

The Future of State Exchanges:

Post Election

“The ‘Not-So-Crystal,’ Crystal Ball”

Or... to 'Date' Myself, Let's Play "Carnac, the Magnificent"



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Agenda for Session

- Tap into our Collective “Crystal Ball”
- Preview the HCEG/CHC Industry Pulse Insights
- Highlight Various Reform Options and Proposals
- Examine Fundamental Impacts on Exchanges
- Discuss what Change Could Mean for your plans

Have some fun... and share some perspectives

Baseline/Backdrop: Trump's "Campaign" 7 Point Healthcare Agenda

- ACA: Immediate Repeal & Replace
- Tax Deductible Health Insurance Premiums
- Expansion of Health Savings Accounts
- Insurance Sales Across State Lines
- State-level Primary Oversight/Admin for Medicaid
- Price Transparency Among Healthcare Providers
- Drug Importation from Foreign Markets

First, Repeal... Then Replace

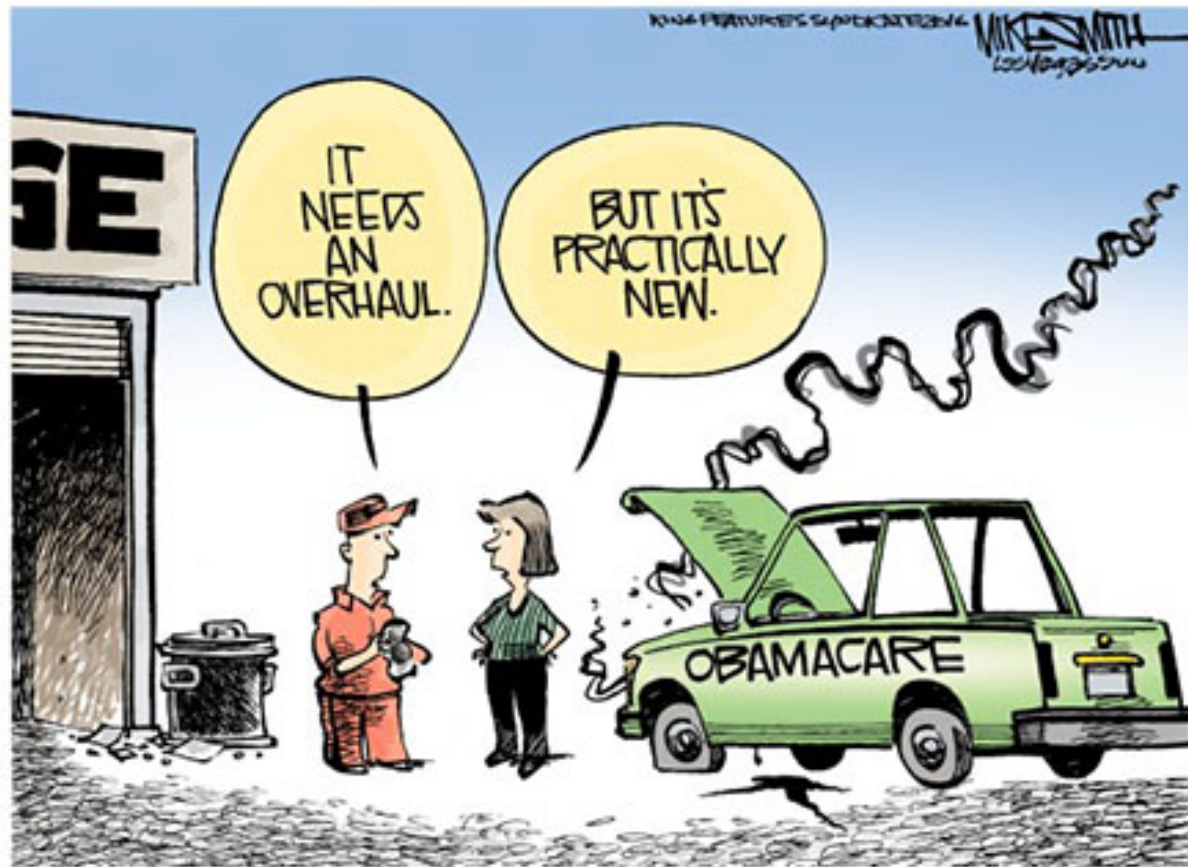


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Does the ACA Need to be Fixed?

