

Summary

For both the individual exchange and SHOP, this briefing will provide a summary of payment functionality that will be initially offered by Covered California and the Covered California Health Plans, a discussion of options to serve the unbanked population along with options and other issues to consider for future implementation in 2014.

Background

For the individual exchange, enrollees will provide payment for monthly premiums directly to their chosen Covered California health insurance plan or plans. This applies to both the first month's premium (or binder payment), following enrollment in a plan and subsequent payments where the Covered California Health Plan will invoice the enrollee monthly. For the Small Employer Health Options Program (SHOP), Covered California will take a different approach and will invoice and collect premiums from employers, aggregate the premiums, and then forward the net premiums to the Covered California Health Plans.

Current federal regulations do not provide requirements or minimum standards for payment functionality that a Covered California Health Plan must provide to enrollees. Furthermore, the contract between Covered California and the Covered California Health Plans does not establish a minimum standard for payment functionality. Covered California and the health plans want to implement common payment processes that will foster the enrollment and retention of all individuals, with particular attention to those who are unbanked.

Individual Exchange - Payment Functionality

For the individual exchange, the 12 Covered California Health Plans will offer a comprehensive menu of payment alternatives beginning in October 2013. All Covered California Health Plans indicate the acceptance of personal checks and money orders, credit, debit and prepaid cards, and some Covered California Health Plans are planning to include other payment options including the ability for enrollees to make payments with cash or EFT/ACH transactions. The payment functionality reported by each Covered California Health Plans is outlined in Attachment I.

The Unbanked

There are an estimated 1,030,000 million Californians that do not have a bank account according to the 2011 FDIC National Survey of Unbanked and Underbanked Households published by the FDIC in September 2012 . Many of these individuals will be eligible to receive federal tax credits through the exchange. This population generally pays its bills either with cash or alternate means that do not require a bank account or revolving line of credit like a credit card.

Under proposed federal regulations (see Attachment II), Covered California would have the option to require Covered California Health Plans to implement a standard set of premium

payment alternatives that would include readily available options for individuals without a bank account or a credit card. While it remains unclear when and if these regulations would be implemented, Covered California is strongly encouraging the Covered California Health Plans to provide numerous payment alternatives to serve the needs of unbanked enrollees, both in anticipation of a federal requirement and to ensure that these individuals have the opportunity to enroll in and maintain coverage in the plan of their choosing.

In order to assist the Covered California Health Plans formulate a set of solutions that could help serve the unbanked, Covered California conducted research into alternatives. This research demonstrates there are options available to Covered California Health Plans, in addition to prepaid cards, that could provide unbanked enrollees with broader payment alternatives:

- Pacific Gas & Electric offers more than 650 Neighborhood Payment Centers, where a customer can bring a bill or account number to make a payment with cash, checks, money orders, and cashier's checks and there is no service charge.
- Customers of Southern California Edison can make cash payments at an Authorized Payment Agency with no fee or additional charge.
- Money Orders are available from the United States Post Office at a cost of \$1.20 for amounts of up to \$500.01. Additionally, some check cashing locations provide no cost money orders for those utilizing the check cashing service.

In the absence of a comprehensive set of premium payment alternatives that is standard across all Covered California Health Plans, there may be a risk of selection bias with lower income individuals more likely to select or not select some plans based on their payment processes. Because of this, and the importance of offering the unbanked with no cost payment alternatives, Covered California recognizes the importance of establishing minimum payment functionality, or payment parity, across all Covered California Health Plans.

Covered California staff have communicated with the Covered California Health Plans the importance of implementing measures that can better serve the unbanked, and to anticipate minimum requirements for the future. While requirements are not completely defined at this time, it is anticipated that Covered California could require Covered California Health Plans to offer a no cost option for the unbanked. That option could be aligned with the examples provided above, such as the ability to pay cash at a convenient location at no charge, or the option to pay with a no cost money order (e.g., cost paid by Covered California Health Plans).

Considering the time needed for Covered California Health Plans to design and establish broader payment functionality for the unbanked, and the added issue of pending federal regulations on this issue, it would be challenging to require minimum payment functionality and standardization across the Covered California Health Plans for this Fall's open enrollment. As such, while acknowledging the importance of this issue, combined with the existing

availability of several payment options for the unbanked, Covered California is recommending this issue be revisited and adopt new policies in advance of the open enrollment period beginning October 2014.

Initial Enrollment Payment Functionality

Because of the complexity to establish separate payment functionality with each of the 12 Covered California Health Plans, the CalHEERS design provides a single payment portal, via a third party vendor, to provide payment functionality for the first month's premium. Covered California secured the services of NIC to provide these services on behalf of the Covered California Health Plans. When implemented, NIC will provide a seamless transfer from CalHEERS to the payment portal, where the enrollee can provide payment information and make the binder payment. The payments would then be forwarded from NIC directly to the plans. Covered California established this payment functionality for the Covered California Health Plans as an option, to provide a seamless transition and full payment functionality at the point of enrollment. While the Covered California Health Plans are strongly encouraged to utilize this option for the first premium payment, it is not a requirement. Three plans have executed a contract with NIC to date and conversations with additional plans are ongoing.

For this fall, however, the option of a single payment portal for all Covered California Health Plans via CalHEERS will not be available. In the absence of a single payment portal, at the completion of the enrollment process, Covered California has taken steps to ensure that enrollees are directed to a plan-specific URL that provides the following:

- Allows the enrollee to make a payment online by transferring to a link designated by the Covered California Health Plan, but without transferring data from CalHEERS; or
- Provides the enrollee with instructions on how to make a payment offline.

