



Federal Health Care Reform and Reaching the Uninsured

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Overview

- Summary of major provisions related to health insurance, TDI's implementation plans and consumer outreach activities
 - Many specific details to be determined by federal Health and Human Services (HHS) regulations or directives
 - Effect of reform will be different across states, depending on existing statutory and regulatory requirements and current market structure
 - Caution when reading reform summary documents or news stories; many interpretations and inaccuracies
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Texans' Insurance Status 2008

Category	Number	Percent	National Avg
Total Population	24,194,325	100%	-
Insured Population	18,110,231	75.5%	84.6%
- Employment-based	11,969,000	49.5%	58.5%
- Individual	1,641,000	6.8%	8.9%
- Government-based	6,601,000	27.3%	29.0%
Uninsured Population	6,084,093	25.1	15.4%

Source: US Census Bureau, Current Population Survey

Uninsured Rates by Age 2008

Age Range	Number Uninsured	Percent of Total Uninsured	Percent Uninsured Within Age Category
Ages 6 and Younger	415,164	6.8%	14.5%
Ages 7-17	801,804	13.2%	20.6%
Ages 18-24	986,308	16.2%	43.7%
Ages 25-34	1,493,959	24.6%	41.5%
Ages 35-44	1,031,935	17.0%	30.4%
Ages 45-64	1,274,722	21.0%	22.5%
Ages 65+	80,201	1.2%	3.2%
Total	6,084,093	100%	25.1%

Source: US Census Bureau, Current Population Survey

Uninsured Rates by Poverty Level - 2008

Income/Poverty Level	Number Uninsured	Percent of Total Uninsured	Percent Uninsured Within Income Category
Under 50%	817,821	13.5%	45.5%
51% to 99%	793,071	13.1%	39.0%
100% to 149%	1,064,129	17.5%	37.0%
150% to 199%	897,803	14.8%	33.7%
200% to 249%	703,379	11.61%	31.9%
250% or Higher	1,800,667	29.7%	14.3%
Total	6,076,870	100%	25.1%

Source: US Census Bureau, Current Population Survey

Texas Insurance Market

- Total of approximately 150 insurance carriers and HMOs offer comprehensive health insurance benefit plans; some offer coverage state-wide, others only in selected areas of the state
- 5.4 million Texans covered under fully-insured plans subject to TDI regulation
 - 72% enrolled in Preferred Provider Benefit Plans
 - 10% enrolled in Health Maintenance Organization Plans
 - 18% enrolled in other coverage (traditional indemnity)
- Total premiums collected under Accident and Health Insurance plans exceed \$30 billion



Key Insurance Reform Provisions

- Comprehensive health insurance market reforms
 - Varying requirements for group and individual, and grandfathered plans that exist at time bill is enacted
 - Many provisions also apply to ERISA self-funded plans
- Consumer ombudsman program
- Temporary federal high risk pool
- Reinsurance program for early retirees
- Creation of Health Insurance Exchange
- Purchase of insurance or penalty payment required
- Subsidies for eligible enrollees



Early Insurance Market Reforms

Effective Within 6 Months (September 23, 2010)

- No lifetime benefit limits
- Restrictions on allowable annual benefit limits
 - Minimum of \$750,000 in first year
- Rescissions prohibited (except for fraud or intentional misrepresentation)
- Coverage of dependents up to age 26
- Pre-existing condition exclusions prohibited for children up to age 19
- Internal and external appeals processes for enrollees
- May not discriminate against employees based on salary
- Benefits for preventive services required, with no cost-sharing
- Coverage for emergency services at in-network cost-sharing level; no prior authorization requirements



Early Insurance Market Reforms

Required for 2010 Plan Year

Review of Premium Rates

- Federal HHS, in consultation with States, will develop a process for the annual review of premium rate increases
 - Health plans must file rates with TDI
 - TDI will review rate increases, determine reasonableness
 - States are not required to approve/disapprove rates unless otherwise required by State law
 - Health plans must provide to HHS and TDI a written explanation of unjustified rates and post explanation on health plan's website
 - States must provide reports to HHS
- Federal HHS will distribute a total of \$250 million in grants over 5 years to cover state costs. All states eligible for initial \$1 million grant. TDI applied for grant and was awarded \$1 million on August 16th.