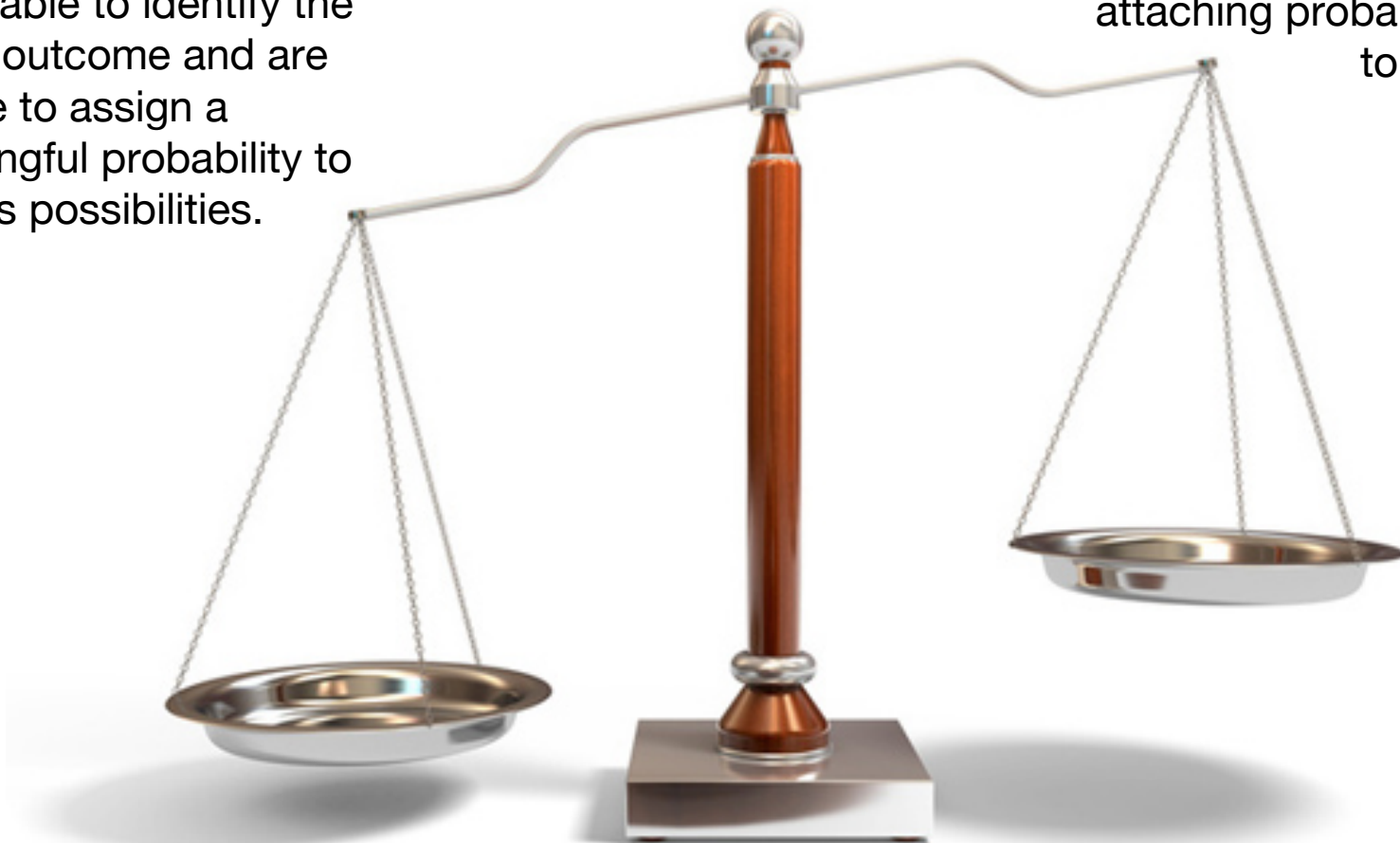


Uncertainty

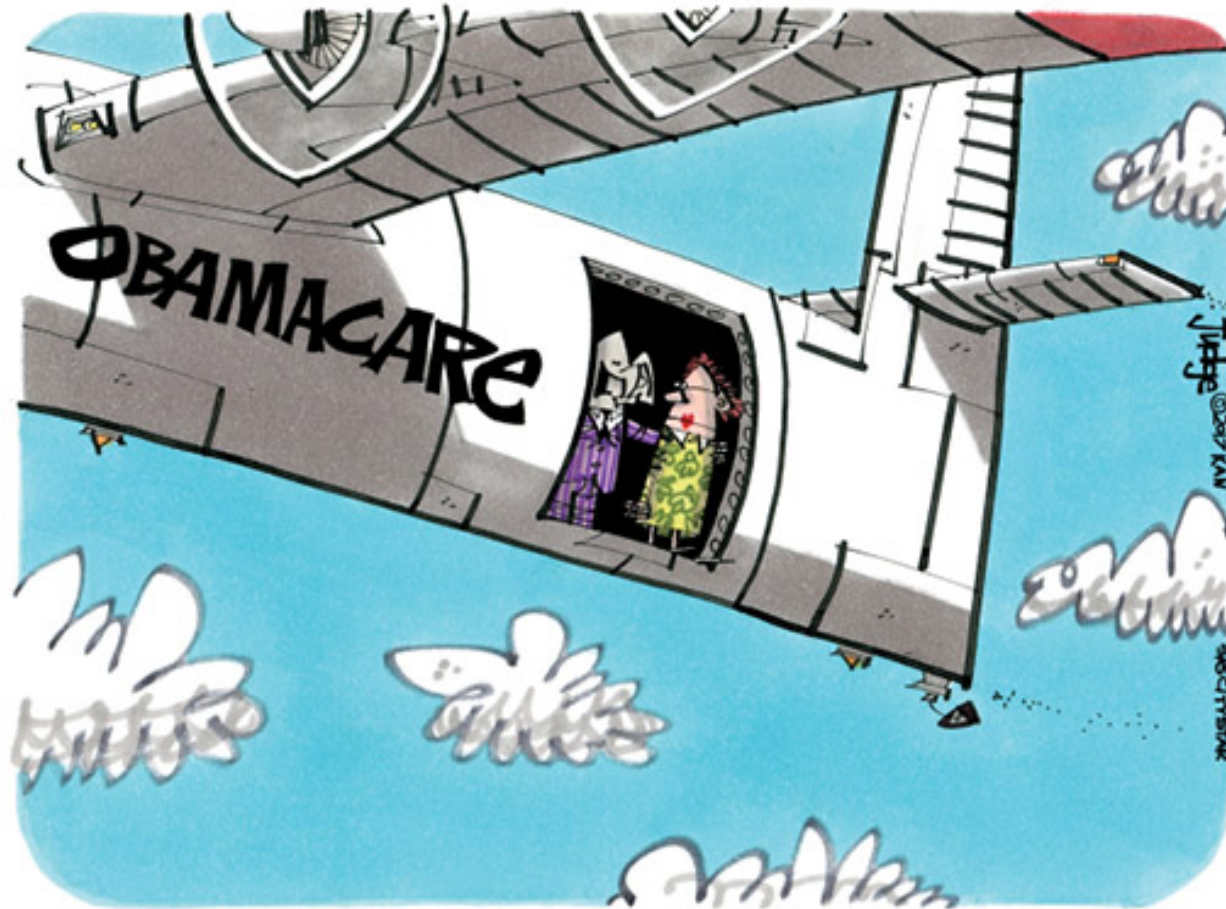
Uncertainty exists when we are unable to identify the future outcome and are unable to assign a meaningful probability to various possibilities.

Risk

Risk involves understanding the range of predictable uncertainties and attaching probabilities to them.



Repeal Now... Replace Later?



"FIRST YOU JUMP, THEN WE GET BUSY DESIGNING A PARACHUTE."

