



## **Premium Payment Policy**

John Hiber, Chief Financial Officer | September 19, 2013 Board Meeting

# SUMMARY OF TOPICS

- Section I

- Discussion of payment options, menu of alternatives to serve the unbanked population and other issues to consider for future implementation in 2014

- Section II

- Payment functionality that will be initially offered by Covered California and the Covered California Health and Dental Plans for both the individual exchange and SHOP

# SECTION I

## Payment Options & the Unbanked

# PAYMENT OPTIONS

- For the individual exchange, enrollees will provide payment for monthly premiums directly to their chosen Covered California health and dental 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 and Dental Plan will invoice the enrollee monthly
- Covered California and the 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
- In the absence of a comprehensive set of premium payment alternatives that is standard across all Covered California Health and Dental 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

# PAYMENT OPTIONS

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

# THE UNBANKED – POTENTIAL ALTERNATIVES

- In order to assist the Covered California Health and Dental 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 and Dental 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
- While requirements are not completely defined at this time, it is anticipated that Covered California could require Covered California Health and Dental 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 and Dental Plans)
- Acknowledging the importance of this issue, combined with the existing availability of several payment options for the unbanked and considering the time needed for Covered California Health and Dental Plans to design and establish broader payment functionality for the unbanked, Covered California is recommending this issue be revisited and consider new policies in advance of the open enrollment period beginning October 2014

# UPDATE: APPROVAL OF REGULATION §156.1240

- Promulgated in the Federal Register Volume 78, Number 169 on August 30, 2013, which followed Covered California's August 22 board meeting
- § 156.1240 Enrollment process for qualified individuals
  - (a) Premium payment. A QHP issuer must –
    - Follow the premium payment process established by the Exchange in accordance with § 155.240
    - At a minimum, for all payments in the individual market, accept paper checks, cashier's checks, money orders, EFT, and all general-purpose pre-paid debit cards as methods of payment and present all payment method options equally for a consumer to select their preferred payment method.
  - (b) [Reserved]
- All Covered California Health and Dental Plans will comply with this regulation as reflected on Attachment I

# SECTION II

## Initial Enrollment Payment Functionality



# INDIVIDUAL MARKET – PAYMENT FUNCTIONALITY

- CalHEERS design supports a single payment portal to provide payment functionality for the first month's premium
  - When implemented, a payment vendor will provide a seamless transfer from CalHEERS to the payment portal where the enrollee can provide payment information and make the binder payment via credit card, debit card, or EFT/ACH
  - The payments would then be forwarded from the payment vendor directly to the plans
- Covered California established this payment functionality for the Covered California Health and Dental Plans as an **option** to provide a seamless transition and full payment functionality at the point of enrollment
- This payment functionality will not be available October 1<sup>st</sup>, but should be available beginning in January

# ALTERNATIVE PAYMENT FUNCTIONALITY

- If plans choose not to partner with the payment vendor, and until CalHEERS integrates the payment vendor functionality:
  - Enrollees are directed to a plan-specific URL at the completion of the enrollment process that accomplishes the following :
    - Allows the enrollee to make a payment online by transferring to a link designated by the Covered California Health and Dental Plan, but without transferring data from CalHEERS; or
    - Provides the enrollee with instructions on how to make a payment offline
- 15 plans are developing their own payment portals to accommodate online payments beginning October
- All plans will send an invoice within five days of receiving the enrollment confirmation from Covered California if payment is not received online

# SHOP MARKET – PAYMENT FUNCTIONALITY

- Covered California is a payment aggregator for the SHOP market
  - 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 Electronic Funds Transfer (EFT)/Automated Clearing House (ACH) payments will be accepted from employers
  - When fully implemented, SHOP will accept the following payment options from employers:
    - Electronic Funds Transfer (EFT)/Automated Clearing House (ACH)
    - Checks
    - Money Orders
    - Cashier's Checks
- Health and Dental 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

# ATTACHMENT I

## COVERED CALIFORNIA HEALTH & DENTAL PLAN PAYMENT ALTERNATIVES/INDIVIDUAL EXCHANGE

		Cash	Personal Check	Cashier's Check	Money Order	Credit Card	Debit Card	EFT/ACH	Wire Transfer
<b>Health Plan Payment Alternatives for the Individual Exchange</b>									
1.	Alameda Alliance for Health		Yes	Yes	Yes	V, MC	Yes	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	Yes	
9.	Molina Healthcare		Yes	Yes	Yes	V, MC, D	Yes	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	

<b>Dental Plan Payment Alternatives for the Individual Exchange</b>									
1.	Access Dental		Yes	Yes	Yes	V, MC	Yes	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.	Delta Dental		Yes	Yes	Yes	V, MC, AMEX, D	Yes	Yes	Yes
5.	Liberty Dental		Yes	Yes	Yes	V, MC, AMEX, D	Yes	Yes	Yes
6.	Premier Access Dental		Yes	Yes	Yes	V, MC, AMEX, D	Yes	Yes	Yes

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

Reflects payment alternatives available October/November 2013

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

Dental Plans participating in SHOP only include Guardian, Managed Dental Care, Metropolitan Life, and Safeguard, and are required only to accept EFT/ACH, Personal Check, Cashier's Check and Money Orders