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Early Insurance Market Reforms

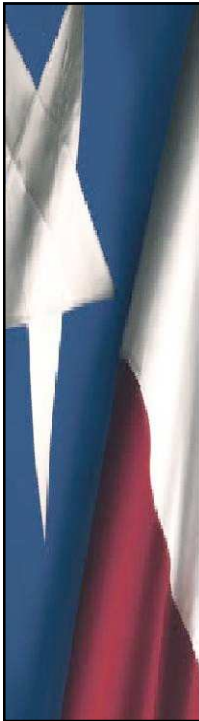
Required for 2010/2011 Plan Year

Health Plan Minimum Loss Ratio Requirements

- Health plans must meet minimum loss ratios beginning in 2011
 - 85% large group benefit plans
 - 80% small groups and individual benefit plans
- Health plans must report percentage of premium revenue spent for:
 - 1) Reimbursement of clinical services
 - 2) Activities that improve health care quality
 - 3) All other non-claims expenses excluding state and federal taxes, licensing or regulatory fees
- Secretary may adjust percentages if necessary due to destabilize market
- Calculations and reporting requirements to be developed by federal HHS in consultation with National Association of Insurance Commissioners (NAIC)
- Rebates must be provided to consumers if health plans do not meet MLRs.

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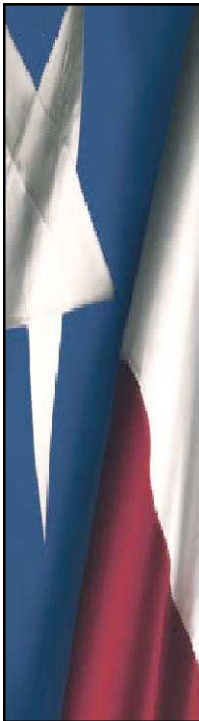
Early Insurance Market Reforms

Required Within Six Months

Health Plan Disclosure and Transparency Requirements

All plans are required to disclose the following information:

- Claims payment policies and practices
- Periodic financial disclosures
- Enrollment and disenrollment data
- Claims denial information
- Data on rating practices
- Information on cost-sharing and payments with respect to out-of-network coverage
- Other information as determined appropriate by federal HHS



Insurance Market Reforms

Required Within 2 Years

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- Health plans must comply with uniform requirements for summary of benefits and explanation of coverage documents. Must include the following information
 - Description of coverage and cost sharing for each category of essential benefits and other benefits
 - Exceptions, reductions and limitations in coverage
 - Renewability and continuation of coverage provisions
 - Coverage facts label that describes common benefit scenarios
 - Statement of whether the plan provides minimum essential benefits
 - Statement that summary is an outline only
 - Phone number for consumers to call for additional information
 - Health plans must use standardized definitions for certain policy terms
 - Federal HHS will work with NAIC and stakeholders to develop standards. Must be published within 12 months; health plan compliance within 24 months.
 - NAIC working group recently established; TDI participating in weekly phone conference



Insurance Market Reforms

Effective January 1, 2014

- Guaranteed issuance of all group and individual plans
 - No medical underwriting, no discrimination based on health status
- Elimination of preexisting condition exclusions
- Elimination of all annual limits on coverage (with some exceptions to be determined by federal HHS)
- Waiting periods for group plans limited to 90 days
- Limitation on deductibles in small group market (\$2,000 individual, \$4,000 for family coverage)
- Rating restrictions for group and individual market; may only rate based on age (variations limited to 3 to 1), family composition, geography, and tobacco use (variations limited to 1.5 to 1)
- Minimum benefit standards for group and individual plans
- Small employer redefined from 2-50 to 1-100 employees
- Cannot exclude individuals who participate in clinical trials; must cover routine care that would otherwise be covered
- All plans sold (inside and outside of Exchange) are considered a single individual or small group risk pool for rating purposes

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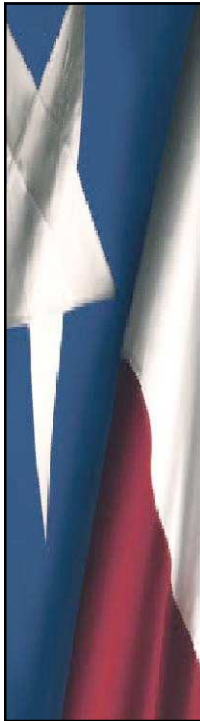
Consumer Ombudsman Program

Effective Immediately

- Provides grants to states to create health insurance consumer assistance or health ombudsman program
- Serves as an advocate for consumers
- Assists with insurance-related complaints and appeals, educates consumers on their rights and responsibilities
- Assists consumers with enrollment in health plans
- Resolves problems with obtaining subsidies beginning in 2014
- Collects, tracks and quantifies consumer problems and insurance inquiries; must submit reports to HHS as required
- \$30 million in funds will be distributed to states
- TDI submitted grant application to Federal HHS requesting \$1 million grant; award announcements expected October 10th.