Late October 2016 Research

**Sneak Preview of Industry Pulse
Survey results done in partnership
with Change Healthcare (CHC)**



National Research to Compliment the HCEG Top 10

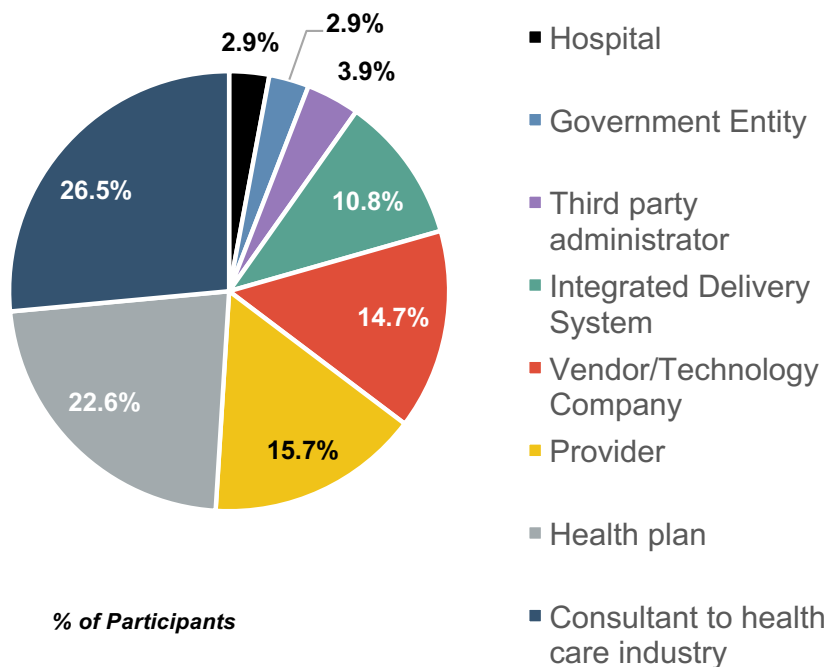


2017 HCEG Top 10

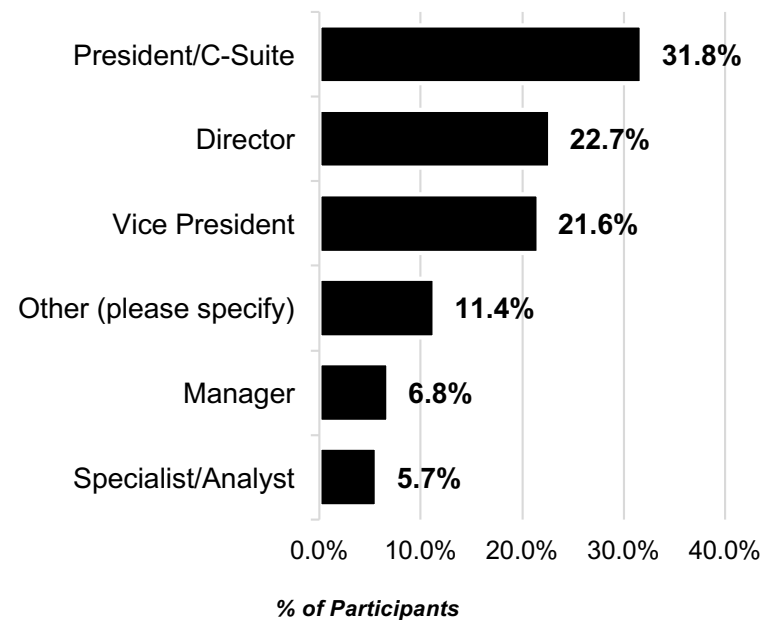
1. **Value-based Payments:** targeting specific medical conditions to manage cost and quality of care
2. **Total Consumer Health:** improving member's overall well-being – medical, social, financial, and environmental
3. **Clinical and Data Analytics:** leveraging big data with clinical evidence to segment populations, manage health and drive decisions
4. **Cybersecurity:** protecting the privacy and security of consumer information
5. **Cost Transparency:** growing legislation and consumer demand
6. **Harnessing Mobile Health Technology:** improving disease management, member engagement, and data collection/distribution
7. **Addressing Pharmacy Costs:** implementing strategies to address growth of pharma costs versus benefits to quality of care and total medical costs
8. **Care Redesign:** leveraging team-based care models, focusing on behavioral health and social needs
9. **Accessible Points of Care:** telehealth, retail clinics and micro-hospitals vs. large, integrated systems
10. **Next Generation ACOs:** additional programs in bundled payment, episodes of care-shared savings, and growing participant base

150+ Healthcare Executives Weighed in

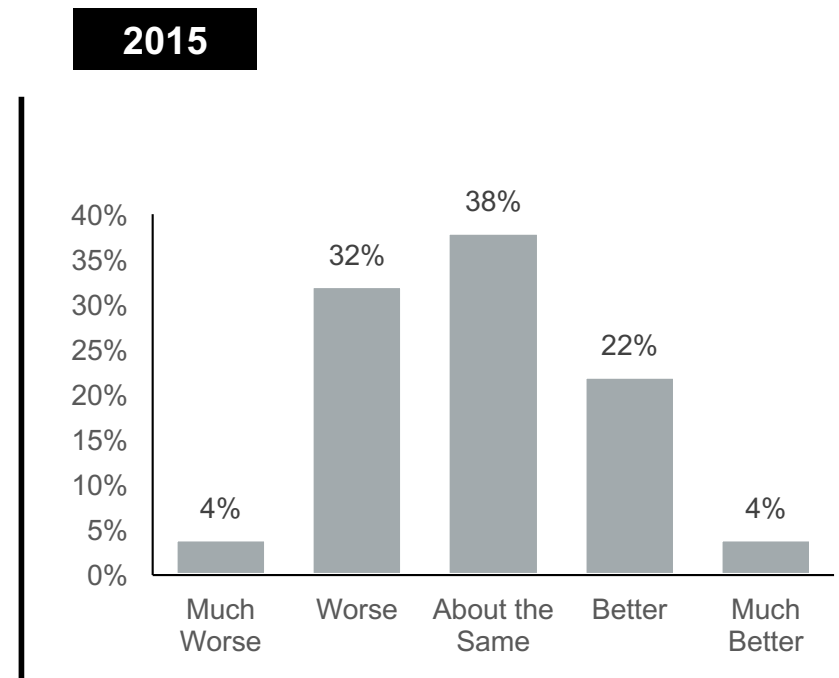
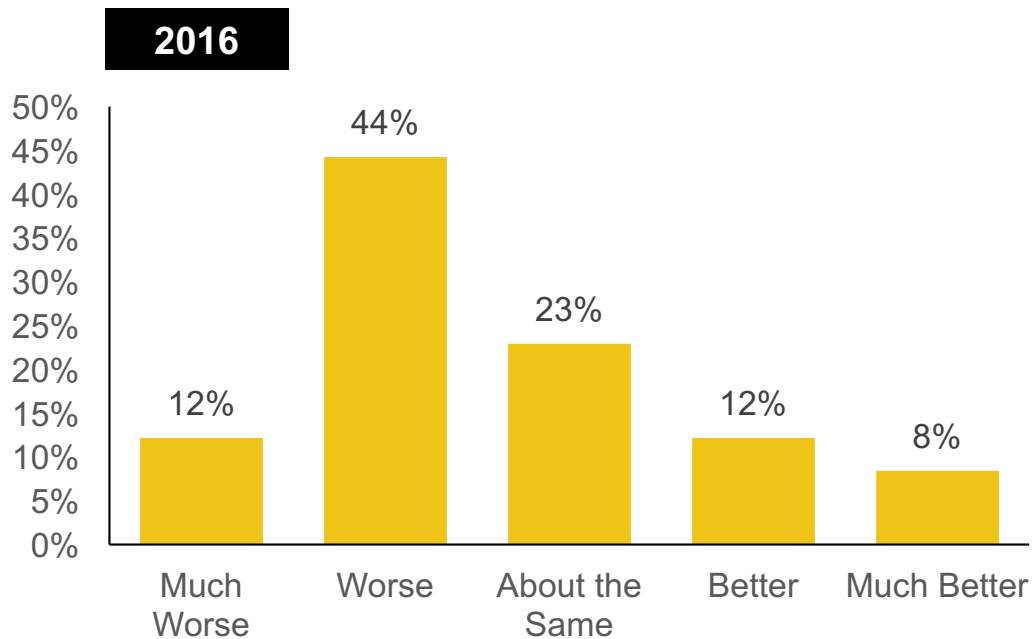
Respondents represented a range of healthcare organizations



