<td>1/1/14</td>
<td><strong>Insurance market reforms effective</strong></td>
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Division of Insurance Rules Promulgation

• Before Legislative Rules Review Committee May 20, 2013
• Some important proposed rules to ensure South Dakota’s maintains control of insurance regulation post PPACA
• Individual Market
  • Open enrollment periods
    • Federal this year-10/1/13-3/31/14
    • Subsequent October 15th- December 7th
  • Catastrophic plans
    • Over 30, meet hardship exemption
• Small group
  • Small employer definition-1-50 instead of 2-50
• Rating
  • Age 3:1, rating areas, 1.5:1 for tobacco, 4 rating areas statewide
• Fair marketing standards
  • cannot pay higher commissions for signing up healthy people
  • Agent commissions equal inside and outside exchange
• QHP standards-providing minimum essential health benefits, in good standing, accredited, etc.
• 90 day waiting period for new coverage after open enrollment with no qualifying event
Questions

• Ask me anything on ANY health related topic!
• Health Reform Questions later?
  • Contact Eric Matt, Policy Analyst in the Governor’s Office
    • Health Reform Lead
    • Coordinating Health Insurance Exchange efforts for the Governor
    • Eric.Matt@state.sd.us
    • 605-773-3661