



**CONSIDERATIONS FOR CCIIO POLICY:
CALIFORNIA'S RESPONSE TO PRESIDENTIAL ANNOUNCEMENT AND TO MEETING
CALIFORNIA'S CONSUMERS' NEEDS**

Leesa Tori, Senior Advisor of Plan Management | November 21, 2013

FEDERAL GUIDANCE ON NON-GRANDFATHERED PLANS

- Federal government and the President have deferred to the states to address their population in ways that are unique to each state
- In a statement from the White House, the President said:

“States have different populations with unique needs, and it is up to the insurance commissioner and health insurance companies to decide which insurance products can be offered to existing customers next year.”

- Consumers in “non-grandfathered” plans are being cancelled effective January 1, 2014, with the ability to choose among any benefit design in the market.
- Federal transitional policy adopted November 14, 2013:
 - Insurers have the *option* to offer renewals to consumers in non-compliant plans who were enrolled on October 1, 2013.
 - Implementation defers to states and is subject to state law.

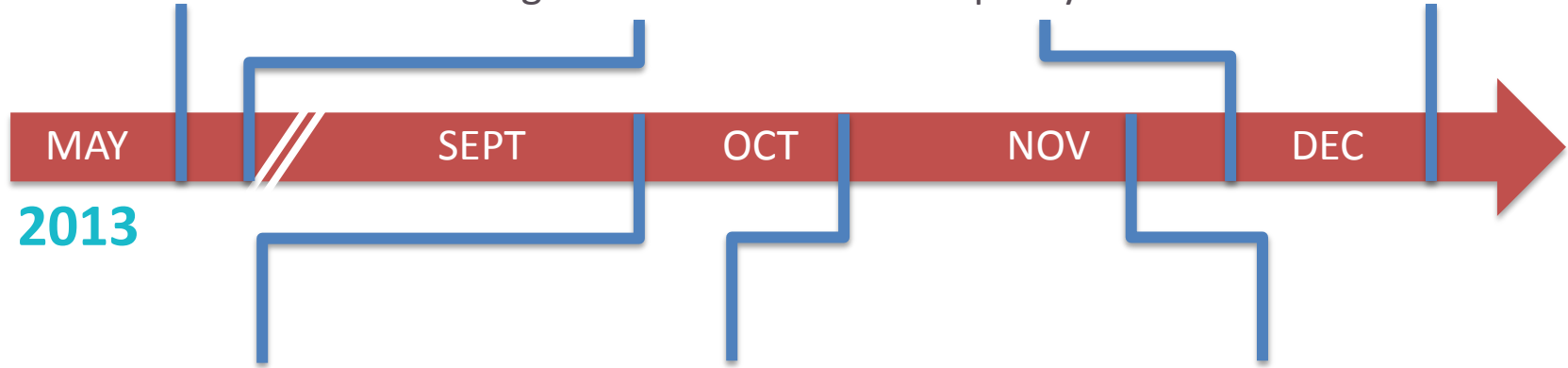
TIMELINE OF EVENTS RELATED TO NON-COMPLIANT PLANS

1. May 7, 2013
QHP model contract adopted by Covered California

2. Late May, 2013
QHPs file rates for 2014 with regulators

5. November 14, 2013
President's announcement & CCIO policy issued

7. December 31, 2103
(40 days from today)



3. Late September
Consumers start receiving cancellation/ conversion notices from plans

4. October 1, 2013
Covered California opens for enrollment

6. Early November 2013
Some consumers receive extensions due to inadequate notice

WHY DID COVERED CALIFORNIA ADOPT POLICY TO ALIGN CONVERSIONS ON JANUARY 1, 2014?

- **Ensure affordability for consumers:**
 - Consumers eligible for premium assistance would be unnecessarily paying rates 1.7 to 3.3 times higher than through Covered California.
 - Ensure that no consumer faces two deductibles in a single plan year.
- **Premium changes would be worse in 2015:**
 - Separating lower and higher risk groups creates adverse selection and leads to higher rates: fewer uninsured would get covered in 2014.
 - Non-compliant consumers would face even worse premium increases in 2015.
- **Consistency for consumers:**
 - Align all conversion on the January 1, 2014 date for all consumers.
- **“Last minute” renewals could have destabilized market:**
 - Concern that insurers planned to offer “last-minute” renewals to capture market share from their competitors, destabilizing the viability of the Covered California risk pool through adverse selection.

