



**FINANCE SUB-COMMITTEE  
CONNECTICUT HEALTH INSURANCE EXCHANGE  
(ALSO KNOWN AS ACCESS HEALTH CT)**

Conference Center  
280 Trumbull Street, 2<sup>nd</sup> Floor  
Hartford, Connecticut  
Wednesday, March 6, 2013  
**Meeting Minutes**

**Members Present:** Secretary Benjamin Barnes, Dr. Robert Scalettar

**Members by Telephone:** Commissioner Roderick Bremby

**Absent:** Anne Melissa Dowling; Vicki Veltri

**Other Participants:** Access Health CT Staff -- Steven Sigal; Virginia Lamb; Kevin Counihan

- I. Call to Order and Introductions  
**The meeting was called to order by Chairman Benjamin Barnes at 1:13 p.m.**
- II. Policy: Acquiring Operating Funding

Steve Sigal presented an Overview of Sustainability Options which included an executive summary; policy: acquiring operating funding; revenue requirement; membership projection; Qualified Health Plan (QHP) premium; revenue options; recommendations and other sustainability assumptions.

The executive summary was reviewed. The Exchange does have a self-sustainability requirement and all scenarios presented are hypothetical. Membership is projected but remains uncertain. Premium rates have not yet been filed with the Connecticut Insurance Department. The estimated annual operating costs may range from \$25 million to \$30 million and include increased amounts of known costs combined with actual experience and clarified projections. But major components are not known which include the system maintenance costs, as well as understanding the number of people to staff the Exchange. The expense level is believed to be less than similar Exchanges. Kevin Counihan stated that

some states, that were admittedly larger than Connecticut, but not dramatically so, were in the \$50 million to \$60 million range. Connecticut is looking to be less than that.

Secretary Barnes inquired as to what is driving the higher costs in other states. Mr. Counihan stated that it was staffing. Other states have more staff. Some states such as Minnesota and Hawaii are not out sourcing the call center. California is expected to have 1,100 staff with 800 of that staffing the call center. Connecticut is using business process outsourcing.

Mr. Sigal continued. There are enrollment estimates and three primary revenue sources including market assessment, user fees and Medicaid cost recovery. Secondary revenue sources are not included in the scenarios. Staff is seeking approval of the recommendations to present to the Board.

The policy for acquiring operating funding includes needed flexibility to address other things that may come up during the time period that the Exchange commences operations. As a reminder, Mr. Counihan stated that the Exchange is required by the ACA to be self-sufficient as of January 1, 2015. Mr. Sigal stated that both pieces of legislation, the ACA and Connecticut's enabling legislation, contemplate user fees and market assessments. Connecticut's legislation contains additional language regarding who should pay those costs and stipulates charging health carriers that are capable of offering a qualified health plan through the exchange. As a result the market assessment will be based on the entire small group and non-group market.

Secretary Barnes inquired as to what the overlap is between firms that fit that definition and those under assessment to support the insurance fund in the State of Connecticut. Mr. Counihan stated that that information will be provided. Mr. Sigal stated that the assessment is based on premium taxes.

Mr. Sigal continued with the Revenue Requirements –low, moderate, and high for 2014 and 2015 which include adjustments to variable costs based on the level of membership. About one-third of the costs are considered variable. Membership projections were presented. Low, moderate, and high in each of 2014 and 2015 were reviewed with the gray bar being Medicaid members anticipated to apply for coverage through the Exchange. The other color would be members applying for coverage from Qualified Health Plans (QHP) through the Exchange. As represented in the chart, the lower the estimated membership, the higher the estimated PMPM rate.

Secretary Barnes inquired as to what the difference is between low and high estimated membership in 2014. Mr. Sigal responded that it is the uncertainty. Given the forces that are impacting the marketplace, the high membership estimate was the most optimistic.

Dr. Scalettar stated that this presumes the vast majority of enrollment would be in year one. Mr. Sigal responded that a 5% increase was used for 2015. Dr. Scalettar stated that the affordability issue continues to be a risk, and inquired as to whether the lower side of low should be considered. Mr. Sigal replied that that could happen. Mr. Counihan responded that the mandate for coverage must become more actionable than \$95.00.

Secretary Barnes inquired if estimates are as of 12/31 of each year and if there was a model to calculate member months? Mr. Sigal responded yes. There are rules about when you

enroll and what the resulting effective date would be. Effective dates extend to May in 2014. New and renewal enrollment for 2015 will have an effective date of January 1, 2015. Mr. Counihan stated that the open enrollment period for coverage beginning in 2015 is a total of 3 months, ending December 31, 2014.

