
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



Individuals & Families
Get Started



Young Adults
Get Started



Employees
Get Started



Employers
Get Started



Brokers
Get Started

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](#)

Plans from top Mass insurers!



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](#)



The Health Connector is an independent state agency that helps Massachusetts residents find health care coverage. Read more [about us](#).



Individual & Family Health Insurance



Need insurance? Let's get started.

We'll help you compare options from the major insurers in Massachusetts. See if you might qualify for a low-or-no-cost plan.

[Start Now](#)

The Health Connector offers plans from:



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.

* REQUIRED INFORMATION

Your Information

Residential ZIP Code *

Type of Coverage *

-  Self only
-  Self + spouse
-  Self + dependent child/children
-  Family (self, spouse + dependent child/children)

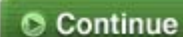
Your Date of Birth *

(month / day / year)

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





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](#)



Sort plans by Benefits Package

You've Selected:

Benefits Package

- Bronze
- Silver
- Gold

Narrow Your Plans by:

Monthly Cost

- Less than \$300 (10)
- \$301 - \$400 (16)
- \$401 - \$500 (13)
- \$501 - \$600 (2)
- Greater than \$600 (1)

Annual Deductible

- None (12)
- \$250 - \$500 (6)
- \$500 - \$1,000 (6)
- \$1,000 - \$2,000 (6)
- \$2,000 - \$4,000 (12)

Insurance Carrier


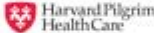

- Blue Cross Blue Shield of Massachusetts (7)
- CeltiCare (7)
- Fallon Community Health Plan (7)
- Harvard Pilgrim Health Care (7)
- Neighborhood Health

Show Plans. Then choose up to 3 to compare. Click **Continue** at bottom.

		\$ Monthly Cost	📞 Annual Deductible	👛 Annual Out of Pocket Max.	👩‍⚕️ Doctor Visit	💊 Generic Rx	🚑 Emergency Room	🏥 Hospital Stay
STANDARD BENEFITS FOR ALL BRONZE LOW PLANS								
Bronze Low Benefits Package 6 plans available	as low as	\$231	\$2,000 (ind.) \$4,000 (fam.)	\$5,000 (ind.) \$10,000 (fam.)	annual deductible, then \$25 copay	annual deductible, then \$15 copay	annual deductible, then \$100 copay	annual deductible, then 20% co-insurance
+ Show Plans About Bronze Low								
STANDARD BENEFITS FOR ALL BRONZE MEDIUM PLANS								
Bronze Medium Benefits Package 6 plans available	as low as	\$252	\$2,000 (ind.) \$4,000 (fam.)	\$5,000 (ind.) \$10,000 (fam.)	\$30 copay	\$10 copay	annual deductible, then \$150 copay	annual deductible, then \$500 copay
+ Show Plans About Bronze Medium								
STANDARD BENEFITS FOR ALL BRONZE HIGH PLANS								
Bronze High Benefits Package 6 plans available	as low as	\$242	\$250 (ind.) \$500 (fam.)	\$5,000 (ind.) \$10,000 (fam.)	\$25 copay	\$15 copay	\$150 copay	annual deductible, then 35% co-insurance
+ Hide Plans About Bronze High								
<input type="checkbox"/>	Neighborhood Health Plan	\$242.19	↑	↑	↑	↑	↑	↑
<input type="checkbox"/>	TUFTS Health Plan <small>SMALLER NETWORK</small>	\$276.59	↑	↑	↑	↑	↑	↑
<input type="checkbox"/>	CELTICARE	\$288.66	↑	↑	↑	↑	↑	↑
<input type="checkbox"/>	Harvard Pilgrim HealthCare	\$311.51	↑	↑	↑	↑	↑	↑
<input type="checkbox"/>	fallon community	\$358.00	↑	↑	↑	↑	↑	↑
<input type="checkbox"/>	MASSACHUSETTS	\$380.96	↑	↑	↑	↑	↑	↑
STANDARD BENEFITS FOR ALL SILVER LOW PLANS								
Silver Low Benefits Package	as low as		\$1,000 (ind.)	\$2,000 (ind.)			annual	annual



Compare plan details then choose a plan to enroll in or go back to view others.

