

Kansas Insurance Department



Presentation to the Senate Financial Institutions & Insurance Committee

January 12, 2011



Purpose of Meeting

Introduction

Health
Insurance
Reform
Overview

- Education
- Consumer Outreach
- Kansas-based solutions for Kansans
- Questions

Exchanges

Questions?





Kansas Statistics

Introduction

- Kansas Population: 2.8 million (US Census Bureau, 2008)

- U.S. population: 307 million (in 2009)

- Approximately 50 million people in the U.S. do not have health coverage (16.2% of the population).

- In Kansas, the number is approximately 340,000 (12.5% of the state population).

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Kansas Statistics

Introduction

•In Kansas, health insurance breaks down the following way:

- Nearly 88% of Kansans are insured (U.S. Census Bureau)
 - Nationally, more than 83% are insured

- Of all Kansans, 13.8% have Medicare (Nationally, the average is 14.1% – Kaiser Family Foundation)

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Kansas Statistics

Introduction

• In Kansas, health insurance coverage breaks down this way:

Ages 19 – 64 (2007-2008):

- 65.8% of Kansans have employer-based coverage (Nationally, 63%)
- 8.0% have individual coverage
- 5.7% have Medicaid
- 4.6% have other public insurance (Tri-Care, etc.)
- 16% are uninsured

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Sources: Averages from Kansas Health Institute,
Kaiser Family Foundation





Introduction

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Health Insurance Reform Overview

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Health Care Reform Enacted

Introduction

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On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act of 2010 (H.R. 3590)

Exchanges

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Health Care Reform Enacted

On March 30, 2010, President Obama signed the Reconciliation Act of 2010 (H.R. 4872)

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- This legislation amends the Patient Protection Act to:
 - Increase subsidies for low-income persons and penalties on employers
 - Phase-out the “doughnut hole” in Medicare Prescription Drug coverage
 - Modify tax provisions





Key Reforms – Early Implementation

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- **High Risk Pool Grants** (\$5 billion – 2010-2013)
 - Kansas received \$36 million
 - For individuals who currently do not have coverage and have a pre-existing condition
 - Operational as of July 29. Coverage began Sept. 1. Separate from existing KS pool – new pool has only federal dollars, different cost to consumers. Continual enrollment.
 - Currently 121 enrollees.





Key Reforms – Early Implementation

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- **Health Plan Reforms (as of September 23, 2010)**

- No lifetime limits; First-dollar coverage for preventive services

- No rescissions; Appeals process

- Dependent coverage up to 26 years of age

- No Pre-existing Condition Exclusions for Children

Exchanges

Questions?





Key Reforms – Early Implementation

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- **Grants for:**
 - **Consumer Assistance** - grants to states for education and outreach
 - **Rate Review**
 - **Exchange Planning**
- **Early Retiree Reinsurance Program**
- **Medical Loss Ratio -Rebates program beginning Jan. 1, 2011**

Exchanges

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Key Reforms – 2014 Implementation

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- **Market Reforms:**
 - Guarantee Issue and no Pre-existing Condition Exclusions in all markets
 - Rating Reforms limiting factors to age (3:1), geography, tobacco use and family composition
 - No annual limits





Small Business Tax Credit

Introduction

- **Businesses with 25 or fewer employees.**

- **Average wages less than \$50,000.**

- **Contribute at least 50% of premium.**

- **Phases out as size and wages of business increase.**

- **2010-2013: Up to 35% of total employer contribution.**

- **2014 and later: Up to 50% of contribution.**

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Key Reforms – 2014 Implementation

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- **State-Based Exchanges** for Individual and Small Group markets (fewer than 50 employees) that will provide standardized information on insurance choices and help consumers enroll in plans

Exchanges

Questions?





2014 Key Reforms (continued)

Introduction

- **Individual Mandate** to ensure consumers do not wait until they are sick to seek coverage.

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- **Penalties for no coverage (whichever is greater):**

- 2014 - \$95 or 1% of household income.
- 2015 - \$325 or 2% of household income.
- 2016 - \$695 or 2.5% of household income.
- Annual increases after 2016.