Secretary Barnes commented that about 5,000 to 6,000 Husky A individuals may move to the Exchange in July 2014 with another 25,000 possible members in December 2014. Mr. Counihan stated that all of those individuals may not enroll with the Exchange; perhaps only one-half will enroll. Outreach will need to be focused on these potential members.

It was discussed that the change in coverage from the Husky program would be considered a qualifying event for those individuals and would allow them to enroll outside the normal open enrollment period. In addition, there is an assumption of an average 5% disenrollment as individuals may not stay enrolled the whole year, adding additional conservatism.

**Dr. Scalettar left at 1:30 p.m.**

Mr. Counihan stated that he has a concern that the navigator and in person assister programs may end up focusing on Medicaid and not on the Exchange, but there are approaches to avoid this.

Mr. Sigal stated that there is no line of sight as to what the premium cost will really be. There is a lot of innuendo particularly with rate increases over 2013. Mr. Counihan stated that it will depend on the mix of enrollment and the metal tiers as well as impact of the subsidies. Most enrollment is expected to be in the silver tier because of the subsidies. Mr. Sigal stated that the sustainability model will iterate over time as more information becomes available.

Mr. Sigal reviewed Exchange revenue options. Given the membership discussed and premium cost along with a Medicaid cost recovery placeholder, the user fee was determined under different scenarios. User fee revenue is a byproduct of carrier pricing and membership amounts. Mr. Counihan stated that the Federal Government will have a 3.5% user fee even though it is not sure that fee will cover costs.

Another scenario presented was a market assessment. The rate would be less than 1% and it would generate the same amount of revenue.

Secretary Barnes stated that the market assessment is relatively easy to calculate with limited reliance on assumptions. User fee rates can be set and can be either under-assessed or dramatically over-assessed. Mr. Sigal stated that regardless of rate shock using a market assessment will ensure sustainability and would allow time to adapt to innovative changes to pricing and healthcare delivery. Mr. Counihan stated that there can be a combination of the user fee and market assessment. Colorado is using both a user fee and a market assessment.

Secretary Barnes asked where the user fees are considered in the 80% medical loss ratio calculation. Mr. Counihan replied that with the recent new guidelines, user fees would be deducted from premium in the denominator. Incurred claims are the numerator.

Mr. Sigal presented the recommendations to be presented to the Board. The policy provides a broad basis to attain sustainability. The recommendation is to move forward for the foreseeable future with a market assessment. This would benefit price and competitiveness outside the Exchange.

Mr. Barnes asked since the premium charged is the same both inside and outside of the Exchange, is the user fee charged on premiums outside the Exchange? Mr. Sigal gave an example. CIGNA would not charge it since it does not plan to participate in the Exchange. The assessment, on the other hand, would be spread out amongst all carriers and will have a lesser impact on the cost to members. The Exchange mission is to foster affordable care and not prejudice anybody inside the exchange versus outside the exchange. Therefore, the market assessment is more consistent with the purpose of the Exchange.

Mr. Sigal continued that the market assessment approach was reviewed recently with the Connecticut Insurance Department. There was significant discussion on the approach but the Department agreed that the Exchange is empowered to use an assessment. However, CID staff thought the Exchange should strengthen its position by discussing the assessment with the Attorney General or perhaps take a legislative approach.

Virginia Lamb, General Counsel, added that the Department characterized its suggestion as the Exchange taking other actions to "bullet proof" its policy. CID's concern was that a carrier who disagrees with the imposition of an assessment might sue the Exchange. To avoid that risk, CID staff recommended that the Exchange consider additional actions such as reviewing the assessment with the Attorney General or asking the legislature to be more specific on the Exchange's authority. Due process to the carriers was also discussed. In the end, CID was advising caution.

Mr. Sigal commented that the assessments would be based on the prior year's premium reported in regulatory reports, e.g., the carriers' medical loss ratio reported to the Centers for Medicare and Medicaid Services (CMS) and the State of Connecticut. Mr. Sigal also stated that it was expected that CIGNA's small group assessment would be small based on the size of its book of business. Secretary Barnes inquired as to who would be disproportionately harmed by a market assessment as opposed to a user fee? Mr. Counihan noted that Anthem has the largest book of business.

Mr. Counihan stated that there is a preference for an assessment. The challenge with the user fee is that it may give a competitive edge to those not participating in the Exchange. Secretary Barnes asked if there are large and individual small groups today that would have an extremely limited participation in the Exchange that would prefer a user fee? Mr. Counihan replied that Anthem might. They are proceeding aggressively to participate in the Exchange. Mr. Sigal stated that ConnectiCare is setting up a new legal entity for Exchange contracting purposes. It is almost analogous to setting up a "captive" insurance company for the Exchange.

