



STATE OF CONNECTICUT
LIEUTENANT GOVERNOR NANCY WYMAN

**Health Insurance Exchange
Board of Directors Meeting**
Legislative Office Building
300 Capitol Avenue, Room 2C, Hartford, CT

Thursday, December 15, 2011
Meeting Minutes

Members Present: Lieutenant Governor Nancy Wyman, Chair; Secretary Benjamin Barnes, Office of Policy and Management (OPM); Mary Ellen Breault for Commissioner Thomas Leonardi, CT Insurance Department (CID); Commissioner Roderick L. Bremby, Department of Social Services (DSS); Jeannette DeJesus (Co-Chair), Office of Health Reform & Innovation; Mary Fox; Mickey Herbert; Grant Ritter; Robert Scalettar; Robert Tessier; Victoria Veltri, Office of the Healthcare Advocate; Cecilia Woods

Members Absent: Commissioner Thomas Leonardi, CT Insurance Department (CID); Commissioner Jewel Mullen, Department of Public Health (DPH); Michael Devine

Other Participants: Tia Cintron, OPM; Karen Buffkin, OPM; Barbara Parks Wolf, OPM; David Krause, OPM; Amy Tibor, OPM; Karen Nichols, OPM; Lou Polzella, DSS; Bobbie Schmidt, Office of Health Reform & Innovation; Bettye Jo Pakulis (Lt. Governor's Office); Michele Walker, Mercer; Paul Grady, Mercer; Gerry Smedinghoff, Mercer; Kurt Giesa, Oliver Wyman; Rosemarie Day, Health Management Associates (HMA)

The meeting of the Health Insurance Exchange Board of Directors was called to order at 9:03 a.m.

Call to Order and Introductions

Lieutenant Governor Nancy Wyman opened the meeting. The Board introduced themselves to the audience.

Review and Approval of Minutes

Lt. Governor Wyman requested that a motion be made to approve the draft minutes from the December 1, 2011 Special Board Meeting. Robert Tessier made a motion to approve the minutes from the December 1, 2011 Special Board Meeting as presented. The motion was seconded by Mickey Herbert. **Motion passed unanimously.**

Mercer Health and Benefits, LLC, Vendor Presentation

Tia Cintron welcomed the Mercer Team and introduced Michelle Walker, Senior Associate. Michelle introduced the team: Kurt Giesa, Director (Oliver Wyman Actuarial Consulting), Gerry Smedinghoff, Senior Associate (Mercer), Rosemarie Day, Senior Strategist (HMA), and Paul Grady (Mercer).

Michelle Walker provided a brief overview of today's presentation. Focused discussion will take place on Task 4 (Analysis of Economic and Actuarial Models), Task 5 (Analysis of Large Group Employer Market Participation in HIX after 2017), Task 7 (Develop Financial Model for sustainable Exchange) and Task 6 (Analysis of the Impact of other health system initiatives on the Exchange). [Mercer Presentation](#)

Kurt Giesa discussed Task 4. Mercer conducted economic and actuarial modeling and analyses to project trends such as the number of newly insured, the impact of certain market changes on premium levels and the implications of different policy questions. In their model, Mercer assumed that 25% of consumers purchasing individual coverage who are not subsidy-eligible will purchase coverage through the Exchange, and that 100% of those subsidy-eligible purchasing individual insurance would do so through the Exchange. It was also assumed, based on Utah and Massachusetts experience, that 5% of small employers who are not eligible for the tax credit will purchase coverage through the SHOP Exchange.

Robert Scalettar questioned bronze coverage levels. Kurt Giesa stated that small group employers would walk away from coverage for those under the bronze level. Vicki Veltri raised the question of whether it is a Connecticut-based assumption that there is a 15% increase in the Essential Health Benefits (EHB) package given the additional mandates that are required. Kurt Giesa stated that it was, especially with regard to the level of coverage. Vicki also questioned whether this model takes into account individuals up to 200% FPL. Kurt Giesa stated that it did not. Commissioner Bremby questioned whether health status would be included in the analysis. It has not been thus far. Mary Fox stated that she believed the number for premium and medical claims shown trending at 5.5% was too low. Mary felt this impacted more significantly. Kurt Giesa stated this number came from the work done by the CBO. Mickey Herbert indicated that there is a cost share issue with the additional 185,000 individuals coming into the market. Secretary Barnes would like to see where the 185,000 individuals came from.

Lieutenant Governor Wyman questioned how the State could use the lessons learned from the Massachusetts Connector in bringing small businesses to the Exchange. Robert Tessier questioned what Connecticut can do to bring more small employers into the Exchange. Vicki Veltri questioned who would remain in the uninsured market. Kurt Giesa stated that some individuals are eligible for Medicaid but have not enrolled. Kurt discussed integrating high risk pools into the individual market in 2014. The individual market will almost certainly be a lower cost option for the Health Reinsurance Association member's post 2014, and they have guaranteed access at standard rates and potentially premium and cost sharing subsidies.

