Anthem.

Jan. 14, 2013

Peter V. Lee
Executive Director
California Health Benefits Exchange
560 J Street, Suite 290
Sacramento, CA 95814

Re: Board Recommendations Brief, "Bridge Plan: A Strategy to Promote Continuity of Care and Affordability through Contracts with Medi-Cal Managed Care Plans"

Dear Director Lee:

On behalf of Anthem Blue Cross, I am writing to provide feedback on the revised proposal entitled, "Bridge Plan: A Strategy to Promote Continuity of Care and Affordability through Contracts with Medi-Cal Managed Care Plans." Anthem Blue Cross and its affiliates combine to represent both the State's largest health benefits company with 8 million members and the State's largest partner serving low-income and high-risk populations through state health care coverage programs. Your staff has been very gracious to include my team in efforts to secure feedback on the proposal, and it is exactly this type of collaboration I am confident will contribute to ensure a successful and viable exchange in the State.

As we conceptualize various options to secure continuity of care and coverage, as well as family unity and continued access to trusted safety-net providers, our primary concern relates to timing. For the benefit of the Exchange's subsidized consumers and the newly insured, we firmly believe it is too late – particularly for interfacing the programmatic option successfully within Covered California – to consider any such continuity option, including the Bridge Plan, for 2014. With notice of intent responses having been submitted to the Exchange for the upcoming Plan Year (PY) and open enrollment beginning in less than 10 months (Oct. 1, 2013), any such option would change forecasts for the size and nature of any specific company's expected risk pool in 2014 and alter the environment for issuers participating in Covered California in any fashion. This sort of policy change is significant enough as to invalidate the legitimacy of the 2014 bid process and threaten the viability of the Exchange – as well as the Bridge Plan itself.

Since recent estimates project the magnitude of frequently changing program eligibility (or churn) to more than 29 million nonelderly individuals nationwide in a given year, meaningful churn-mitigation policy is an important aspect of exchange design in California. However, continuity of care and coverage is too important to rush, as it is to pursue. If the Exchange wanted to pursue a continuity option for 2014, it would need to solidify dozens of important design details quickly (constituting a material change not included in the Request For Proposal [RFP]) and ask issuers to resubmit responses based on a new set of assumptions. There simply is not time to accomplish this type of policy change – and to do so well – for 2014.

We believe the Exchange's interest in pursuing continuity options seeks to address legitimate public policy issues, and we are very interested in contributing constructively towards adoption of an option that would meet these objectives and other public policy criteria that we believe to be equally important. Below you will find some initial thoughts and questions we have on the continuity options that have been circulated, as well as a recommended pathway forward. We look forward to working with you on the development of additional continuity options that could be discussed and considered for PY2015 and beyond.

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Anthem's Reaction to the Recommendations Brief

In our review of the proposal, we are in agreement with the identified disadvantages; however, we question the proposal's ability to meet the stated advantages as mentioned. These identified key threshold matters create a substantive level of uncertainty warranting deeper review by the Exchange prior to presentation to the Covered California Board of Directors (the board). Addressing and resolving each is important before moving forward with a meaningful churn-mitigation approach without sacrificing the viability of the Exchange, particularly at the marketplace's onset. For subsidized and unsubsidized consumers alike, as well as those spanning the income spectrum, an affordable and stable new marketplace must be the central goal of Covered California.

Of note, when considering the technicalities of the proposal it is unclear:

- Whether the continuity options as proposed would shift the affected (and primarily subsidized) consumers out of the single Exchange risk pool that includes the remainder of the individual market
- Whether the reinsurance, risk adjustment and risk corridor programs and parameters (aka, the 3Rs) apply to the market created by the continuity options
- Whether the products offered as a result of the continuity options are regulated similar to Covered California Qualified Health Plans (QHPs), or by a different agency and under different standards
- Whether, and to what extent, the continuity options impact the solicited Covered California responses already submitted and/or the existing Medi-Cal procurement, particularly if alignment of standards between the Exchange and Medicaid become necessary or the introduction of a continuity option imparts future contract amendments. We expect forthcoming federal guidance to warrant a modified procurement beyond the potential scope of the state with such a limited timeline due to the potential for all Medicaid MCOs to provide a Bridge Option
- Whether the risk uncertainty present in the Exchange would have any impact on the Medicaid program by way of Local Initiative, County Organized Health System (COHS) or Medi-Cal health plans exiting the option due to viability risk or a tied-participation standard

Each of these technical matters presents open questions on the workability and interface of the continuity proposal within or in complement to Covered California. For example, if the board adopts a large policy change resultant in moving hundreds of thousands of Exchange consumers into a different type of exchange offering or stand-alone program that may or may not be part of the single risk pool, such a change is a material one not addressed by the prior RFP and, therefore, the Covered California exchange-solicited responses that are already submitted should be rejected and rebid.

From a policy perspective, we are concerned the proposal does not fully address the stated public policy objectives (e.g., continuity of care and coverage, family unity, etc.) in three meaningful ways:

1. This proposal does not fully address continuity of care and coverage, particularly if the Exchange requires differing provider network standards from Medicaid (i.e., assuming Medicaid managed care standards are deemed to qualify Local Initiative, COHS or Medi-Cal health plans) and given the need for alignment of the Exchange essential health benefits benchmark with both Medicaid expansion and current Medi-Cal benefits;

2. As the proposal defines eligibility in terms of household income, rather than associated family dynamics (e.g., a dependent or spouse qualifies for Medicaid or the Children's Health Insurance Program), it does not address family unity and, in effect, may create gaps whereby some families are eligible for unified coverage under the continuity proposal and others are not; and,

3. In considering the substantive impact of the question of cost on highly subsidized consumers (i.e., individuals and families with household incomes below the proposal's 200 percent of the federal poverty level), the proposal does not account for the attractive role of Bronze-tiered offerings beyond the scope of the continuity options. By their very nature, Bronze-tiered offerings will be more affordable for consumers looking to secure the lowest price point, particularly in terms of quantifiable out-of-pocket costs (i.e., monthly premium amount). The proposal may create a dynamic whereby consumers select a Bronze-tiered offering to secure further minimal cost-sharing, thus undermining the proposal's concept.

However, each of these does not represent insurmountable obstacles; public policy responsive to the unique coverage needs of the highly subsidized consumer and their families is achievable. Any such approach, if it is to be meaningful, lasting and contribute to both the success of the Exchange and continuity for consumers, must be thoughtful and warrant the time and attention equal to the stature of this important policy goal. We strongly encourage the Exchange (and the board) to delay consideration of any continuity proposal until the second plan year (i.e., PY2015), and launch a study body to consider options and prepare a more robust and timely recommendation. As part of the effort, we believe any such continuity proposals must balance the benefits of securing the stated public policy objectives against the potential for undue administrative burden for the State and issuers, and, as much as possible, maintain a level-playing field of requirements for Covered California's QHPs and issuers participating in the continuity proposal.

Once again, thank you for including us in the consideration of this important proposal. We take great pride in working in partnership with the State to develop solutions that enable and expand access to high-quality, affordable coverage. We offer our continued support throughout the design and consideration of prospect continuity proposals complimentary to Covered California.

If you have any questions or would like to discuss our comments further, please feel free to contact me at 805-713-4785 or by email to mark.morgan@wellpoint.com.

Sincerely,

Mark Morgan
VP and General Manager of Small Group Business, Anthem Blue Cross

Cc: David Panush, Director, Government Relations
Andrea Rosen, Staff Counsel