Health Plan Participation Fees

OVERVIEW

The Patient Protection and Affordable Care Act (ACA) specifically requires that a State "… ensure that [its] Exchange is self-sustaining beginning on January 1, 2015, including allowing the Exchange to charge assessments or user fees to participating health insurance issuers, or to otherwise generate funding, to support its operations." The State of California established an Exchange, known as Covered California, through the enactment of Assembly Bill 1602 which provided authority to "assess a charge on the qualified health plans offered by carriers that is reasonable and necessary to support the development, operations, and prudent cash management of the Exchange." AB 1602 also authorizes assessing the fee on any supplemental coverage offered in Covered California.

Offering affordable high quality care is a critical priority for Covered California and is a main tenet of our financial plan and stated values. One goal of Covered California is to deliver value to consumers and constituents while ensuring fiscal solvency of the Exchange. In order to achieve this goal, Covered California will assess a nominal fee on products sold as Qualified Health Plans (QHP) in and outside the Exchange, and supplemental plans such as dental and vision in order to fund Covered California operating costs.

In November 2012, Covered California published its Financial Sustainability Plan that presented multi-year enrollment, revenue, and operating expense projections. The projections were based on CalSIM model 1.8 analyses and were used extensively as a basis for estimating enrollment targets. The Financial Sustainability Plan proposed levels of fees in both the individual and SHOP markets that were projected to provide the revenue required to operate the Exchange but that provided the Exchange with the ability to adapt to levels of enrollment that might fall below expectations. This brief provides an update on levels of fees to be charged by Covered California.

INDIVIDUAL COVERAGE

Table 1 identifies the key products to be offered by Covered California in the individual market and the planned approach for setting the participation fee. Issuers will be proposing and directly collecting premium payments for coverage in Covered California products that will be sufficient to cover the costs of any agent enrollment activities and the costs of the Covered California participation fee. The issuers will be billed monthly by Covered California for the payment of the participation fee. The billing will be based on the monthly enrollment totals reported by Covered California for those enrolled through the Covered California and by the issuers for those enrolled in QHPs outside Covered California. A late fee of 1% per month is proposed to be charged if the issuer does not provide timely payment.

It is expected that participation fees will be reviewed and adjusted annually as needed. As demonstrated in the Financial Sustainability Plan, future participation fee levels will be need to be adjusted to reflect the actual enrollment achieved by Covered California and the annual review of the operational needs of Covered California.

Table 1. Individual Market Products and Participation Fees	
Plan Offering	**Proposed Participation Fee in 2014**
Qualified Health Plans sold within Covered California	Fixed charge per member per month to be set to approximate 3% of average premiums across all plans (e.g. if average premiums are projected to be $450, then the participation fee would be $13.50 per member per month.)
Supplemental Dental Coverage and Supplemental Vision Coverage	Fixed charge per member per month to be set to approximate 3% of premium for all plans (e.g. if average premiums are projected to be $40, then the participation fee would be $1.20 per member per month.
Qualified Health Plans sold outside Covered California	Fixed charge per member per month to be set to at half of the per-member-per-month fee that is charged for those enrolled through Covered California.

SHOP MARKET

Table 2 identifies the key products to be offered by Covered California in the small group market and the proposed approach for setting the participation fee. Covered California will establish a fee with two components: the 4% of premium fee to collect revenue to support operating costs of the Exchange and a component to support the cost of agent and general agent commissions paid by the Exchange for enrollment in the SHOP program, The component related to commissions will be established based on the percentage commission that Covered California establishes and working assumptions on the share of SHOP sales that include agent or general agent commissions. Based on these assumptions, the commission component for the fee will be set to provide the revenue needed to support commission expenses. As with the individual market participation fee, Covered California will review these assumptions during initial operational period and make adjustments as required.

Table 2. SHOP Products and Participation Fees	
Plan Offering	**Proposed Participation Fee in 2014**
Qualified Health Plans	4% of premiums paid to support Covered California operational costs plus an additional percentage fee to support agent and general agent commissions
Supplemental Dental Coverage and Supplemental Vision Coverage	4 % of premiums paid to support Covered California operational costs plus an additional percentage fee to support agent and general agent commissions
Qualified Health Plans sold to small business outside Covered California	2% of premiums paid for these products

Proposed Fee Adjustments

It is proposed that the participation fee structure also include the potential for adjustments to the base fee to reflect specific actions by qualified health plans as follows:

- Allow for plans to receive a discount of up to 10% of their Covered California fee for those lives that they convert from existing insurance coverage. This provision would require plans to submit and receive approval of a conversion plan. The discount could apply to either the roll-over of existing covered lives or enrollment in the Exchange of those about to lose coverage who would otherwise convert to COBRA coverage.
- Provide for Performance Guarantees for meeting service standards. This would establish an additional plan payment of up to 10% of fee on top of existing fee base if service standards prescribed in the contract not met. Under this approach, very good performance could be accounted for as an offset poor performance. The contract would provide a three-month baseline period, and performance measures and standards would be assessed and possibly amended for the 2015 contract year.