Health Insurance Exchanges: How to Compete Successfully

Jon Kingsdale, Ph.D.

Health Policy Forum
July 13, 2011
Agenda

1. The New, New Thing: how do insurance exchanges work?

2. How will insurance exchanges change competition among health plans?
Primary functions of exchanges

1. Determine eligibility and subsidy flows
2. Lead public education & outreach
3. Enroll subsidized/unsubsidized segments
4. Specify plan designs & cost-sharing
5. Rate/select, contract & sell health plans
Connect to good health, Massachusetts!

Our online Commonwealth Choice marketplace is the only place where you can compare plans from the state’s major insurers. We’re an independent state agency, so you can shop with confidence.

Our Commonwealth Care program offers low-or-no-cost health insurance for people who qualify. It provides comprehensive benefits and a choice of health plans.

Find the plan that’s right for you and enroll today!

Glad to be insured

“I was young, healthy. I always thought that I was invincible. It never even crossed my mind that I could get hurt...”

—Andrew Herlihy of Malden

Hear Andrew’s story and more

For Commonwealth Care Members Only

If you’ve been accepted for this subsidized health plan:

→ Register to get online access to your account
→ Get Instructions for creating your account
→ Log in to your account
→ Get help with questions
Exemptions from the Mandate

Think you can’t afford health insurance? Learn if you might be exempt from the Health Care Reform law’s penalties.

More on exemptions

Time to Renew?

Commonwealth Choice members must call 1-866-636-4654 to change plans. The TTY line for hearing or speech-impaired callers is 1-888-213-8163. Please act in time to stay covered.

Did Your Employer Send You?

Use your Employer ID to shop for a plan. Get tax-free savings on health insurance.

Go to the “Employees” area

Self Employed?

Use “total business income” as reported on your federal taxes if you’re trying to qualify for a low-or-no-cost Commonwealth Care plan.

Contact us

Important Dates

For coverage on: Apply & pay by:
Dec. 1, 2010 Nov. 22, 2010

Quick Links

Frequently asked questions

Real Customers

Ada May and Donald Roberts of Salem, MA
Read their story
Enter some basic information about yourself to start shopping for health insurance.

**Your Information**

- **Residential ZIP Code**: 02108
- **Type of Coverage**:
  - Self only
  - Self + spouse
  - Self + dependent child/children
  - Family (self, spouse + dependent child/children)
- **Your Date of Birth**: 01/01/1980
- **Coverage to Begin**: December 1, 2010

*Health insurance rates depend on when you want coverage to start, where you live, your age, and the number of people you want to insure.*

[Continue button]
Choose the type of plans that will meet your needs.

**Bronze**
- Lower monthly cost
- Higher costs when you receive medical services

Who chooses Bronze plans?
[See Bronze Plans]

**Silver**
- Monthly cost can run higher than Bronze
- Lower costs when you receive medical services compared to Bronze

Who chooses Silver plans?
[See Silver Plans]

**Gold**
- Highest monthly cost
- Lowest costs when you receive medical services

Who chooses Gold plans?
[See Gold Plans]

or

[View all plans]
<table>
<thead>
<tr>
<th>Benefits Package</th>
<th>Monthly Cost</th>
<th>Annual Deductible</th>
<th>Annual Out of Pocket Max.</th>
<th>Doctor Visit</th>
<th>Generic Rx</th>
<th>Emergency Room</th>
<th>Hospital Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bronze Low</strong></td>
<td>as low as $231</td>
<td>$2,000 (ind.) $4,000 (fam.)</td>
<td>$5,000 (ind.) $10,000 (fam.)</td>
<td>annual deductible, then $25 copay</td>
<td>annual deductible, then $15 copay</td>
<td>annual deductible, then $100 copay</td>
<td>annual deductible, then 20% co-insurance</td>
</tr>
<tr>
<td><strong>Bronze Medium</strong></td>
<td>as low as $252</td>
<td>$2,000 (ind.) $4,000 (fam.)</td>
<td>$5,000 (ind.) $10,000 (fam.)</td>
<td>$30 copay</td>
<td>$10 copay</td>
<td>$150 copay</td>
<td>$500 copay</td>
</tr>
<tr>
<td><strong>Bronze High</strong></td>
<td>as low as $242</td>
<td>$250 (ind.) $500 (fam.)</td>
<td>$5,000 (ind.) $10,000 (fam.)</td>
<td>$25 copay</td>
<td>$15 copay</td>
<td>$150 copay</td>
<td>annual deductible, then 35% co-insurance</td>
</tr>
</tbody>
</table>

**Insurance Carrier**
- Blue Cross Blue Shield of Massachusetts
- CeltiCare
- Fallon Community Health Plan
- Harvard Pilgrim Health Care
- Neighborhood Health

**Show Plans** | About Bronze Low
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**Show Plans** | About Bronze Medium
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**Hide Plans** | About Bronze High
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Compare plan details then choose a plan to enroll in or go back to view others.

