



Overview

Beginning January 1, 2014, eligible individuals and small businesses will have the opportunity to purchase health insurance coverage through the California Health Benefit Exchange (HBEX). Anthem Blue Cross and Anthem Blue Cross Life Health Insurance Company (collectively "Anthem") believe that any exchange should:

- Promote health plan competition and maximize product choice inside the exchange while not stifling competition and choice outside of the exchange;
- Adopt fair, objective standards for health plan participation in the exchange and ensure a level playing field between carriers regardless of type or size;
- Not duplicate or create additional regulatory requirements;
- Feature a responsible, accountable governance structure that includes representation of all stakeholders, including health plans, and fiduciary accountability;
- Provide flexibility so that states can best serve their markets' consumers, with federal standards where they can support efficient operations; and
- Minimize disruptions to the existing marketplace.

The HBEX's policies with respect to the guiding principles above will greatly influence Anthem's decision to participate in the HBEX. In particular, we are concerned that many of the HBEX proposed requirements with respect to plan management will directly undermine both choice and affordability for consumers. Below we discuss the particular issues that are high priorities for Anthem. We appreciate this opportunity to provide feedback and look forward to continuing this dialogue as the HBEX moves forward with implementation.

Rate Review

The CDI and DMHC should retain all authority related to health plan pricing for all health plans, including those offered via the HBEX. It would be duplicative and burdensome to transfer this existing authority to the HBEX and separate rate review processes could be especially problematic given the state requirement that QHPs also be offered off-Exchange. Thus, Anthem suggests that rate review authority, including the rate increase justification process, remain solely with these state agencies.

Anthem also feels that it is important for regulators and the HBEX to understand the impact of 2014 market reforms and benefit requirements on premiums. Rate filings for 2014 will be very different than today as they will be based on a different pool of individuals with pent-up demand and will be based on newly implemented policies. It is imperative that the Exchange and Regulators not arbitrarily force the market to a lower price point than what is supported by issuers' filings. Doing so will only discourage issuer participation in the HBEX and force consumers to face larger rate increases in the future (causing consumer abrasion). Federal medical loss ratio (MLR) requirements for the insurer's individual and small group markets are designed to determine whether rates are reasonable for each market segment. Under these requirements, issuers must meet a minimum MLR of 80% in the fully insured small group

and individual markets. Issuers who do not meet these minimums will be required to issue rebates. Arbitrary forced reductions increase rate volatility without adding any further protection to insure reasonableness of rates based on federal standards.

Timeline

Should Anthem participate in the Exchange, we need time to staff and support the considerable resources required to be successful and respectfully request the Exchange pull their QHP selection process forward so that a final decision is made by April 1, 2013.

Employer vs. Employee Choice

Anthem is concerned that allowing a qualified employee to purchase any plan across multiple actuarial value levels will lead to adverse selection (for example, as less healthy employees select health plans from carriers with broader networks, health plans will have to price for selection accordingly, making coverage more expensive). Anthem has provided the HBEX with supporting documentation on the potential impact to premiums if an employee-choice model is selected for the SHOP.

In addition to permitting employers to select a metal level from which their employees can select any QHP (as is required by the ACA and subsequent regulations), the HBEX should permit employers to select specific QHPs and issuers for their employees within the SHOP. Taking this approach will minimize disruption in the small group market and ease the transition to the Exchange for small employers who currently offer coverage to their employees and who choose to renew their plans through the SHOP.

Product and Network Flexibility

Anthem has many questions and concerns regarding product design and network requirements. We are worried that a "partial alignment" requirement of products offered on the HBEX and SHOP may inhibit consumer uptake in the HBEX, the SHOP, or both. Issuers should be able to continue to offer different products to the different markets to best serve the needs of these very different consumers. Further, essential health benefit and actuarial value requirements will necessitate that these products be substantially similar.

We are also concerned that our considerable expertise in designing products and continuously innovating will be lost if the Exchange is overly prescriptive in identifying product requirements for QHPs. Further, the Exchange should not adopt additional network requirements than those that exist today in the current market. Doing so would only serve to increase the cost of coverage and restrict consumer choice.

Finally, it is imperative that the HBEX identify and communicate any QHP issuer or product requirements as soon as possible given the tight timeframes for implementation.

Issuer Direct Enrollment

Given the start of HBEX open enrollment is under 15 months away, the HBEX should leverage issuers to assist consumers and maximize the promotion of QHPs and newly available federal subsidies. Especially in the early years when the HBEX will be new to Californians, it will be critical for consumers to have access to many opportunities to enroll in subsidized coverage and receive understandable information from familiar and reliable sources.

As such, Anthem appreciates that HHS' exchange final rule allows for enrollment into a QHP when an applicant initiates enrollment directly with the QHP issuer and have recommended that HHS streamline this process by allowing individuals to apply for enrollment through the exchange via a secure direct connection to the application through an application programming interface (API). Developing this capability would safeguard an applicant's personal information while leveraging health plans' direct marketing capabilities to enhance outreach and make health reform a success.

We strongly urge the HBEX to continue to explore how the Exchange can facilitate issuer direct enrollment within the framework suggested above. Redirecting an individual who comes to an issuer to the HBEX for an eligibility determination, plan selection and enrollment will only serve to confuse the consumer, cause consumer abrasion and disincentives issuers to invest in direct marketing for QHPs.