Respondents population primarily consisted of leaders, influencers, and decision makers



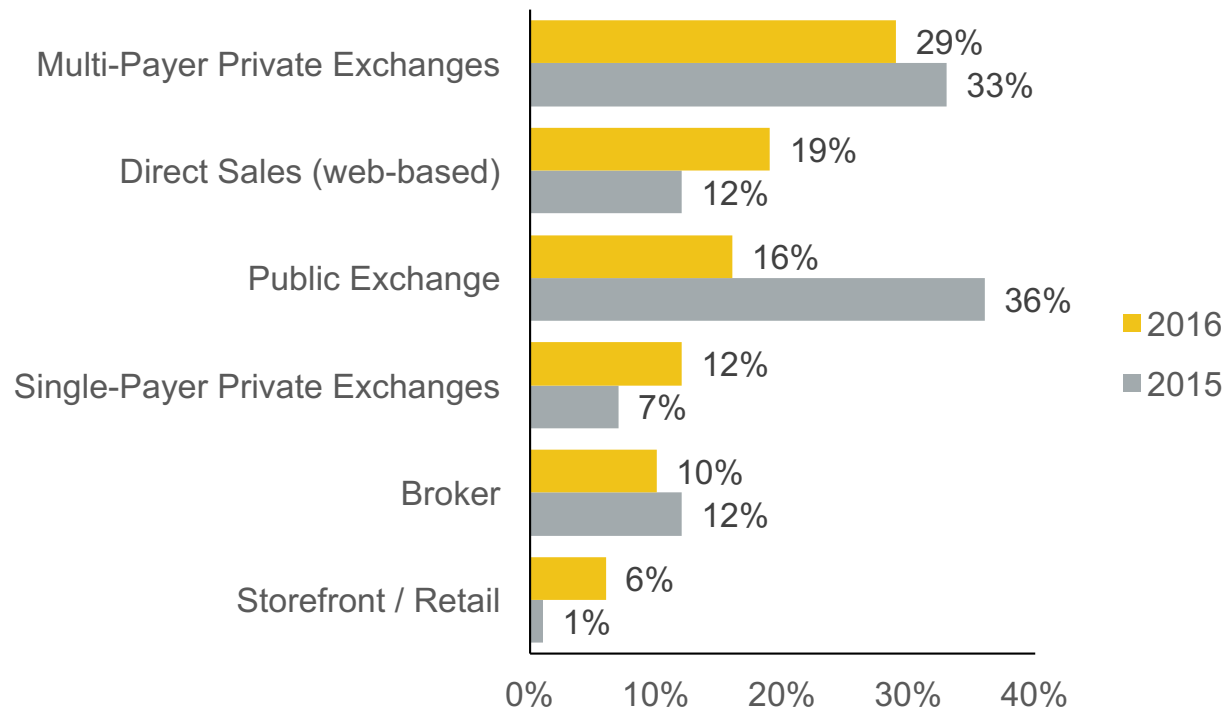
Healthcare was Already Struggling Financially with ACA



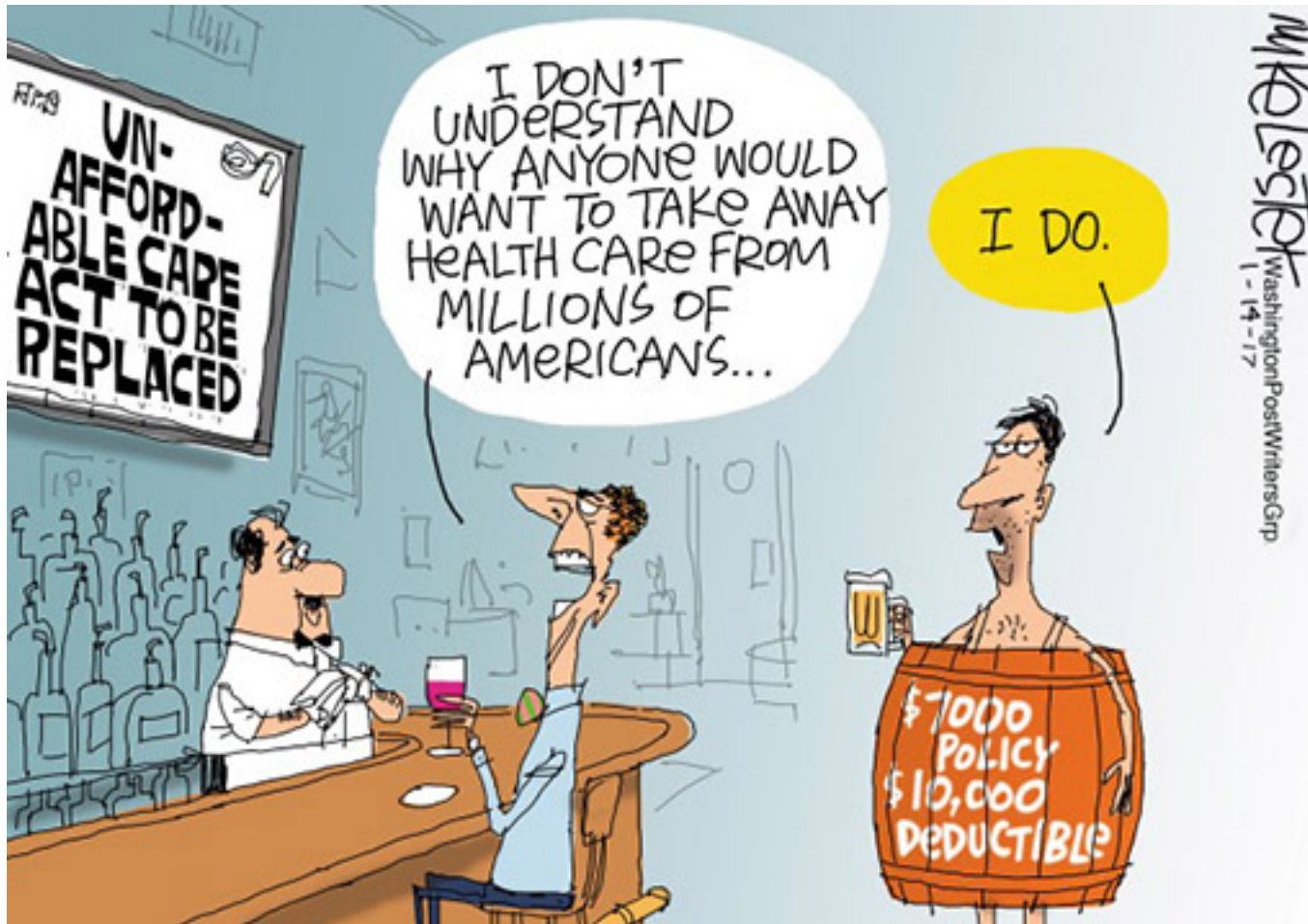
Healthcare May be Settling into a New Normal ... Beyond the ACA and Exchanges, but with Risk