	Choose Plan	Choose Plan	Choose Plan
Insurance Carrier	 Neighborhood Health Plan	 Harvard Pilgrim Health Care	 Blue Cross Blue Shield of Massachusetts
NCQA Rating	<p>★★★★★ 4 out of 4 stars</p> <p>View insurer's report card</p>	<p>★★★★★ 4 out of 4 stars</p> <p>View insurer's report card</p>	<p>★★★★★ 4 out of 4 stars</p> <p>View insurer's report card</p>
Benefits Package	Bronze High	Bronze High	Bronze High
About Benefits Package	<p>About Bronze High</p> <ul style="list-style-type: none"> 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. 	<p>About Bronze High</p> <ul style="list-style-type: none"> 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. 	<p>About Bronze High</p> <ul style="list-style-type: none"> 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.

	<ul style="list-style-type: none"> Always check the details of a plan before you buy it. 	<ul style="list-style-type: none"> Always check the details of a plan before you buy it. 	<ul style="list-style-type: none"> Always check the details of a plan before you buy it.
Plan Name	NHP Choice Optimum 250	Harvard Pilgrim Bronze 250	HMO Blue Basic Value
Find Doctor <i>Plan name may be required</i>	Neighborhood Health Plan doctor lookup	Harvard Pilgrim Health Care doctor lookup	Blue Cross Blue Shield of Massachusetts doctor lookup
Plan details	Download Plan Details	Download Plan Details	Download Plan Details
Premium	\$242.19	\$311.51	\$380.96
Annual Deductible ¹			
Per person	\$250	\$250	\$250
Family total	\$500	\$500	\$500
Annual Out-Of-Pocket (OOP) Maximum ²			
Per person	\$5,000	\$5,000	\$5,000
Family total	\$10,000	\$10,000	\$10,000
Costs that count towards OOP maximum			
Office visit: Adult routine physical	No	Not applicable	Yes
Office visit: Routine gynecological (GYN) exam	No	Not applicable	Yes
Office visit: Well-child care	No	Not applicable	Yes
Office visit: All other visits to Primary Care	No	Yes	Yes

Different “models” that states are considering for exchanges

	Procurement Strategy		
Program Integration	MA CommCare CALI-	MA CommChoice FOR-	Utah SHOP
	WISCONSIN under Gov Doyle NI-	A ???	
	Oregon		Missouri

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?

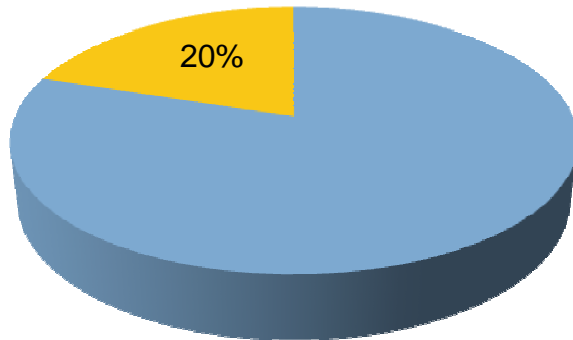
Growth of insured business

- 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

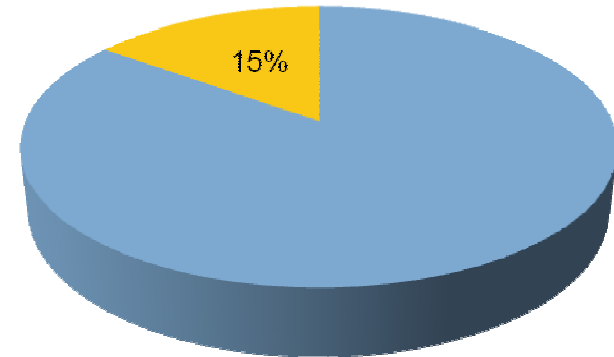
Pressure on premiums

- 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

Medical Cost 

Admin/Profit 

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