<table>
<thead>
<tr>
<th>Insurance Carrier</th>
<th>Choose Plan</th>
<th>Choose Plan</th>
<th>Choose Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood Health Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvard Pilgrim Health Care</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Cross Blue Shield of Massachusetts</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| NCQA Rating | 4 out of 4 stars | View insurer’s report card | View insurer’s report card | View insurer’s report card |

<table>
<thead>
<tr>
<th>Benefits Package</th>
<th>Bronze High</th>
<th>Bronze High</th>
<th>Bronze High</th>
</tr>
</thead>
</table>

**About Bronze High**
- Lowest annual deductible in Bronze
- No deductible for visits to your doctor.
- Has co-insurance. Example: A lab test costs $100. Bronze High has 35% co-insurance. You will pay $35 and the insurer will pay $65.
<table>
<thead>
<tr>
<th>Plan Name</th>
<th>NHP Choice Optimum 250</th>
<th>Harvard Pilgrim Bronze 250</th>
<th>HMO Blue Basic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Find Doctor</td>
<td>Neighborhood Health Plan doctor lookup</td>
<td>Harvard Pilgrim Health Care doctor lookup</td>
<td>Blue Cross Blue Shield of Massachusetts doctor lookup</td>
</tr>
<tr>
<td>Plan details</td>
<td>Download Plan Details</td>
<td>Download Plan Details</td>
<td>Download Plan Details</td>
</tr>
<tr>
<td>? Premium</td>
<td>$242.19</td>
<td>$311.51</td>
<td>$380.96</td>
</tr>
<tr>
<td>? Annual Deductible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per person</td>
<td>$250</td>
<td>$250</td>
<td>$250</td>
</tr>
<tr>
<td>Family total</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>? Annual Out-Of-Pocket (OOP) Maximum</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per person</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Family total</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Costs that count towards OOP maximum</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office visit: Adult routine physical</td>
<td>No</td>
<td>Not applicable</td>
<td>Yes</td>
</tr>
<tr>
<td>Office visit: Routine gynecological (GYN) exam</td>
<td>No</td>
<td>Not applicable</td>
<td>Yes</td>
</tr>
<tr>
<td>Office visit: Well-child care</td>
<td>No</td>
<td>Not applicable</td>
<td>Yes</td>
</tr>
<tr>
<td>Office visit: All other visits to Primary Care</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Different “models” that states are considering for exchanges

<table>
<thead>
<tr>
<th>Program Integration</th>
<th>Procurement Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA CommCare</td>
<td>MA CommChoice</td>
</tr>
<tr>
<td>CALI-</td>
<td>FOR-</td>
</tr>
<tr>
<td>Utah SHOP</td>
<td></td>
</tr>
<tr>
<td>WISCONSIN</td>
<td>A ???</td>
</tr>
<tr>
<td>under Gov Doyle</td>
<td></td>
</tr>
<tr>
<td>Oregon</td>
<td>Missouri</td>
</tr>
</tbody>
</table>
How insurance exchanges will change competition among plans

- Increase price sensitivity/transparency?
- New emphasis on risk-adjustment & care management?
- New focus on B-to-C marketing?
- New local competitors/consolidators?
- State-by-state markets?
Growth of insured business

- Reverses long slide of insured business

- 20% over next 5 years (32 million, +/-10 million)
  - Medicaid
  - Non-group

- 34% in Medicare over next 10 years
Pressure on premiums

- 80/85% Medical Loss Ratios (MLR) minimums
  - Small Group: 80% MLR
  - Large Group: 85% MLR

- State rate review processes
- Exchange goals/processes
- Exchange operating costs
Price-sensitivity/transparency

- Bronze & YAP = 56% of CommChoice
- Lower-priced “generic” plans = 40% share
- CommCare driven by competitive bidding & retail price shopping
- NETWORK “PLAY”
Risk adjustment & non-group underwriting focus

- Paradigm shift for group underwriters
- Risk adjustment/sharing under ACA complex and risky!
- Risk-adjustment expertise as relevant in Commercial as in Medicare Advantage
- Could drive care management, co-branding w/clinicians, new marketing alliances
Business-to-consumer marketing

- Medicaid MMCOs
- Non-group growth
- Employee choice in SHOP
- Brokers ~1% of 220,000 in Connector
- NEW RETAIL DISTRIBUTION CHANNELS
Will small employers buy SHOP?

- Projections based on sizeable subsidy for some groups: 2% to 13% of all ESI
- State-by-state factors, e.g.: Local wage scales, broker relations, dominant carrier market leverage
- **More vs. Less** choice through SHOP than conventional distribution channels?
- Will SHOP offer **lower prices**?
  - Lower administrative surcharges
  - Partnering with selected QHPs
  - State government assistance (Utah and Massachusetts)
Will small employers buy SHOP?

Massachusetts’ “Business Express” model:

- BCBSMA stymied choice model in Massachusetts
  - So Connector lowered admin surcharge for mini-groups
- Legislature gave Business Express a 5% wellness pricing advantage
- Connector still doesn’t offer major brands in B.E.
- B.E. missing stickiness of an employee-choice model
Enhances local competition

• New Medicare Advantage reimbursement
• CO-OPs
• OPM plans
• MMCO growth
• Exchanges (24 million, +/-10)
New local competitors/consolidators

- 1st new competitor in Mass. in decades
- BMC/HealthNet: 4th largest com’l plan
- Inter-Mountain the winner in Utah
- CO-OPs & OPM plans
- Capital seeking local/niche players
- RE-BOOT YOUR COMPETITIVE SCREEN
State-specific markets

- State’s median income, relative to subsidies
- Tipping points for small-group Employer Sponsored Insurance (ESI)
- Exchanges’ customer service and marketing
- Broker attitudes/relationship
- Credibility of risk adjustment
- States’ anti-selection toolkits
- Local QHPs’ network “plays” and “efficiency”
- Attitude/strength of dominant local plans
How health plans win on exchanges

• Price competitive
• Excellent at B-to-C marketing
• Optimize risk-adjustment & care management
• Kill or acquire new, local competitors
• Pick your states
Three alternative strategies:

- National, large-group ASO* focus
- Small-group, anti-exchange play (government “bureaucrats”)
- Non-group risk-selection