2016	2015	2014	2013	2012	2011	2010
CRITICAL						
<ul style="list-style-type: none"> • Customer Service • Privacy & Security • Clinical & Data Analytics • Risk Management 	<ul style="list-style-type: none"> • Customer service • Data analytics • Privacy & security • Membership retention 	<ul style="list-style-type: none"> • Customer service • Membership retention • Membership growth • Regulatory compliance • Data analytics 	<ul style="list-style-type: none"> • Member retention • Customer service • Regulatory Compliance • Membership Growth • Provider Networking & Contracting 	<ul style="list-style-type: none"> • Member retention • Member growth • Customer service 	<ul style="list-style-type: none"> • Member retention • Automation & performance optimization • Member growth 	<ul style="list-style-type: none"> • Member retention • Regulatory/mandate compliance • Health care reform compliance
IMPORTANT						
<ul style="list-style-type: none"> • Member Retention • Provider Network & Contracting • Regulatory / Compliance • Payment Integrity • Vendor Relationships 	<ul style="list-style-type: none"> • Vendor Relationships • Brand & Marketing • Product benefit design • Provider Networking & contracting 	<ul style="list-style-type: none"> • Product benefit design • Payment integrity • Brand, marketing, communications 	<ul style="list-style-type: none"> • Private HIX • Public HIX • Risk Management • Payment Integrity 	<ul style="list-style-type: none"> • Claims accuracy and recovery • Risk Management • Product benefit design 	<ul style="list-style-type: none"> • Regulatory/mandate compliance • Customer service • Claims accuracy & recovery • Product design 	<ul style="list-style-type: none"> • Automation & process optimization • Product design
LOWER PRIORITY						
<ul style="list-style-type: none"> • Tech Limitations • Branding, marketing & sales 	<ul style="list-style-type: none"> • Payment integrity • Risk Management 	<ul style="list-style-type: none"> • Risk Management • Privacy & security 	<ul style="list-style-type: none"> • Brand, marketing, & communications • Product benefit design 	<ul style="list-style-type: none"> • Privacy & security • New sales channels 	<ul style="list-style-type: none"> • Privacy and security • Risk Management 	<ul style="list-style-type: none"> • Customer Service • Risk Management • Claims accuracy and recovery

Confidence in the Public Exchange ...is Falling Dramatically



Why? Medical Costs? Mandate?