Exchanges

Questions?





Large Employer Responsibility (50 or more FTEs)

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- If employer **fails** to offer minimum coverage and one of its employees receives a subsidy through the Exchange, the employer will be subject to a penalty of \$2,000 per employee.
- If an employer offers coverage but an employee receives a subsidy through the Exchange, the employer will be subject to a penalty of \$3,000 per employee receiving a subsidy.





KID and NAIC Working Groups

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•Kansas Insurance Department Health Reform Working Group

- Grant applications
- Rate and form filing review
- High risk pool
- Consumer Ombudsman work
- Exchange Planning/Coordination
- Data collection
- IT architecture

•**NAIC working groups (14 total)**, including standardized definitions and uniform explanation of coverage.





KID Response Initiatives

Introduction

- Regular updates on implementation – consumer/business information posted-

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- www.ksinsurance.org – special section on health reform with links to other sites

- www.healthcare.gov - national web portal

Exchanges

Questions?





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Kansas Insurance Department goal

in federal health reform:

Work for the best possible outcomes

for Kansas consumers,

Kansas agents

and Kansas companies

by keeping reforms at the state level.





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Statutory Timelines

Introduction

- **Each state shall establish an American Health Benefit Exchange by January 1, 2014.**

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- Includes individual market and small group market Exchanges – these may be combined.

Exchanges

- **Small Group defined as 1-100 employees:**

- State may elect to define as 1-50 until January 1, 2016.

- State may elect to combine individual and small group markets.

Questions?





Statutory Timelines

Introduction

The Secretary of HHS must certify by January 1, 2013, that a state will be able to operate a qualified Exchange.

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If a state does not, the federal government will operate it.

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Federal Exchange Grants

- **Initial Planning Grants (Awarded Oct. 2010):**
\$1 million to 48 states + District of Columbia.

- For research and planning:

- Market analysis
- Development of governance and operational framework
- IT assessment
- Stakeholder outreach
- Staffing
- Funding Requirements

- **Establishment Grants:**
 - Details to be announced in Spring 2011.

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Exchanges

Introduction

- The Exchange must be operated by a governmental agency or nonprofit entity established by a state.

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- Legislature must enact laws for creation and implementation of Exchange.

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Key Decision Points

Introduction

Governance

Additional Functions of the Exchange

Additional Information for Consumers

Regulation of the Outside Market

Mandated Benefits

Funding of Operations

Role of Agents

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Role of Agents

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- **States may allow agents and brokers to:**
 - Assist individuals and employers to enroll in qualified health plans in the Exchange.
 - Assist individuals in applying for premium tax credits and cost sharing reductions for plans in the Exchange.

Exchanges

- **States will establish compensation structure for agents and brokers.**

Questions?





Role of State Agencies

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- **Department of Insurance:**

- Licensure
- Certification
- Market conduct
- Enforcement

- **Medicaid and CHIP (Children's Health Insurance Program):**

- Medicaid & CHIP eligibility determinations and enrollment

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Questions?





Individual & Small Group Exchanges

Introduction

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- **Individuals may enroll in any qualified health plan offered in state Exchange.**
- **Employees have choice of carrier:**
 - Employer may choose coverage level.
 - Employees choose from carriers offering at that level.
 - Employees individually rated (limited to four allowed rating factors).

Exchanges


Questions?







Levels of Coverage

Introduction

 **Bronze** – covers 60% of actuarial value of benefits.

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 **Silver** – covers 70% of actuarial value of benefits.

 **Gold** – covers 80% of actuarial value of benefits.

Exchanges

 **Platinum** – covers 90% of actuarial value of benefits.

Questions?

