

August 3, 2012

Peter Lee, Executive Director  
California Health Benefit Exchange

### **Re: Premium Aggregation**

Consumers Union, the policy and advocacy division of Consumer Reports, is pleased to provide further comments to the Exchange board, staff and consultants regarding the options for premium aggregation within the Exchange. Consumers Union's position is that it is in the best interest of consumers, Assisters, the Exchange, and local community health plans for the Exchange, either itself or through a vendor in the name of the Exchange, to collect premium payments from consumers and distribute and reconcile them with issuers/qualified health plans.

We strongly believe that the long-term benefit of the Exchange undertaking premium aggregation far outweighs the risks, including administrative the burden. We outline below some of the benefits we see associate with the Exchange undertaking premium aggregation. At the top of our list is the importance of the Exchange developing its constituency and brand identity with the public. By sending bills or coupons and having consumers write their checks to the Exchange, consumers will have the Exchange "top of mind," a valuable brand building exercise and opportunity to engage consumers on an ongoing basis. The Exchange needs to build its image as a one-stop shop for consumers to get plain language information about how to obtain health insurance coverage simply, smoothly, and easily and learn the requirements of the ACA. Premium aggregation through the Exchange would help build that identity, allowing consumers to complete eligibility, enrollment and payment in one visit, as well as to pay one monthly check to the Exchange for all their health coverage needs (medical, dental and vision, if the Exchange opts to offer supplemental plans). The uniformity and predictability would enhance consumers' confidence and comfort with their health coverage and, ultimately, with the Exchange.

Additional benefits to consumers, all issuers, Assisters, and the Exchange that support the Exchange collecting and distributing premiums to issuers on an ongoing basis for the individual market include:

#### I. Simplification for Consumers and Assisters:

- Consumers could view plan choices, make a plan selection and remit payment all in one step, through the Exchange;
  - One aggregated bill and a standardized payment frequency/due date regardless of the number of issuers (medical, dental, vision, Healthy Families Program (HFP) premiums) providing coverage to the enrollees;
  - As close as possible, "real-time" enrollment, since plan choice and payment could be done as one step; and
- Reduced consumer/Assister confusion about addresses and other payment requirements, potential payment gaps when a consumer shifts between plans/programs, and overall efficiency of the Assister process.

### II. Benefits to Issuers and Qualified Health Plans:

- Reconciliation and reporting would be streamlined between the Exchange and the issuers;
- Health plans that serve Exchange eligible individuals but that do not currently have the administrative capacity or systems infrastructure to collect premiums from their enrollees (local health initiatives) would be able to easily participate in the Exchange as QHPs;
- The reconciliation process between the Exchange, issuers and HHS would be simplified;
- Issuers with current premium collection capacity would not need to modify their current systems to collect and account for federal subsidies; and
- Issuers would not have to coordinate around grace periods and changes in eligibility.

### III. Systemic Benefits:

- Exchange would have comprehensive access to data for analysis of drop off, churn, and eligibility trends that could help inform future policy;
- Exchange Service Center could help with billing issues, which might identify changes in eligibility and overall trends;
- Exchange could offset its administrative costs by subtracting them from the premiums collected rather than invoicing each individual QHP issuer;
- Exchange could set up one single premium collection system for all health coverage programs, achieving alignment with the SHOP market's premium collection and payment system and the Healthy Families premium collection system;
- Premium aggregation would reduce overall paperwork, resulting in administrative simplification;
- Potentially reduces reconciliation issues;
- Allows the Exchange to establish its gravitas as a purchaser--like a large employer that pays issuers directly, rather than delegate to its employees the responsibility to write premium checks to issuers;
- Reduces the transaction costs to consumers, businesses and providers; and
- Provides the Exchange with control of eligibility management and better premium management and subsidy calculation for life changes.

The Massachusetts Connector, functioning for the past five years, collects premium payments for both its CommCare and CommChoice products.<sup>1</sup> Individual consumers pay monthly premiums to the Connector for both programs and the Connector (through a vendor) then aggregates premiums and makes payments directly to the plans (via capitation for CommCare and premium payments for CommChoice).

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<sup>1</sup> As of July 2012, the Massachusetts Connector collects premium payments in both the CommCare program (subsidized) and CommChoice (unsubsidized). For CommChoice, the Connector then makes payments directly to issuers (CommCare makes capitated payments to the issuers, rather than premium payments). Both plans use a vendor working under the auspices of the Exchange. Consumers making payments, pay to the Connector and the vendor administers those payments behind the scenes. In the future, because the ACA requires that there be a system in place that allows consumers to pay premiums directly to QHPs or QHP issuers, the state will be updating their system to create this option.

Consumers Union urges the Exchange similarly to adopt premium aggregation. We understand that the contract with Accenture requires a decision within 60 days on whether to build into CalHEERS the ability for the Exchange to collect and disburse individual market premiums. If the Exchange Board is unable to support premium aggregation at this time, we urge you to direct Accenture to build in the capacity for premium aggregation and take more time to make the policy decision on whether or not to do premium aggregation, rather than reject premium aggregation altogether and have the IT system requirements drive the policy decision.

This is the path taken by the states of Washington<sup>2</sup> and Maryland<sup>3</sup> which, rather than be compelled to choose or reject premium aggregation as they develop their IT systems, voted to have their vendors build in the capacity for premium aggregation for the individual market to provide them an opportunity to decide at a future date whether or not to undertake the activity.

In summary, Consumers Union urges the Exchange to move forward with premium aggregation. In the alternative, if you feel the issue warrants further research or stakeholder input, we urge you to direct Accenture to build into the CalHEERS system a premium aggregation function capability for the individual Exchange, rather than close the door on the ability for the Exchange to undertake premium aggregation in the future.

Sincerely,



Julie Silas  
Consumers Union of the U.S., Inc.

cc: David Panush, CA Health Benefit Exchange  
Diana Dooley, Board Member  
Susan Kennedy, Board Member  
Paul Fearer, Board Member  
Bob Ross, Board Member  
Kim Belshé, Board Member

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<sup>2</sup> The state of Washington has postponed the decision whether the Exchange will conduct premium aggregation, but has built into the scope of its IT vendor contract the build out of a premium aggregation system for the Exchange (with a design option to be able to shut off the function if the Exchange declines to conduct premium aggregation), determining this would be the least disruptive and most cost effective option. The Washington Exchange has been in contact with HHS regarding the outstanding question of whether federal subsidies can be facilitated through the Exchange. As of mid- June, HHS/ IRS have not made a decision on how subsidies can be handled in a premium aggregation Exchange, and the agencies are not expected to issue a decision for at least two more months.

<sup>3</sup> The state of Maryland has yet to decide whether its Exchange will conduct premium aggregation. However, the Exchange Board did vote to direct the IT vendor to build out the capacity for the Exchange to conduct premium aggregation, providing the Exchange the flexibility to undertake this activity after a policy decision has been made.