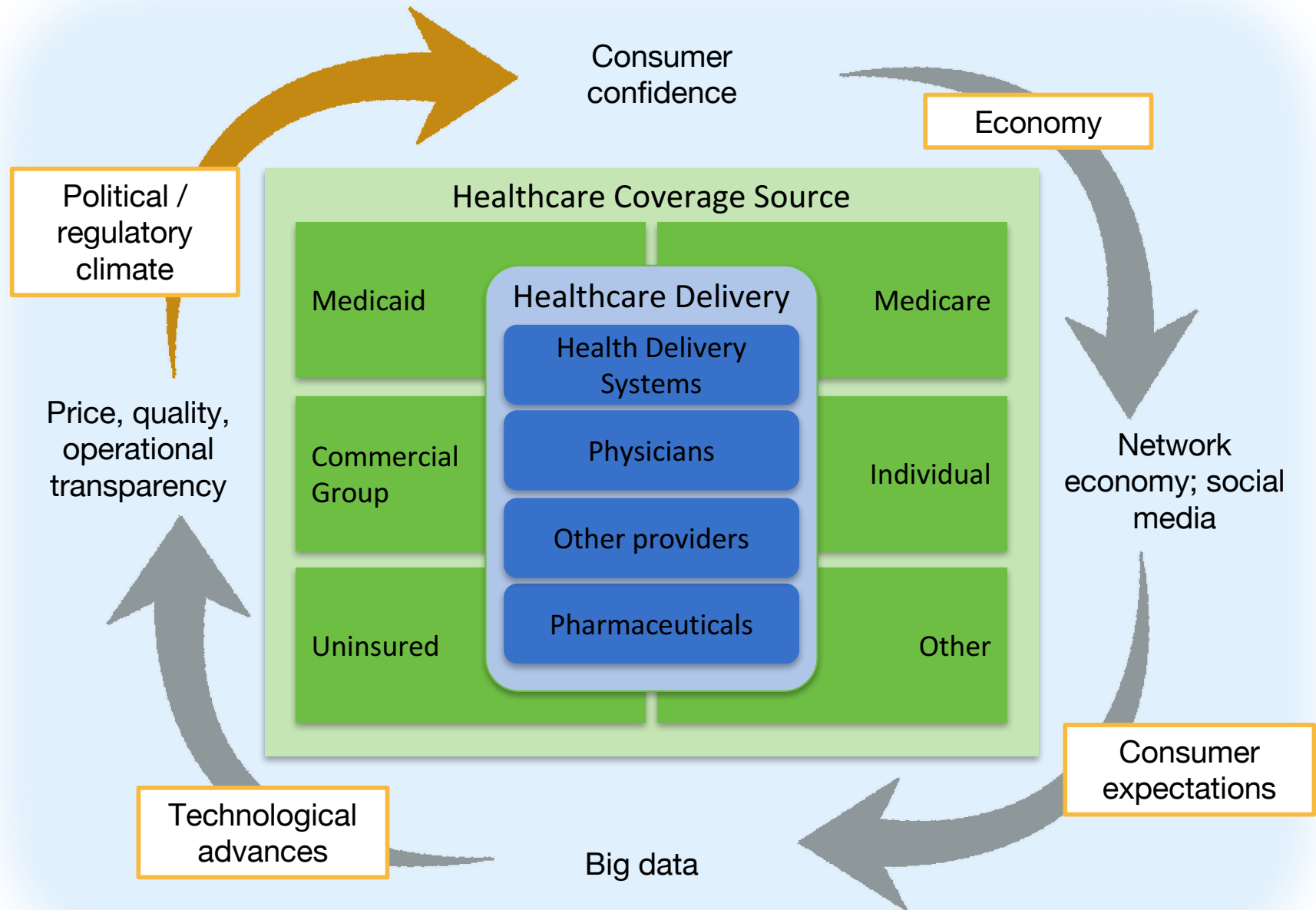


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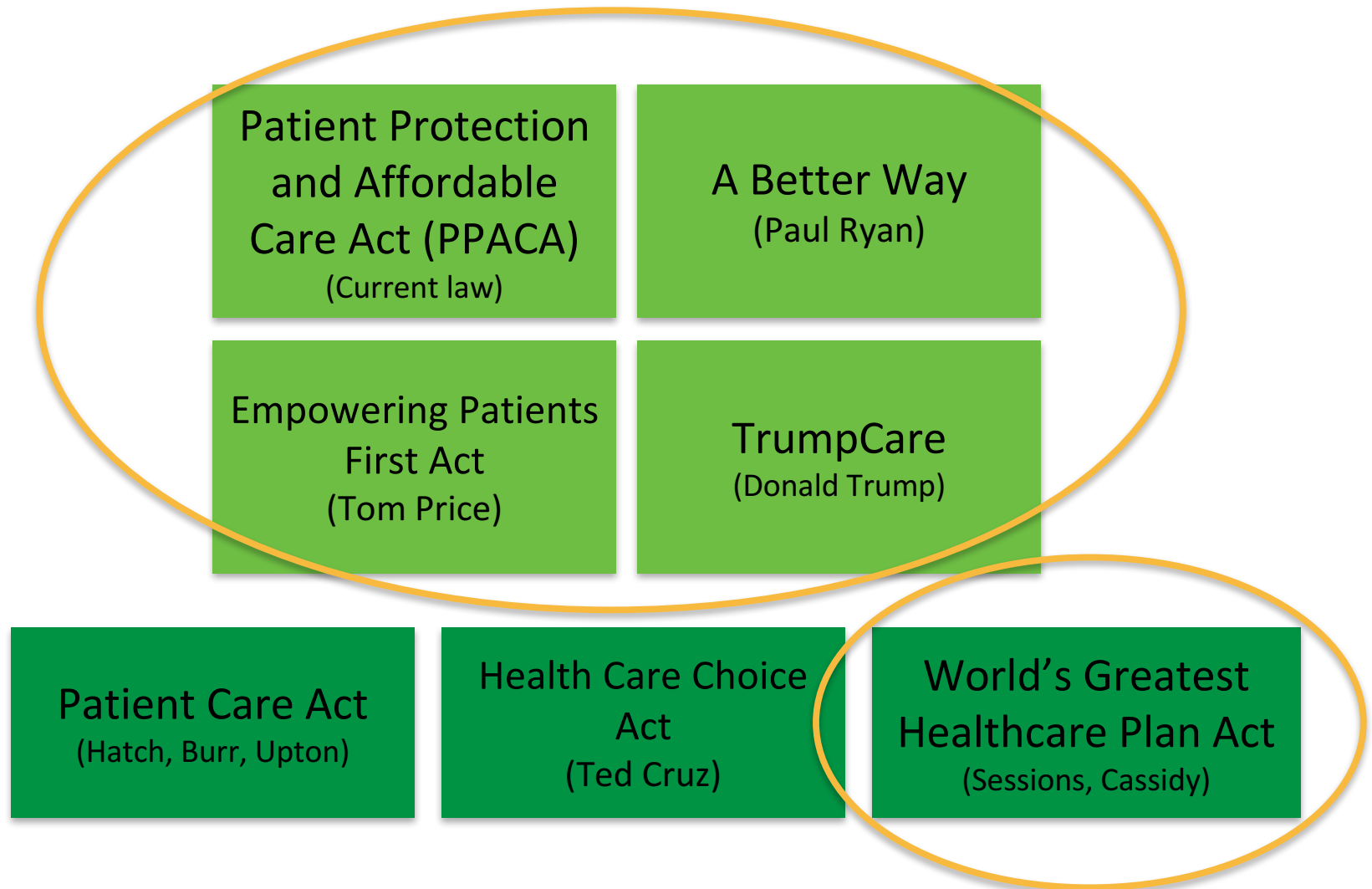
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Exchange Uncertainty: A Complex System, Where Lots of Actors Interact Over Time



Healthcare Legislation in Play



Trump / Price Rhetoric



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Insurance Market Reform Options

Pre ACA	ACA	Trump	Price	Ryan
<p>State-dependent rules for :</p> <ul style="list-style-type: none"> • Preventive service requirements • Kids age for coverage state dependents • Rules around limits, pre-existing conditions, mandatory benefits, rescissions, etc. 	<p>Require:</p> <ul style="list-style-type: none"> • Certain preventive services with no cost sharing • Kids on parents' insurance until 26 • Essential health benefits – minimum bar of coverage <p>Eliminate:</p> <ul style="list-style-type: none"> • Annual and lifetime limit • Pre-existing condition exclusions • Rescissions 	<ul style="list-style-type: none"> • Completely repeal Obamacare • Our elected representatives must eliminate the individual mandate • No person should be required to buy insurance unless he or she wants to 	<ul style="list-style-type: none"> • Cannot apply pre-existing exclusion if an enrollee has at least 18 months of credible coverage • Can apply if a condition received treatment within 6 months before enrollment, and extends for not more than 18 months after enrollment • A pre-existing condition surcharge cannot be more than 150% and not for more than 24 months 	<p>Maintain:</p> <ul style="list-style-type: none"> • Certain preventive services with no cost sharing • Kids on parents' insurance until 26 <p>Eliminate:</p> <ul style="list-style-type: none"> • Annual/lifetime limit • Pre-existing condition exclusions <p>Add:</p> <ul style="list-style-type: none"> • HSA Expansion with Preventive Services • Rates cannot change if individual had continuous coverage • Medicare Overhaul • High-risk Pools

SSX is holding an “Invitation only” Scenario Planning Roundtable on Legislative Option in Nashville February 27th. See me or Jerry Burgess from SSC, a Tuesday Keynote and Panelist if you want more details.