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Temporary High Risk Pool

Effective Within 90 Days

- **Creates temporary high risk insurance pool for individuals with pre-existing conditions**
 - No preexisting condition exclusions
 - Out-of-pocket costs limited to no greater than limits for high-deductible health plans
 - Must use adjusted community rating with maximum rate variation for age limited to 4 to 1
 - Premiums must be set at the average standard rate for standard population
- **Must be uninsured for 6 months or longer**
- **Secretary may contract with states or non-profit entities (including existing high risk pools) to provide coverage**
- **Texas is one of 22 states that opted to allow HHS to operate the high risk pool option for eligible residents.**
- **HHS is currently accepting applications for the federal Preexisting Condition Insurance Plan (PCIP). Applications and rate information available at www.pcip.gov.**
- **As of July 23, applications submitted by 323 Texans, second in volume behind Florida.**

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Electronic Health Care Transactions

- Simplifies health insurance administration by requiring compliance with standard requirements for certain electronic health care transactions
- Enhances existing requirements under HIPAA by imposing new, earlier deadlines for federal HHS rules and implementation
 - Requires use of a single set of operating rules for eligibility verification and claims status (January 2013)
 - Electronic funds transfers and health care payment and remittance (January 2014)
 - Health claims or equivalent encounter information (January 2016)
 - Enrollment and disenrollment in a health plan (January 2016)
 - Health plan premium payments (January 2016)
 - Referral certification and authorization (January 2016)

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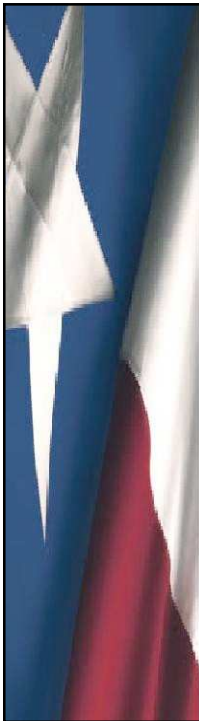
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Health Insurance Exchange

Must be operational by January 2014

- Directs states to establish American Health Benefit Exchanges and Small Business Health Options Program (SHOP)
- Failure to establish Exchange will result in federal HHS establishing an Exchange within any non-participating state. State must be able to demonstrate by January 1, 2013 that it will have Exchange operational by January 1, 2014
- Exchange must be operational by January 2014; federal HHS must work with NAIC, states, stakeholders to develop regulations applicable to Exchange
- Must be administered by governmental agency or non-profit organization
- Grant funds available to help states with planning and implementation; Texas has applied for initial \$1 million grant



Health Insurance Exchange Program Features

- Creates “one-stop” insurance shopping for individuals and small businesses
 - Offers enrollees a selection of “Exchange qualified” plans that meet minimum standards
 - Requires a single point of entry and administrative mechanism for enrollment for both public and private plans
 - Exchange must provide a seamless application and enrollment process for individuals who qualify for Medicaid, CHIP, subsidies/tax credits
 - Standardizes presentation of commercial insurance options for plan comparability; HHS will prescribe information requirements
 - Provides a “rating” system for plans and significant transparency provisions
 - Must include an economic calculator for applicants to calculate expected financial costs
 - Redefines small businesses as 1-100 employees; states may limit to 50 until 2016
- State may opt to include large employers in 2017 under certain conditions



Health Insurance Exchange Insurance Plan Requirements

- All plans sold in the Exchange must be certified as meeting minimum federal benefit standards
 - Four levels of plans: bronze, silver, gold, platinum
 - Essential benefits will be defined by Secretary of HHS and will include:
 - Ambulatory patient care
 - Emergency services
 - Hospitalizations
 - Maternity and newborn care
 - Mental health and substance abuse treatment
 - Prescription drugs
 - Rehabilitative and habilitative services and devices
 - Laboratory services
 - Preventive and wellness services
 - Chronic disease management
 - Pediatric services, including oral and vision care
- Catastrophic plans available to individuals under age 30 or those exempt from insurance requirement
 - Insurers must offer children-only plans
- Exchange will review and approve/deny requests for premium rate increases