COMMUNICATIONS TO DATE

- In the period starting from September through October carriers have been sending communications to all individuals needing to convert to new plans
- Every non-grandfathered individual has received up to 3 notices

SAMPLE OF HEALTH PLAN NOTICES TO CONSUMERS OF THEIR OPTIONS:

“It’s important to note as you move to the ACA-compliant plan, this new health benefit plan will not be eligible for financial assistance through the premium tax credit provision because it is not purchased through Covered California. This subsidy is only available for qualifying individuals who purchase their individual coverage through Covered California. Please see your enclosed Notice of Open Enrollment that provides more details on subsidies and ways to find out if you are eligible.”

Approved by California Department of Insurance

“The State of California set up Covered California to help people and families, like you, find affordable health insurance. You can buy other health insurance through Covered California.

- **Please note:** You can use Covered California if you do not have insurance through your employer, Medi-Cal or Medicare.
- **How?** You must apply during an open or special enrollment period. Open Enrollment begins October 1, 2013 and ends March 31, 2014. If you have a life change such as marriage, divorce, a new child or loss of a job, you can apply during a special enrollment period.”

Approved by California Department of Insurance

WHO IS AFFECTED?

	Grandfathered	Not Grandfathered	Carrier Dropping Out	Total	Distribution
Presently Insured	700,000	900,000	50,000	1,650,000	100%
Subsidy Eligible	240,000	310,000	20,000	570,000	34.5%
Not Subsidy Eligible	460,000	590,000	30,000	1,080,000	65.5%

Estimates based on Milliman research for Covered California 2013.

RATE CHANGES: Affordability & value for non-compliant, non-grandfathered plans

CONSUMER TYPE:	Subsidy Eligible*	Rate reduction	Comparable plans	“Thinner” plans
Rate change:	↓	↓	↑	↑
% of consumers	~ 35%	~ 15%	~ 25 %	~ 25 %
Subsidy eligible?	Yes	No	No	No
Better coverage?	Yes	mix	No	Yes
More Affordable?	✓	✓	--	✗
Better Coverage?	✓	✓	✗	✓

Analysis uses major plan data to compare existing non-compliant coverage to new compliant product suggested by health plan. More affordable coverage may be available by shopping and comparing in the marketplace (e.g. minimum coverage options).

* Applies conservative estimate based on Milliman premium analysis for subsidy-eligible consumers to available plan data.. 6

CALIFORNIA'S OPTIONS DEFINED BY:

- **Current state law:**

- Any individual or small group coverage that is “issued, amended, or renewed on or after January 1, 2014” must be compliant with the Affordable Care Act market reforms, including:

- Guaranteed issue;
- Limits on charging people more based on health status or age; and
- Use of a single risk pool for determining rates.

- **Enforcement of existing state regulations:**

- The Department of Managed Health Care and the California Department of Insurance have jurisdiction to implement the proposed federal policy.
- The California Department of Insurance has already required two plans to offer renewals into February and March of 2014, respectively.

- **Operational feasibility:**

- December 31 is 40 days away.

- **Contractual Terms – Covered California & Contracted Plans:**

- Covered California cannot unilaterally require plans to change terms.
- Model contract is designed to provide consumers better service by providing consistent service across all plans.

RECOMMENDED POLICIES TO ADDRESS CONSUMER EXPERIENCE IN CONVERTING

RECOMMENDED ACTIONS UNDER EVERY OPTION:

1. Extend enrollment period for conversion and allow for enrollment by 12/23/2013 and payment by 1/5/2014:
 - Currently reviewing implementation to ensure operationally possible by health plans and does not impede full 3.0 implementation
2. Implement Covered California Options Hotline (effective Monday 25, 2013):
 1. Dedicated unit of specially trained Service Center Representatives to address consumer concerns about potential premium increases
3. Partner with health plans to coordinate additional 1.1 million co-branded notices to all eligible individuals informing them of their options
4. Collect and report data on a regular basis on conversion consumers:
 - We will report to Congress and the White House on affordability for all consumers impacted.

In addition to these steps, which are leading the nation, we need to consider what other steps, if any, we will take.

COVERED CALIFORNIA OPTIONS HOTLINE

- **Dedicated Service Center Representatives:**

- Starting November 25, 2013, a unit of specially trained Service Center Representatives will be available to provide assistance to consumers who have questions or concerns potential premium increases; plan options; changes in network; or other issues related to their transition from current market health plans to coverage under the Affordable Care Act.