The process is designed to work in the following manner:

- Enrollment is complete and the enrollee arrives at the Enrollment Summary screen providing relevant enrollment information.
- The Enrollment Summary screen will have a static link to an URL maintained by the Covered California Health Plan that describes how the enrollee can make payment (e.g., send check, call toll free number, or go to the Covered California Health Plan payment website).
- Covered California Health Plans will have the option to provide access to a web page allowing the enrollee to manually enter the data into the plan's payment portal.
- If the Covered California Health Plans choose to offer a payment portal allowing an online payment, there will be no automatic data transfer from CalHEERS to the Covered California Health Plans' system.

- The enrollees that choose to make a payment via the plan payment portal will either cut and paste necessary information or manually enter data from the Enrollment Summary screen.

Note: There is concern the cut and paste option and manual entry will result in data entry errors which will increase the risk that enrollment will not effectuate, and because there is a risk that the online payments will not match the enrollment records a significant workload to reconcile and correct the discrepancies could occur.

Eleven plans are developing their own payment portals to accommodate online payments beginning October, and they will also have processes in place to send invoices upon enrollment. The other plan will send an invoice within 48 hours of receiving the enrollment confirmation from Covered California.

SHOP - Payment Functionality

Unlike the Individual market, Covered California is a payment aggregator for the SHOP market. For SHOP, Covered California will invoice and collect premiums from employers. Initially, only paper checks will be accepted from employers. Beginning in January 2014 additional payment functionality is scheduled to be available, at which time ACH/EFT payments will be accepted from employers. When fully implemented, SHOP will accept the following payment options from employers:

- EFT/ACH
- Checks
- Money Orders
- Cashier's Checks

Because health plans typically do not accept credit cards in the small employer market, and in an effort to minimize costs to Covered California, credit cards will not be a payment option for SHOP.

References

Proposed Federal Regulation §156.1240

<http://www.gpo.gov/fdsys/pkg/FR-2013-06-19/pdf/2013-14540.pdf>

2011 FDIC National Survey of Unbanked and Underbanked Households, September 2012

http://www.fdic.gov/householdsurvey/2012_unbankedreport.pdf

ATTACHMENT I

COVERED CALIFORNIA HEALTHPLAN PAYMENT ALTERNATIVES/INDIVIDUAL EXCHANGE

		Cash	Personal Check	Cashier's Check	Money Order	Credit Card	Debit Card	EFT/ACH	Wire Transfer
1.	Alameda Alliance for Health		Yes	Yes	Yes	V, MC	Yes		
2.	Anthem Blue Cross		Yes	Yes	Yes	V, MC	Yes	Yes	
3.	Blue Shield of CA*		Yes	Yes	Yes	V, MC	Yes	Yes	
4.	Chinese Community HP	Yes	Yes	Yes	Yes	V, MC	Yes	Yes	
5.	Contra Costa Health Plan	Yes	Yes	Yes	Yes	V, MC	Yes	Yes	
6.	Health Net of CA		Yes	Yes	Yes	V, MC, D	Yes	Yes	
7.	Kaiser Permanente		Yes	Yes	Yes	V, MC, AMEX, D	Yes	Yes	
8.	L.A. Care Health Plan	Yes	Yes	Yes	Yes	V, MC, D	Yes		
9.	Molina Healthcare		Yes	Yes	Yes	V, MC, D	Yes		
10.	Sharp Health Plan	Yes	Yes	Yes	Yes	V, MC	Yes	Yes	
11.	Valley Health Plan	Yes	Yes	Yes	Yes	V, MC, AMEX	Yes	Yes	Yes
12.	Western Health Advantage	Yes	Yes	Yes	Yes	V, MC, D	Yes	Yes	Yes

Reflects payment alternatives available October 2013

Source: Covered California survey of Covered California Health Plans July/August 2013

**Denotes a plan that will accept credit cards only for the binder payment but will accept debit cards for subsequent payments*

DISCUSSION OF § 156.1240 ENROLLMENT PROCESS FOR QUALIFIED INDIVIDUALS

c. Enrollment Process for Qualified Individuals (§ 156.1240)

We realize that a segment of the population that will seek health insurance coverage through an Exchange will not have bank accounts or credit cards, and we have received numerous questions and comments on this topic. These people should be able to access coverage through an Exchange on the same basis as those with a bank account or credit card and should not be unable to access coverage merely due to the inability to pay their share of the premium. Therefore, we propose to require QHP issuers at a minimum accept a variety of payment formats, including, but not limited to, paper checks, cashier's checks, money orders, and replenishable pre-paid debit cards, so that individuals without a bank account will have readily available options for making monthly premium payments. Issuers may also offer electronic funds transfer from a bank account and automatic deduction from a credit or debit card as payment options. We seek comment on this proposal and whether other payment methods should be included.

TEXT OF § 156.1240 ENROLLMENT PROCESS FOR QUALIFIED INDIVIDUALS

§ 156.1240 Enrollment process for qualified individuals.

(a) Premium payment. A QHP issuer must—

- (1) Follow the premium payment process established by the Exchange in accordance with § 155.240.
- (2) Offer method of payment options that do not discriminate against individuals without bank accounts or credit cards.

(b) [Reserved]