Health Insurance Exchange Insurer Certification

- Insurers participating in Exchange must be a “qualified health plan” which provides essential benefits and is certified as meeting the following eligibility criteria:
 - Licensed and in good standing to offer health insurance within the state
 - Must offer at least one qualified health plan in the silver level and one in the gold level in any Exchange in which it participates
 - Will charge a standard premium rate for each qualified health plan, regardless of whether the plan is offered through an Exchange, an agent, or issued directly by the insurer
 - Uses a uniform enrollment form
 - Meets other criteria related to marketing and disclosure requirements, network adequacy requirements, cost sharing and payments with respect to out of network coverage, enrollee and participant rights, quality improvement measures, standard presentation of benefit plan options, justification of rate increases, data reporting requirements, provision of web-based cost-sharing information for specific services and providers and other information as determined by the Secretary
- States may limit the number of insurers participating in the Exchange



Health Insurance Exchange Premium Assistance

- Individuals who meet income eligibility requirements (generally up to 400% of FPL) are eligible for premium tax credits and cost sharing reductions (subsidies) for deductibles, coinsurance, copays
- Secretary of HHS responsible for notifying qualified health plan issuers of enrolled insureds who are eligible for cost-sharing reductions, and issuers must reduce cost-sharing requirements under the plan.
- Tax credits and subsidies may be paid in advance to health plans to enable individuals to afford premium payments
- Exchange must facilitate application and receipt of tax credits and cost sharing reductions and ensure payments are credited to the appropriate insurance account/plan, but detail of Exchange activities will depend on federal regulations
- Based on information received from Secretary of HHS, Exchange must notify employers of employees who are eligible for premium credit or cost-sharing reduction due to lack of minimum essential coverage through employer or coverage is unaffordable (employer may be liable for tax)



Health Insurance Exchange Consumer Education and Assistance

- Must contract with “navigators” to assist consumers
 - Provide culturally and linguistically appropriate public education
 - Facilitate enrollment in health plans, Medicaid, CHIP
 - Refer consumers with complaints or questions to appropriate agencies
- Brokers and agents may serve as navigators
- Exchange will award grants to Navigators to carry out certain outreach and education duties
- Conduct outreach to vulnerable populations
- Operate a full-time toll-free hotline to respond to inquiries and requests for assistance
- Coordinate/continue consumer ombudsman activities



Health Insurance Exchange Challenges

- Short time-frame
- Need for federal guidance and direction; coordination of state and federal requirements
- Massive technology changes and integration of systems
 - Department of HHS
 - Department of Homeland Security
 - Social Security Administration
 - Department of Treasury
 - State Medicaid/CHIP programs
 - State insurance departments
 - Insurance carriers
- Consumer education
 - Provide enough of the “right” information without overwhelming consumers
- Diverse population needs across a very large geographical area
- Long term funding of the Exchange – Exchange must be self-sustaining beginning in 2015



Health Insurance Exchange Implementation Activities

- TDI is working closely with Texas Health and Human Services Commission on implementation planning
- Weekly meetings with a cross section of TDI staff and HHSC staff
- Regular meetings with state leaders, including staff from Governor's office, Lt. Governor's office and Speaker's office and key legislative members
- Two legislative hearings to date; additional hearings will be scheduled
- TDI also is participating in multiple weekly conference calls with Department of HHS and NAIC to discuss range of issues and activities under federal health reform



Health Insurance Exchange Examples

Information on two existing insurance exchanges

- Massachusetts Connector – www.mahealthconnector.org
- Utah Exchange – www.exchange.utah.gov



Individual Requirement to Purchase Insurance

Effective January 2014

- Individuals (US citizens and legal residents) required to obtain qualifying coverage that meets federal standards
- Can be an individual or group health plan
- Exemptions for individuals below tax filing threshold (currently \$12,050 for individual and \$18,700 for couple), people with religious objections, members of Indian tribes, people not covered for less than three months
- Subsidies for families/individuals up to 400% of federal poverty level (approx \$43,000 individual, \$88,000 family of 4) to apply towards premium costs



Individual Requirement to Purchase Insurance

(continued)

- Penalties for non-compliance
 - \$95 per person in 2014
 - \$325 per person in 2015
 - \$695 per person in 2016
 - Alternative: 2.5 percent of income above tax filing threshold (whichever is greater)
- Enforcement: individuals required to file with IRS must include IRS form to verify they have qualifying coverage. Individuals exempt from filing taxes also exempt from insurance requirement.
- Individuals who do not submit form will receive notice from IRS in June of each year, notifying them that they need to file the required information or request exemption