<http://www.springstreet.exchange>

**Cassidy Collins -
State Option to
Retain ACA**

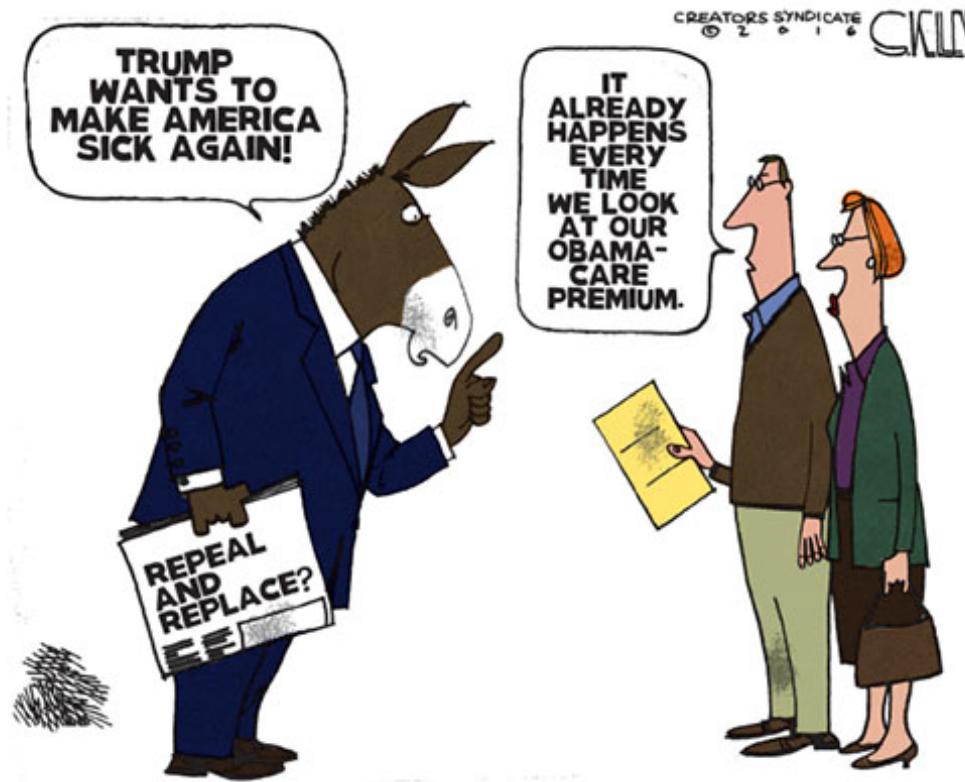
Market Support Considerations

Pre ACA	ACA	Trump	Price	Ryan
<p>Varied by state:</p> <ul style="list-style-type: none"> • But generally no requirement to purchase healthcare • No support for premium • Exclusions by pre-existing condition • No minimum standard of coverage 	<p>Added:</p> <ul style="list-style-type: none"> • Individual mandate • Premium and cost-share subsidies <p>Some insurance reforms:</p> <ul style="list-style-type: none"> • added 3:1 rating bands • Community rating • Family access for ages <26 • Subsidy levels tied to market rates 	<p>Reduce the number of individuals needing programs like Medicaid and CHIP:</p> <ul style="list-style-type: none"> • Install programs that grow the economy and bring capital and jobs back to America. • Best social program has always been a job • Taking care of our economy will go a long way towards reducing our dependence on public health programs 	<p>Provides for refundable, age adjusted tax credits:</p> <ul style="list-style-type: none"> • \$1,200: 18 - 35 • \$2,100: 35 - 50 • \$3,000: >50 years • \$900 / child <18 • Credits for health coverage, even with other coverage for portability • No Individual Mandate • HSA Expansion • No Essential Benefits • Sales across State lines • Allow Public or Group Opt-out 	<ul style="list-style-type: none"> • Portable, refundable tax-credit that can be used to help by health insurance • Can also be used as people switch between jobs, through Medicaid and Medicare • Increases in credits tied to inflation vs. medical costs

SSX has comparative summaries on key legislation across a variety of issues. Their “Invitation only” Scenario Planning Roundtable is in Nashville February 27th. See me or Jerry Burgess, a Tuesday presenter, if you want more details.

**Cassidy
Collins - State
Option to
Retain ACA**

What Impact will Premiums have on the Exchanges?



Exchange Economics... State of Utah MLR Analysis Across All Insurers

2015 UT Risk Adjustment Data Call - Implied Loss Ratios

Individual Market

Metal Level	Allowable Claims	Billable Member Months	Average Premium P[Billable]MPM	Assumed AV	Total Premium	Implied Inc Claims	Loss Ratio	Calculated Risk Transfer	Risk Adjusted Loss Ratio
Platinum	25,928,649	23,035	315.70	0.90	7,272,046	23,335,784	321%	2,258,757	290%
Gold	277,698,879	413,596	294.66	0.80	121,868,761	222,159,104	182%	27,537,946	160%
Silver	466,240,080	1,055,961	237.24	0.70	250,517,430	326,368,056	130%	5,608,755	128%
Bronze	83,755,308	393,901	195.74	0.60	77,100,422	50,253,185	65%	-35,405,458	111%
Catastrophic	2,438,323	14,795	139.58	0.57	2,065,164	1,389,844	67%	0	67%
					458,823,823	623,505,972	136%		136%

Small Group Market

Metal Level	Allowable Claims	Billable Member Months	Average Premium P[Billable]MPM	Assumed AV	Total Premium	Implied Inc Claims	Loss Ratio	Calculated Risk Transfer	Risk Adjusted Loss Ratio
Platinum	26,160,959	61,476	436.06	0.90	26,806,993	23,544,863	88%	1,896,623	81%
Gold	340,872,482	912,161	305.55	0.80	278,711,198	272,697,986	98%	7,092,439	95%
Silver	94,418,910	297,576	268.99	0.70	80,043,906	66,093,237	83%	-6,189,449	90%
Bronze	7,906,608	38,168	219.93	0.60	8,394,175	4,743,965	57%	-2,799,612	90%
					393,956,272	367,080,051	93%		93%

Bottom Line – Prices Have to Increase



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Exchange Participation in Your Market?

Example: Utah State Health Reform Task Force Letter

September 9, 2016

Utah State Health Reform Task Force

Dear Health Reform Task Force:

We sincerely appreciate the efforts of the state of Utah in creating an opportunity for small employer groups to purchase health insurance on the Avenue H exchange platform. Since the inception of Avenue H, SelectHealth has been a willing participant on the exchange. As the carrier with the majority of the enrolled Avenue H membership, SelectHealth is the only carrier that has participated every year. However, SelectHealth feels there is no need to continue participation on the Avenue H platform, as there are many other ways for small employers to obtain competitive coverage.