- California Coverage Options Hotline will be available:

Monday through Friday

8:00 am - 8:00 pm

855-857-0445

SUMMARY OF THE OPTIONS

- **Option 1 – Continue Process Underway**
 - Continue with current successful enrollment and transition process.
- **Option 2 – Allow Extensions Through March 31, 2014**
 - Allow plans to offer coverage to continue through March 31, 2014 by permitting consumers to opt-in to renewals by December 31, 2013.
- **Option 3 – Allow Extensions Through December 31, 2014**
 - Allow plans to offer coverage to continue through December 31, 2014 by permitting consumers to opt-in to renewals by December 31, 2013.

OPTION 1 – Continue Process Underway

- **Continue to educate consumers to find best deal for them**
 - Covered California and health plans are already working to clarify existing confusion over deadlines to enroll in new coverage options.
 - Educate consumers about possible eligibility for a low-cost minimum coverage plan through Covered California if other coverage remains unaffordable.
- **Extend application and payment deadlines**
 - More time to shop and compare for coverage beginning January 1, 2014:
 - Applications would be accepted until December 23, 2013.
 - Payment would be accepted up to January 5, 2013.*
- **Dedicated assistance to help consumers convert their plans**
 - Covered California will provide a unique 1-800 number for consumers in non-compliant plans who are facing increases, to help explain their options.
 - Health plans will send another notice to all consumers advising them of their options for coverage that begins as soon as January 1, 2014.

*Coverage is not effective until payment is received.

OPTION 1 – Continue Process Underway

Pro	Con
<ul style="list-style-type: none">• Benefits & Coverage: Protects consumers from double-deductibles. Gets all consumers into a high-value plan immediately.• Affordability in 2015 and beyond: Stabilizes individual market risk pool for over 2.6 million consumers.• Consumer Experience: Allows consumers to enter into market place and reduces confusion• Operational Feasibility: Simplest to administer.	<ul style="list-style-type: none">• Affordability in 2014: Some consumers will have to pay more for new plans.• Benefits & Coverage: In some cases consumers are in good plans and will pay more despite receiving only minimal consumer protections.

OPTION 2 – Allow Extensions Through March 31, 2014

- Allow plans to offer coverage to continue to March 31, 2014
 - Requires modification or non-enforcement of QHP model contract provisions.
 - Consumers must opt-in to renewals by December 31, 2013.
- Requires agreement with both regulators and health plans
 - Regulators would need to provide assurance there will not be any actions due to extension timeline.
 - Assure no right to private action
 - Significant operational challenges for health plans to implement.
- Continue to educate consumers to find best deal (as per Option 1)
 - Dedicated assistance centers provide targeted support to consumers.
 - Application and payment extensions for coverage beginning January 1, 2014.

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OPTION 2 –

Encourage Extensions Through March 31, 2014

Pro

- **Affordability in 2014:**
For consumers in non-compliant plans who are not subsidy eligible, delays premium increase for 3 months.
- **Affordability in 2015:**
Limited stability in individual market risk pool for first year.
- **Consumer Experience:**
Provides consumers more time to explore options.

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- **Benefits & Coverage:** Exposes consumers to two deductibles.
- **Operational Feasibility:**
Challenging for health plans to administer smoothly.
- **Consumer Experience:**
Delays reform for some until April 2014 and leaves consumers unprotected from market reforms.

OPTION 3 –

Allow Extensions Through December 31, 2014

- Allow plans to offer coverage to continue to March 31, 2014
 - Requires modification or non-enforcement of QHP model contract.
 - Consumers would need to opt-in to renewals by December 31, 2013.
- Requires agreement with both regulators and health plans
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OPTION 3 –

Encourage Extensions Through December 31, 2014

Pro	Con
<ul style="list-style-type: none">• Affordability in 2014: For consumers in non-compliant plans who are not subsidy eligible, delays premium increase for 12 months.• Consumer Experience: Provides transition relief by giving consumers in non-compliant plans 12 extra months to find the best deal.	<ul style="list-style-type: none">• Affordability in 2015: All consumers face higher premiums in 2015.• Operational Feasibility: Challenging for health plans to administer smoothly.• Consumer Experience: Delays reform for some until 2015 and leaves consumers unprotected from market reforms.

ONE CONSUMER'S JOURNEY – THE DIFFERENCE BETWEEN A BENEFIT AND INSURANCE

Current Benefit	Insurance Options under ACA
Lifetime max of 475,000	No lifetime max
Only generic drug coverage	Generic, brand, specialty
\$6,000 Deductible/Out-of-pocket max	Various options including several plans with no deductible
Significant financial exposure if family experiences adverse medical events i.e. accident, cancer, chronic illness diagnosis	Protection from financial disaster if adverse medical event occurs
Premium = \$500/mo Deductible = \$6000 (\$500/mo)	Premium ranging from \$1000-\$1500 for no deductible