Small Employer Requirements and Tax Credits

Effective January 2014

- **Small employers with 50 or fewer FTE employees not required to offer insurance and not subject to penalties**
- **Part - time workers (work less than 30 hours per week) are counted for purposes of determining number of FTEs**
 - Add total number of hours worked by part-time employees and divide by 120 to determine number of FTEs
 - Example: 10 part-time employees working total of 600 hours per month; $600 \div 120 = 5$ additional FTEs
- **Not required to offer coverage to or pay penalties on part-time workers**
- **Tax Credits available for some small employers who do offer insurance**
 - Small Employers, with less than 25 employees and average annual wages of less than \$50,000, that do offer coverage receive tax credit of up to 35% of their premium payments on behalf of employees; credit increases to 50% in 2014
 - Credits phase out gradually for firms with average wages between \$25,000-\$50,000 and for firms with 10-25 FTE workers



Large Employer Requirements to Purchase Insurance

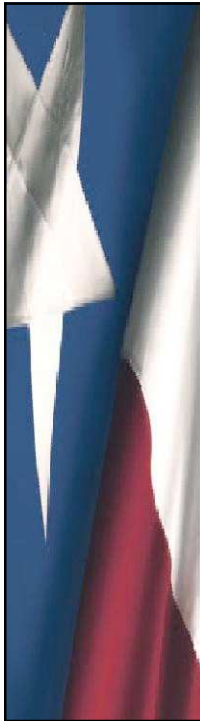
Effective January 2014

- **Employers with more than 50 full-time employees must offer insurance meeting certain cost requirements or pay penalties:**
 - Large employers who do not offer insurance and whose employees receive public subsidies pay 1/12 of \$2,000 per FTE per month, with a waiver for first 30 FTEs
 - Large employers who offer insurance but have employees who receive premium assistance because they cannot afford the insurance (affordability is 9.5% of income) pay the lesser of 1) 1/12 of \$3,000 per FTE receiving subsidy per month, or 2) 1/12 of \$2000 per month for the total number of full-time employees with a waiver for first 30 FTEs
 - Penalties calculated monthly based on number of applicable employees
- **Employers with 200 or more workers who offer coverage must automatically enroll new employees and continue enrollment of current employees; employees may choose to opt-out**



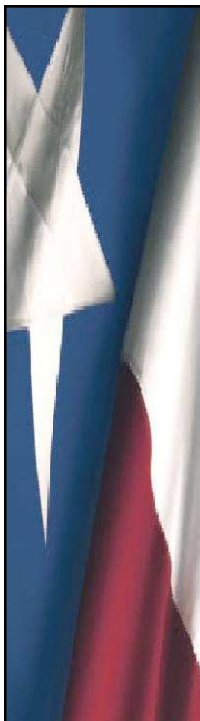
TDI Implementation Planning

- TDI has developed detailed implementation plans to address immediate and long term requirements
- Public stakeholder meetings will be held periodically to obtain input on TDI implementation plans and proposed rules
- Some activities/decisions will depend on federal HHS directives and regulations; timelines may change based on federal decisions
- Internal TDI workgroup has been established and continually monitors and direct insurance reform activities
- Fiscal estimates will be developed and reviewed continually as HHS regulations and directives are released, enabling TDI to develop more accurate cost estimates



Impact on Market and Consumers

- Consumers may begin to see premium changes within the next six months; some will see increases, others will see decreases
- Some premium cost increases may be mitigated by minimum loss ratio requirements, but too early to predict market impact
- Uninsured individuals with preexisting conditions will be able to obtain coverage through the temporary insurance risk pool at rates comparable to what is available in the commercial market
- Significant impact on small and individual market due to rating requirements and guarantee issue
- Likely to eliminate need for Texas Health Insurance Pool after 2014



Impact on Market and Consumers

continued

- Grandfather provision for plans in effect on the date of enactment; all plans issued going forward must meet federal requirements but Texans with insurance before passage of the law can continue under their current plan
- Employers with existing group plans can continue to enroll new employees and eligible dependents
- Insurers will continue to market private insurance plans but all plans sold after March 23rd must comply with new benefit provisions on their effective date or upon first renewal
- Anticipate that some insurers may choose to withdraw from certain markets based on impact of reform; others may choose to expand coverage – either offering additional product lines or expand to new states
- TDI will continue all regulatory activities, including company and agent licensing, consumer protection, market conduct and financial oversight, enforcement, policy form review and approval



