


Financial Management – Preparing for Exchange Certification



DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight



State Exchange Grantee Meeting
September 19-20, 2011



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Agenda

- Financial Management Core Areas
- Financial Management Activities for Exchange Certification
- State-Federal Interactions

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Financial Management Core Areas

1. Advance Payments of the Premium Tax Credit and Cost Sharing Reductions
2. Premium Processing
3. Premium Stabilization (reinsurance, risk adjustment, and risk corridors)
4. Data Collection
5. Issuer Payment Transfers (including the flow of funds for payments and charges for the premium stabilization programs)

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Advance Payments of the Premium Tax Credit and Cost Sharing Reductions

- Advance payments of the premium tax credits will assist qualifying individuals participating in the Exchange with premiums
- Cost sharing reductions will limit the cost burden for out-of-pocket spending for qualifying Individuals
- The Exchange will determine the advance payment of the premium tax credit and/or cost sharing reduction of the qualifying individual
- The Exchange will record and submit this information to CMS so that payments can be made on behalf of the qualifying individual to the issuer

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Premium Processing

Encompasses all the Exchange functions required to:

- Collect SHOP premiums from employers on behalf of issuers
- Resolve invoice discrepancies with individuals and employers
- Aggregate premium receipts and distribute these to issuers
- Collect premiums from individuals who elect to pay through the Exchange (*optional Exchange function*)

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Exchange Financing

- Beginning in 2015, States electing to operate an Exchange will finance the administrative costs of operating an Exchange
- States may charge assessments or user fees to participating issuers in the Exchange

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Risk Spreading: Reinsurance, Risk Adjustment, and Risk Corridors

Program:	Reinsurance	Risk Adjustment	Risk Corridors
What:	Provides funding to plans that cover highest cost individuals	Transfers funds from lowest risk plans to highest risk plans	Limit issuer loss (and gains)
Who Participates:	All issuers and TPAs contribute funding; non-grandfathered individual market plans (inside and outside the Exchange) are eligible for payments	Non-grandfathered individual and small group market plans, inside and outside the Exchange	Qualified Health Plans (QHPs)
When:	Throughout year 2014-2016	After end of benefit year 2014 and subsequent years	After reinsurance and risk adjustment 2014-2016

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Risk Spreading: Reinsurance

- State options for establishing a reinsurance program
 - States operating an Exchange will establish a reinsurance program
 - States not operating an Exchange may choose to establish a reinsurance program
 - HHS will establish a reinsurance program in States not operating an Exchange
- Statute directs States to establish or contract with a nonprofit entity to administer reinsurance
- Reinsurance funded from collections from all health insurance issuers and third-party administrators for self-insured plans
 - Reinsurance contributions will total \$10 billion in 2014
 - The NPRM proposes that HHS establish a national contribution rate to be set as a percent of premium and seeks comment on this approach
- Reinsurance payments based on medical cost experience.
 - The NPRM proposes a portion of costs paid above an attachment point, subject to a cap
 - States have flexibility to modify these parameters

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Risk Spreading: Risk Adjustment

- State options for establishing a risk adjustment program:
 - States operating Exchanges may choose to establish risk adjustment
 - States not operating Exchanges may not establish risk adjustment
 - HHS will run risk adjustment for all non-electing States
- NPRM proposes a Federally-certified risk adjustment methodology
 - HHS-developed methodology
 - Any State proposing to use an alternative methodology will have that methodology certified by HHS
 - Any HHS-approved method may be used by other States
- Risk adjustment methodology will be published in a Federal Notice of Benefit and Payment Parameters with opportunity for public comment

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Risk Spreading: Risk Corridors

- Federally-administered program
- HHS will pay a Qualified Health Plan (QHP) issuer when its claims costs are greater than 103% of its cost projections
- HHS will receive payments from a QHP issuer when its claims costs are less than 97% of its cost projections

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Data Collection

Encompasses all the State functions required to:

- Collect claims and encounter data from the small group and individual markets for use by the State in risk adjustment calculations
- Collect enrollee and rate data from outside the Exchange for use by the State in risk adjustment calculations
- NPRM recommends that data be collected in a consistent format, but allows States to vary the amount and type of data collected
- Data may also be used to support validation of other business processes, such as risk corridors or reinsurance payments
- NPRM seeks comments on data efficiencies and reducing reporting burden

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Issuer Payment Transfers

- Issuer payment transfers encompasses the State and Exchange functions that are required to:
 - Collect payments from health insurance issuers
 - Pay issuers
 - Verify payment amounts and reconcile issuer invoice and payment discrepancies

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Activities for Exchange Certification: Key Decisions

- Will you run risk adjustment? *(optional)*
 - Will you use the Federally-developed methodology?
 - Will you modify and propose alternate methodology?
- Will you collect premiums for the individual Exchange?

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Suggested Activities for Exchange Certification: Reinsurance

2012

- Obtain legal authority to operate reinsurance if necessary
- Decide whether to establish or contract with a non-for-profit reinsurance entity
- Identify data requirements and establish payment frequency
- Review Federal payment notice and compare to State's own research on issuers
- Evaluate administrative costs of operating a reinsurance program
- Consider whether to apply or revise reinsurance payment parameters proposed in the Federal payment notice

2013

- Publish State notice that includes reinsurance policy (e.g. format for claims submission and frequency) and payment parameters
- Enter into a contract with the non-profit reinsurance entity or finalize establishment of the reinsurance entity
- Begin establishing an IT system for contributions, claims submissions and payment

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Suggested Activities for Exchange Certification: Risk Adjustment

2012

- Complete preliminary assessment of intention to run risk adjustment
- Establish legal authority to operate risk adjustment program if necessary
- Finalize alternate risk adjustment methodology (*optional – if not using Federal methodology*)

2013

- Finalize implementation strategy and workplan
- Publish State payment notice
- Risk adjustment systems and processes ready to “go-live.”

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Suggested activities for Exchange Certification: Financial Management

2012

- Establish authorization for financial management of Exchanges and premium stabilization programs
- Develop an operational plan for the implementation of financial management requirements
- Finalize financial systems IT plan
- Develop guidance for premium processing requirements for employers, individuals (*if applicable*) and issuers

2013

- Ensure capability to soundly manage Exchange and State program finances
- Begin premium processing during the Exchange open enrollment period

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State-Federal Interactions

State and Federal Agencies will be working on:

- Data submission, particularly if CMS is running risk adjustment
- Financial transfers between numerous parties
 - States, Reinsurance Entities, Exchanges, CMS, Issuers, Employers and Individuals
- Coordination around oversight & enforcement

Key Stakeholders

- State Agencies: Exchange, Department of Insurance
- Federal Agencies: CMS, IRS, OPM multi-state plans
- Other interested parties

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