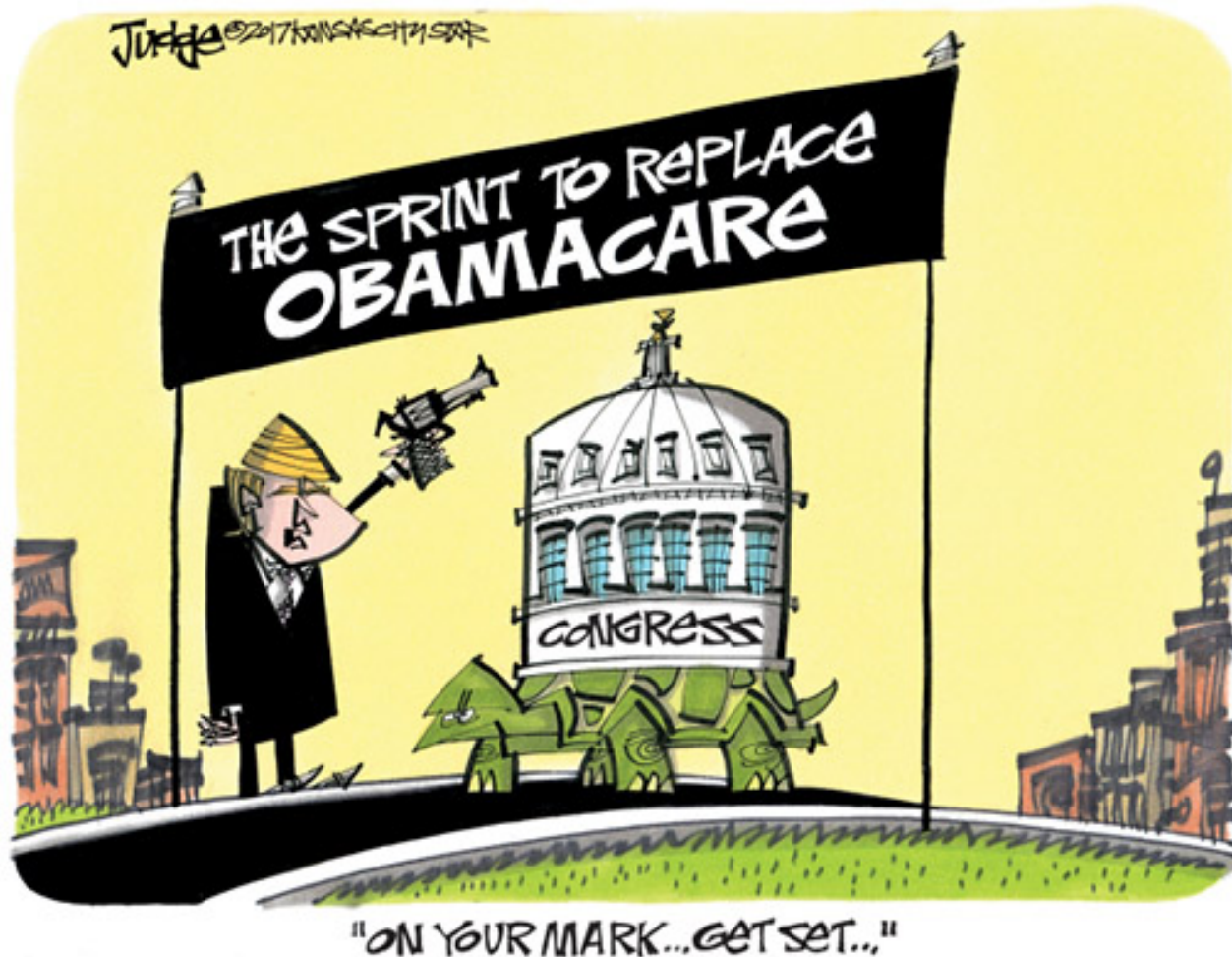
SelectHealth has built our own private exchange that functions much like Avenue H. A group can visit the SelectHealth exchange, provide a defined contribution to its employees, and then employees can select from the same SelectHealth plan options that are currently available on Avenue H. This is the same process that occurs on Avenue H. Participating on the Avenue H platform has added a layer of administrative work and cost that can be eliminated by moving groups to our own exchange. With United Healthcare leaving Avenue H for 2017 that will leave only two carriers—SelectHealth and HSA Health Plan—participating on Avenue H and those groups who currently are enrolled in United Healthcare could come to either carrier directly.

We have appreciated the opportunity to be involved in the exchange.

Regards,



So... What Should We Expect



Trigger Points and Timeline

Trump is the “Trump Card” – He knows how to use the “Bully Pulpit”

- Executive Order to appease supporters – Repeal (and delay) is underway
 - 1st 100 days... may quickly become 200 days or more
- Budget Reconciliation to repeal anything quickly is to limited ACA provisions
 - Can only repeal revenue-related provision (taxes & subsidies)
 - Likely repeal of Cadillac Tax and Medical Device Excise Tax
 - Repeal of Net of Net Investment Tax and Medicare Surtax has some probability
 - Subsidy and CSR repeal unlikely unless with a deferred date
- Replace will take time. Watch closely. Prepare to take action. Don't be paralyzed
 - Delay expected for repealing provisions that would severely disrupt marketplace
 - Replacement likely to be a “hybrid” of previous Republican proposals – lots of politics
 - Guaranteed Issue, Dependent Coverage to 26 and Lifetime Cap Protection likely to stay
 - Individual Mandate and Essential Health Benefits likely to go
- Re-election is Politician's #1 priority – 2018 Midterm elections are big consideration
 - Likely retain popular ACA provisions with full repeal/replace beyond January 2019

Scenarios and Contingencies are key to survival

Find the common elements and themes and develop plans around them

Things to Watch

Excellent Milliman Article by Lorraine Mayne... See hceg.org

- What Actually Happens with the Executive Order
 - Impact on Individual Mandate via “Hardship Extension” and/or Other Enrollment Penalties
- What Happens with Transitional Plans
 - 33 States allowed Insureds to keep their pre-ACA plans through 2017
 - These are typically lower premiums and fewer benefits. High utilization plans were dropped
- What Happens with Selling Insurance Across State Lines
 - Development of free and open markets in Interstate Commerce
 - McCarran-Ferguson Act gives Insurance Regulatory authority to the states
 - May require Statutory change and expenditure of significant political capital to change
- Will Medicaid 1115 Waivers be accelerated
 - Could significantly impact 11 states with Medicaid Waivers pending
- What Happens with Employers
 - Are taxes and fees reduced – Cadillac Tax, Employer Mandate, Small Group plan design
- Are Essential Health Benefits Affected and How
 - Each state currently defines their own
 - Impacts the calculation of Actuarial Value and Premiums

Follow these closely and Have Plans to Respond Quickly

Beyond Our Crystal Ball

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MAKES YOU STRONGER...
EXCEPT FOR
BEARS...
BEARS WILL
KILL YOU.**

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Open Discussion

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For Blog & Info: ***<http://hceg.org/the-future-of-the-state-exchanges-post-election/>***

Closing with an HCEG Invitation



hceg.org | info@hceg.org

SAVE THE DATE

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September 18-20th, 2017 | Nashville, TN

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