 **Catastrophic** – high-deductible plan for young (under age 30) and those exempt from individual mandate.





Premium Tax Credits

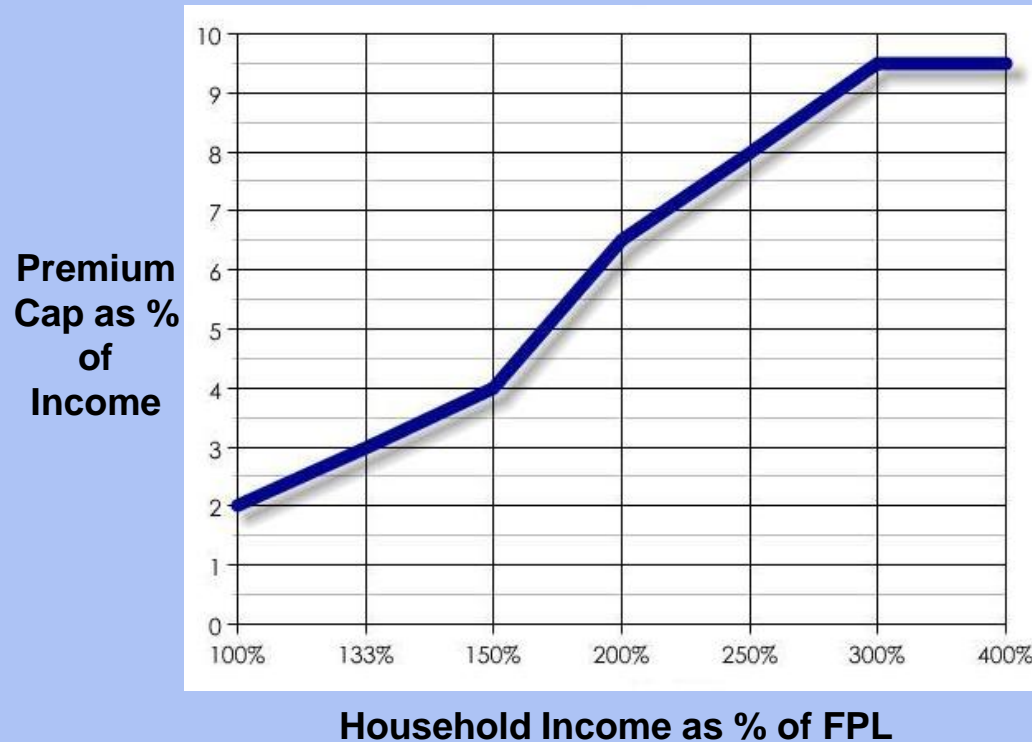
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Premium Tax Credits



- Available from 100% - 400% FPL.
- Covers the difference between premium for the second-lowest-cost Silver plan and a percentage of income.
- Advanced to insurer.





Exchange Functions

Introduction

At a minimum, an Exchange must:

- Operate a toll-free hotline for consumer assistance.

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- Maintain an Internet website with comparative information about available qualified plans.

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- The Exchange will certify qualified plans to be made available to individuals or employers.
(dental plans can be included)

Questions?





Exchange Functions

Introduction

At a minimum, an Exchange must:

- Inform individuals of eligibility for Medicaid, and CHIP and enroll them in such programs.
- Make available a calculator to determine the actual cost of coverage after application of premium tax credits and cost sharing reductions.

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Exchange Functions

At a minimum, an Exchange must:

- Grant a certification attesting that the individual is not subject to the coverage mandate because:
 - there is no affordable health plan available, or
 - the individual is exempt from the mandate

- Transfer to the U.S. Treasury Department a list of exempt individuals and employees eligible for premium tax credit

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Exchange Functions

Introduction

At a minimum, an Exchange must:

- Establish a Navigator program
 - Exchange will award grants to entities such as: trade/industry groups, professional associations, farming organizations, consumer nonprofit groups, and chambers of commerce who will educate consumers and assist with enrollment in qualified health plans.

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Plans Available in Exchange

Introduction

- **Qualified Health Plans must:**

- Be offered by a licensed insurance company.

- Insure a sufficient choice of medical providers.

- Provide information to the public regarding the quality of the plan.

- Provide Essential Benefits as defined by HHS.

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Plans Available in Exchange

Introduction

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- **Qualified Health Plans must:**

- Agree to offer at least one Silver and one Gold plan.

- Agree to charge same price in and out of Exchange.

- Utilize standardized format for presenting plan options.

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Questions?

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