Kurt Giesa noted that changing the definition of small group to include employers up to 100 lives would increase enrollment in the SHOP Exchange by about 6,000 lives or 15% for the first two years of operation. Kurt noted that the full credit for taxable employers is half (in 2014-2015) the portion of premiums paid by the employee. The tax credit expires at the end of 2015. The ACA gives states the ability to merge the small group and individual risk pools at any time. Merging the markets would increase premiums in the small group market by 4% and reduce premiums in the individual market by 2%. Mercer's model shows that the penalty in 2014 is responsible for reducing the number of uninsured by about 5%.

Secretary Barnes questioned the levels of morbidity by income and whether subsidies should continue over time. Kurt Giesa noted that the individuals will pay a fixed portion of their income, regardless of the premium price. The ACA includes advance tax credits (premium subsidies) for individuals with incomes up to 400% FPL, and cost sharing subsidies for individuals with incomes up to 250% FPL. The premium subsidy is equal to the difference between the 2nd lower cost silver plan in the individual market and the “applicable percentage” of the household income, varying by FPL.

Kurt Giesa reviewed Task 5—the effect of large employers (>100 employees) seeking participation in the Exchange after 2017. The advantages of allowing larger employers are that additional lives lower fixed administrative costs per life. Disadvantages include different employer needs, difficulty in delivering administrative services at a lower cost than the private market, and would lead to significant adverse selection as this would allow large employers to select among self-insuring or an experience-rated premium outside of the Exchange, and a community-rated premium inside the Exchange.

Gerry Smedinghoff reviewed Task 4F—the impact to markets and the Exchange if the Basic Health Program (BHP) option is considered; only Essential Health Benefits would be subsidized. He noted the advantages of implementing a BHP: it would reduce premiums and cost sharing for non-Medicaid eligible adults below 200% FPL; leverage existing Medicaid delivery system; and provide less disruption of care at the 138% FPL cusp. The next steps for the State is to decide whether to pursue the BHP option, complete a network adequacy analysis (in addition to the Medicaid expansion impact), and complete a benefit design and cost sharing structure. There are risks to the Exchange of BHP enrollees exploiting the 90-day grace period. Another risk is members that “churn” among Medicaid, BHP and Exchange plans. The use of excess of Federal subsidies over premiums is restricted to: lowering member premiums and cost sharing, additional state mandated benefits not being subsidized, and increasing provider reimbursements.

A question and answer period ensued. Robert Scalettar questioned what extent churning would have on continuity of care. Kurt Giesa indicated that this would provide an unknown administrative burden and would definitely raise issues for continuity of care, especially when income trends downward. Mickey Herbert noted that there would be issues with cost sharing for Medicaid patients and issues with availability of care. Vicki Veltri would like to see the Board analyze the option of going ahead with the BHP to serve its underserved population. Jeannette DeJesús questioned whether BHP dollars be used to fund the Exchange. Kurt indicated that it is not currently in the regulations but may be in time.

Rosemarie Day, HMA, discussed Task 7 (Financial Model for the Exchange). Rosemarie noted that the State needs to recognize that Exchange cost is determined upon a host of unknown factors: assumed Exchange membership, administrative structure of the Exchange, and mandates in authorizing legislation. The budget model needs to address this uncertainty in its initial exchange. State must be able to adjust cost estimates to reflect changes in major inputs. Revenue options include Exchange Premium Assessment, Exchange Transaction Charge, Health Insurance Carrier Participation Fee, Health Insurance Carrier Non-Participation fee, Broad-based Health Insurance Carrier Fee, and Advertising Revenue. Mercer recommends the following methods to generate revenue for the Exchange: an Exchange Premium Assessment of 2.5% on premiums for health coverage purchased through the Exchange and a Health Insurance Carrier Non-Participation Fee charged to health insurance carriers who choose not to offer qualifying coverage through Connecticut’s Exchange.

Discussion took place on the call center expense and operation. Rosemarie Day stated that the call center was not assumed to act as a patient advocate. Mickey Herbert indicated that there is a large variability in call center activity depending upon implementation and continuing needs. Mary Fox felt thought should go into creating a good consumer experience through the call center. Rosemarie indicated that staffing

should establish best practices, including customer surveys. Vicki Veltri would like to see the call center be a consumer oriented help center. Jeannette DeJesús noted lack of coordination of safety net programs for individuals suffering health disparities. Jeannette noted the need for the call center to have the ability to respond to diverse populations.

Rosemarie Day indicated that the Mercer/HMA team also recommends timely hiring of key staff and development of a strong Exchange platform; sufficient funds allocated for education and outreach in 2014; participation of key health insurance carriers and availability of a sufficient choice of health plans; and partnering with health insurance brokers.

