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## State-Specific Health Reform: A 7 Step Strategy

White Paper  
submitted by *CHOICE* Administrators Exchange Solutions  
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## Executive Summary

With the passage of the PPACA (“ACA”), states (see “Note” below) are required to have a certified insurance exchange by January 1, 2014, or risk defaulting to the national Department of Health and Human Services (HHS) exchange. There is no consensus on how jurisdictions will act relative to ACA implementation and many are not progressing with implementation plans as of this date.

Legislators and administration professionals are looking for options to reconcile the needs of their local or regional jurisdictions with the requirements of the law. They’re seeking to balance regulatory flexibility with unique demographic, cultural, and business needs.

This white paper outlines a Seven Step Strategy to craft jurisdiction-specific health reform measures that provide the right options for residents and comply with the essence of the ACA.

## Introduction

### Matching Solutions to Local and Regional Needs

As complicated and controversial as the passage of the ACA was in 2010, its implementation in many parts of the country is proving to be increasingly complicated. States and territories reviewing their obligations and timing deadlines under the ACA are now confronting the practical and political realities of having unique demographic, business, and cultural characteristics that require more attention than mere federal compliance.

*Note: Throughout this document, in referring to state implementation of an exchange, we also mean implementation by a jurisdiction or territory (including, but not limited to American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands).*

Jurisdiction-specific characteristics necessarily impact the health care reform initiatives. Many are looking for ideas to fashion the essence of ACA in ways that reduce the number of uninsured and improve overall access to health insurance while reflecting the special characteristics of their state or region.

CHOICE Administrators Health Exchange Services, working with our strategic Exchange Solutions partners, believes there are thoughtful options in these circumstances.

## State- or Territory-Based Health Reform – 7 Step Strategy

### Step 1 Adopt Region-Specific Insurance Market Reforms

*Increase citizen access to insurance coverage – a few considerations*

- Eliminate medical underwriting
- Implement guaranteed issue and renewal
- Eliminate pre-existing condition limitations
- Allow dependent access to coverage to age 26
- Establish Adjusted Community Rating (ACR) with a 3:1 rate band
- Review existing insurance mandates with a view toward possible reductions in coverage
- Pursue market-based Medicaid reforms

### Step 2 Vest Departments of Insurance (DOI) with the authority to determine “Qualified” carriers and health benefit plan characteristics

- Consider “any willing” health plan that meets applicable state, territory, and federal standards and is certified by the DOI to be eligible to be offered in the Exchange
- Review benefit levels of “mini-med” plans and establish acceptable structures
- Avoid prescriptive selection process for health plan participation

### Step 3 Consider Using the Exchange to Subcontract Eligibility Determination for a State or Territory Medicaid Program

- Review functionality of legacy eligibility systems
- Review current eligibility processes
  - Opportunity for consolidation of local or county eligibility processes
  - Review impact of new federal subsidies on non-Medicaid eligible population
- Allows retention of 90/10 financing from HHS

#### **Step 4 Certify licensed brokers as “Navigators”**

- Promote existing licensed insurance experts in certifying representatives or organizations as “navigators”
- Review compensation plans to ensure ACA compliance
- Where possible, align broker compensation with existing carrier broker compensation plans

#### **Step 5 Contract with a private sector, integrated Exchange IT platform to provide enrollment portal, customer service, and operational functions**

- Lowers administrative cost due to economies of scale
- Consider a “software-as-a-service” IT application model to minimize local development costs and staffing, and to improve efficiency of Exchange operations
- Allows regional Exchange staff to focus on outreach, enrollment, health plan rating, and other key activities
- Improves go-to-market timing

#### **Step 6 Consider state- or territory-sponsored independent Exchange governance model**

- Establish Board composition
  - Key representation from DOI and local/regional HHS
  - Key stakeholders for at-large appointments by Governor (e.g. broker, insurer, independent actuary, representatives of consumer, small business, insurer, and provider communities, etc.)
- Promote “defined contribution” model for Exchange’s small group product
- Develop self-sustaining Exchange revenue model to support a minimal number of Exchange staff

#### **Step 7 Establish legislative oversight committee to supervise the Exchange**

- Oversee Exchange and its interactions with other key state or regional agencies
- Consider balanced representation of political affiliation and House and Senate members (or other appropriate governing body) of committee; legislatures in time-limited sessions may want committee to function between sessions
- Complex issues raised by the Exchange or committee could be resolved via “special” legislative session

### **State Based Health Reform – A New Opportunity for State Engagement**

The ACA provides flexibility to address individual needs identified by the states and territories. We believe there are additional opportunities to confront the development of health exchanges in ways

that are consistent with specific cultural needs and through our 7 Step Strategy. For example, it may be that a state selects five of these strategies, while another jurisdiction adds two more ideas overall. In any case, the goal is to provide ideas to craft health reform in ways that meet individual and unique needs and avoid defaulting to the national HHS Exchange model.

We believe health reform will evolve to meet the complex and rapidly changing environment of health care in the United States. Further, we believe there will be increased flexibility to meet the requirements of the ACA and to craft health reform as a state-based solution.

### Key Establishment Dates

<b>2011</b>	<b>October</b>	Jurisdiction-specific health reforms and Exchange-enabling legislation is passed and signed by Governor (or other appropriate governing leader)
	<b>December</b>	Exchange Board appointed and Executive Director selected
<b>2012</b>	<b>January</b>	RFP for Exchange vendor(s) released
	<b>April</b>	Exchange services vendor(s) selected
	<b>October</b>	Exchange eligibility and enrollment functionality in testing
<b>2013</b>	<b>January</b>	HHS certifies the Exchange
	<b>June</b>	Systems testing completed
	<b>September</b>	Open enrollment begins
<b>2014</b>	<b>January</b>	State or Regional Exchange is functional
<b>2015</b>	<b>January</b>	Exchange is self-sustaining

### About CHOICE Administrators Health Insurance Exchanges

*CHOICE Administrators is the nation's leader in developing and administering health insurance Exchanges, with experience supporting integrated and proven Exchange models since 1996. Currently serving more than 10,000 employers and more than 150,000 members, and producing over 4.2 million IFP quotes in 2010, CHOICE Administrators, a member of The Word & Brown Companies, is the nation's leading administrator of consumer-choice Exchange models.*