Secretary Barnes asked about the Medicaid cost share identified in the presentation. Mr. Sigal replied that it is simply to achieve cost recovery from the Connecticut Department of Social Services (DSS). MAGI Medicaid and CHIP members will use the Exchange. As the Exchange is being built, DSS pays for a percentage of the build cost of the system that the Exchange will be operating. There will also be calls to the Exchange call center. It may

ultimately be a net settlement since the Exchange will be charged by DSS for services it performs for the Exchange.

Commissioner Bremby stated that there is a need to keep data as to the impacts of such items but there is hope that it will be a wash. Mr. Counihan stated that because of this there will be great value to trying to get as many Medicaid members enrolled on line as opposed to using paper to better control the data.

Other sustainability assumptions were reviewed. The scenarios do not include any advertising revenue. Mr. Counihan noted that CCIIO has discouraged any health plan, medical device, or pharma advertising. In addition, there will be reserve funds accumulated during the grant period that were not considered in the sustainability model presented. Another revenue source not considered is providing other states with Connecticut's exchange capabilities. Finally, there is potential revenue from the All Payer Claims Database (APCD) that was excluded from the scenarios.

Secretary Barnes suggested improving tolerance of a market assessment by perhaps implementing the assessment in stages. Carriers would have an initial lower assessment which would rise in intervals over time bringing the Exchange to a point of sustainability.

Regarding providing other states their exchange capabilities, Mr. Counihan stated that Connecticut has been approached by one state. As time goes on, with grant dollars lessening, States will be encouraged to latch on to other states as they develop their state-based exchange capabilities.

**Dr. Scalettar returned at 1:57 p.m.**

Dr. Robert Scalettar asked if there any system limitations to assisting other states? Mr. Counihan stated that there are limitations in the current contemplated build but it is very scalable. Mr. Sigal stated that the data center may need to be hosted by a vendor other than BEST. Further, there is \$6.6 million of the Level II grant designated for the build of the APCD and that will last 24 months.

Dr. Scalettar asked what do the recommendations mean for affordability and is there any sense of carrier reaction to the consideration of this? Mr. Sigal stated that the user fee has a direct cost impact on the purchaser while the market assessment would be spread to carriers outside the Exchange as well. Mr. Counihan stated that this may encourage non-participating carriers to participate.

Dr. Scalettar inquired as to how other states are approaching this. Mr. Counihan replied that most are employing user fees applied as a percentage of premium. The states were all using about 3.5% which is what the Federal Facilitated Exchange (FFE) default percentage is. Colorado is using a combination of assessment and user fees. Exchange staff recommends picking one. Secretary Barnes again mentioned phasing in the assessment as an option. Further, the Federal government has admitted 3.5% may not be enough for sustainability of its costs. Mr. Counihan stated that if the Exchange is not self-sustainable, it would have to turn to the State. Secretary Barnes asked if the Level II grant will be impacted by the current sequestration. Mr. Counihan responded currently it would not. However, CMS resources we have depended on may be diverted to developing the FFE and CMS may have furloughs.

Secretary Barnes wondered how the market assessment approach would interact with current CID assessments. The Exchange needs to understand if some group of insurers might be penalized or harmed. He expressed his agreement with all of the reasons discussed regarding the assessment approach but wanted to get a sense of what the tolerance of the industry will be for the alternatives. Mr. Counihan stated that the industry does not like this at all whether assessments or user fees. Secretary Barnes inquired as to what brokers are paid. Mr. Counihan replied that in Connecticut it is capitated per head per month. Carriers will say that they will have to pay the brokers too. In California, Wellpoint gave premium credit for services that were provided such as underwriting and premium billing, but Mr. Counihan is not sure that the Exchange is at that point yet. Mr. Sigal stated that the Exchange is spending large amounts of money on brand and marketing. Secretary Barnes commented that carriers should get value from Exchange members being added to their books of business.

Secretary Barnes indicated that he will speak to individuals in his department that deal with assessments and share any information they may have.

**Secretary Barnes requested a motion to bring the draft Policy Acquiring Operating Funding forward to the Board as proposed by Exchange staff.** Motion was made by Dr. Scalettar and seconded by Commissioner Bremby. ***Motion passed unanimously.***

**The meeting adjourned at 2:11 p.m.**

**Resources:**

**[Presentation](#)**

Policy: **[Acquiring Operating Funding - Draft](#)**