TDI Consumer Services Team

- Health Reform Team focused on educating and assisting consumers
- Includes 25 people representing 5 state agencies
- Major activities include
 - Developing and updating TDI website information , consumer brochures and educational materials
 - Meeting with stakeholders to discuss and plan activities
 - Focus groups
 - Planning for consumer ombudsman activities (if federal grant funds are received)
 - Developing short and long term strategies for outreach under varying budget conditions
 - Data collection and reporting
 - Staff training



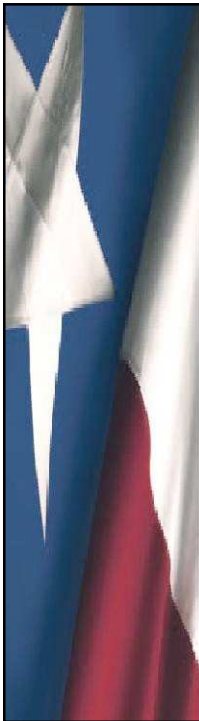
TDI Communications Team

- Health Reform Communications Team working with all reform teams to develop and coordinate internal and external communications with all stakeholders including state leaders, legislators, health plans, agents and brokers, providers, advocacy groups and consumers
- Includes experienced staff with marketing and communication expertise
- Major activities include
 - Developing and coordinating news releases and updates on health reform implementation activities
 - Developing and maintaining the agency intranet page
 - Coordinating with the Consumer Services Team to develop information for the internet health reform web page
 - Responding to requests from media
 - Ensuring TDI's communication strategy is comprehensive, effective and appropriately designed for the target audience



Coordination of Outreach Activities

- Healthy Texas Program for uninsured small employers will launch next month
- TDI will be hosting small employer insurance fairs across the state; will use opportunity to provide information on health reform as well as Healthy Texas enrollment
- TDI preparing to issue RFP to contract with marketing firm to develop comprehensive outreach and education program
- Focus on:
 - Identifying target audiences
 - Keeping message simple and easy to understand
 - Developing different approaches for varying audiences based on demographics, cultural and linguistic characteristics
 - Taking the message to the community through local events and activities
- Collaborate with insurance industry, agents and brokers to develop a long term strategy to ensure consumers understand the requirements of federal reform and are prepared to use the Exchange
- Coordinate with consumer ombudsman program and navigators in Exchange



Will Insurance Premiums Be Affordable?

- Cost is the primary reason why individuals and businesses do not purchase insurance
- Federal health reform offers significant subsidies to individuals to enable them to purchase insurance, but individuals still have the option to pay penalties and not purchase coverage

Insurance Cost for Family of Four with Federal Credits

Monthly Income as % of FPL	Insurance cost as % of income w/credit	Maximum Income Level	Family Maximum Cost of Insurance
Up to 133%	2% of income	\$2810.73	\$56.21
133-150%	3-4% of income	\$3170.00	\$126.80
150-200%	4-6.3% of income	\$4226.67	\$266.28
200-250%	6.3%-8.05% of income	\$5283.33	\$425.30
250-300%	8.05-9.5% of income	\$6339.99	\$602.29
300-400%	9.05% of income	\$8533.32	\$810.66

How Much Can Small Employers Afford According to TDI Small Employer Survey?

Cost Per Employee Per Month That Employer Can Pay	2001	2004	2009
Less than \$50	23%	17%	16%
\$50	22%	17%	15%
\$75	NA	NA	7%
\$100	20%	20%	18%
\$125	NA	NA	4%
\$150	9%	8%	6%
\$175	NA	NA	2%
\$200	5%	6%	5%
\$250	2%	2%	3%
\$300 or more	2%	1%	2%
Would not purchase at any cost	14%	14%	22%

Conclusion

- Insurance reform will significantly alter the existing group and individual insurance market
- Changes will continue to occur as reforms take effect at varying times during next four years
- Includes opportunities for consumers and health plans
- Short and long term impact of health reform depends on many factors, including:
 - Federal regulations and guidance
 - Reaction of health plans
 - Reaction of providers
 - Reaction of consumers
- Cost of health care a key factor, impossible to predict
- Education is critical and will continue to be a TDI priority as implementation proceeds
- Encourage consumers and all stakeholders to stay engaged in the process
- Visit the TDI website regularly for updates:



Contact Information

www.tdi.state.tx.us

Subscribe to e-mail news for regular updates on health reform implementation at:

<http://www.tdi.state.tx.us/alert/emailnews.html>

Questions may be directed to:

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