Michele Walker reviewed Task 6 (Analysis of the impact of other health system initiatives on the Exchange). Mercer examined the following health coverage initiatives: Partnership Plans, Health Connections, Pre-existing Condition Health Insurance Plan, Charter Oak, Connecticut AIDS Drug Assistance Program (CADAP), and Husky B >300% FPL. It was noted that there is an overlap of eligible enrollees. Current populations in coverage initiatives would be also eligible for coverage under the individual and small business Exchange and qualify for subsidies or tax incentives. Products and services currently being offered through the coverage initiatives would also be offered under the individual and small business Exchange. The Exchange can consider incorporating some or all of these coverage initiatives into their program to eliminate competition or streamline offerings of products for potential enrollees.

Michele Walker noted that Mercer would be meeting with Exchange staff on December 16th to discuss its draft reports. Comments will be incorporated into Mercer's final report which will be delivered to the State no later than December 22nd. This report will conclude Mercer's work. There will be an overall executive summary provided to the Board.

Lieutenant Governor Wyman thanked the Mercer team for their efforts.

Staffing Plan

Tia Cintron provided an overview of the Staffing Plan, which is based on the Level One Grant awarded to the State in August of 2011. The Staffing Plan reflects the resources that are needed to support the Exchange's planning and development efforts towards its milestones of State certification and open enrollment. The document supports the key workload that falls under each of the lead positions. There is a large magnitude of work that needs to take place over the next 10 months. This plan was sent to the Personnel Committee on December 9th for their consideration and approval. A conference call took place on December 12th to discuss the plan. The Committee felt that the Exchange should move forward in hiring two senior consultants and two support staff and start the recruitment efforts for the rest of the management team.

Secretary Barnes stated it would be ideal that the CEO was in place to select the senior team but it is possible that some of the positions need to be filled prior to the hiring of the CEO. This decision has been deferred until the January meeting. Vicki Veltri thanked Tia Cintron for her work on the staffing plan document.

Mickey Herbert stated he would like to see Tia Cintron, as the Acting CEO, have hiring power authority for all positions due to the aggressive timeframe of Exchange development requirements. Mary Fox stated that the Personnel Committee would work with Tia Cintron in the recruitment process and provide timely support for development of the key leadership positions. However, for the time being, the Personnel Committee would like Tia to have the authority to immediately hire two analysts and two support positions.

Lieutenant Governor Wyman stated that the Board has to vote on the number of positions needed. Bob Tessier stated that he believed that it is necessary to have the CEO in place, so that that individual could hire the executive level staff. Mickey Herbert expressed his displeasure in this due to the tight timelines around Exchange development and felt that the Acting CEO should have the authority to hire all executive level staff. Secretary Barnes supported the more expansive approach that Mickey Herbert recommended. Mary Fox noted that Tia Cintron has the authority to directly lead the recruitment efforts by immediately identifying viable candidates for the executive level positions to bring before the Personnel Committee and the Board.

Lt. Governor Wyman requested a motion. Mickey Herbert made a motion to allow Tia Cintron the authority to hire for all positions as indicated in the Staffing Plan except the position of CEO. Secretary Barnes seconded the motion. **Motion failed.**

Mary Fox made a motion to give Tia Cintron the authority *to recommend* to hire for all positions as indicated in the Staffing Plan, except the position of the CEO, with the caveat that she work with the Personnel Committee on the final decision on senior top level positions. Mary Ellen Breault seconded the motion. **Motion passed with Mickey Herbert voting no.**

Executive Session:

Lieutenant Governor Wyman requested a motion to go into Executive Session at 12:29 p.m. to discuss the Projects 2-3 Vendor Selection and the Consumer Outreach Vendor update. The motion was made and seconded. **Motion passed unanimously.**

The Board of Directors came out of Executive Session at 12:46 p.m.

Lt. Governor Wyman made a motion to allow Attorney Karen Buffkin, on behalf of the Board, to enter into contract negotiations with the top ranked Project 2-3 Vendor, as rated by the Projects 2-3 Review Team. The motion was seconded by Bob Tessier. **Motion passed unanimously.**

Next Steps

The next Board meeting will take place on January 19, 2012. Tia Cintron announced that a strategic plan for the next ten months will be provided at that meeting that will provide perspective on key considerations, milestones and action needed leading up to State Certification and Open Enrollment. Additionally, Leadership councils will be discussed as well as a presentation by the Consumer Outreach Vendor. Significant peer review is currently taking place on Mercer's draft reports and the Board is welcome to express its comments.

Adjournment

Lieutenant Governor Wyman requested a motion to adjourn the meeting. Cecilia Woods made the motion to adjourn the meeting at 12:50 p.m. **Motion passed unanimously.**