

New Mexico Health Insurance Exchange Work Group Minutes

Work Group	Financial Sustainability	Date	12/20/2012
Facilitator	Mark Padilla	Time	9:00 a.m. MT
Location	Conference Call/ In-Person	Scribe	Cicero Group

Agenda Item
 Discussion Item
 Conclusion
 Action Item

Attendees	
Name	Name
Mark Padilla, Amerigroup	Lisa Shin, Optometrist
Milton Sanchez, HSD OHCR	Matthew Maes, Lovelace
Jonni Pool, HSD OHCR	Andy Vallejos, HSD OGC
Kathryn Toone, Leavitt Partners	Sharon Finarelli, Sierra Vista Hospital
Parker Larsen, Leavitt Partners	Domenica Rush, Sierra Vista Hospital
David Roddy, NMPCA	Stephanie Wright, Cicero Group
Susan Loubet, New Mexico Women's Agenda	

Agenda Item 1: Introduction

Name: Mark Padilla

DISCUSSION ITEM 1 Welcome and Review

Mr. Padilla thanked the members in attendance and conducted a roll call. He welcomed Mr. Sanchez, who provided an update from the Office of Health Care Reform.

Mr. Sanchez informed members that initial feedback of the preliminary Blueprint from the Center for Consumer Information and Insurance Oversight (CCIIO) was positive, and expectation was high for approval. He indicated that project management staff will be selected soon in response to the corresponding Request for Proposal (RFP); and the contract for IT should be awarded mid-January.

DISCUSSION ITEM 2 Review and Approval of Minutes

Mr. Padilla reviewed the minutes from the December 6th meeting. Ms. Loubet advised of a discussion she felt should be included, and agreed to send an email to Ms. Pool with summarized information. The minutes were subsequently approved.¹

Mr. Padilla then requested approval of the December 13th minutes. Ms. Loubet noted that her agreement with a statement by Ms. Armstrong was inaccurate². A comment attributed to Ms. Loubet was recollected as likely being made by Ms. Armstrong.³ Aaron Ezekiel of the Department of Insurance (DOI) explained to the members that the mention of a proposal by the DOI was actually a policy that might be implemented, but not yet proposed.⁴ The minutes were approved with these amendments.

Scribe's notes:

¹Due to temporary audio interference, Ms. Loubet's explanation of missing material could not be distinguished, and the emailed summary has not been forwarded to Ms. Pool as of 1/4/2013.

²The indication of agreement was removed.

³Speaker's name changed.

⁴Verbiage changed from "had proposed a possible lockout period" to "could possibly impose a lockout period".

Agenda Item 2: Items for Discussion

Name: Mark Padilla

DISCUSSION ITEM 1

Budgetary Concerns

Mr. Padilla reminded members of the purpose of these meetings, which is to form recommendations for the Advisory Task Force by January 10th. He reviewed the group's request for detailed information on expected costs of Exchange operation. He referred to a chart of operating cost estimates from other states. Participants agreed that many of the projections seemed excessively high. Ms. Toone explained that the costs in the chart were based on the number of enrollees expected within each state.

The Work Group discussed various budgetary concerns, such as the timeline for implementation, the IT system, broker compensation, the lack of carrier loss reimbursement, and funding for the Navigator program. Members repeated that a valid financial strategy could not be developed without more specific cost data.

Ms. Rush pointed out that the level of expenses for the Navigator program will correspond to the level of expertise and training the state determines is required for the position. She hoped that a precise description of duties and qualifications would be forthcoming. Mr. Sanchez clarified that the term "Navigator" should not be confused with other types of navigators used in some existing aspects of healthcare, such as cancer treatment. Mr. Roddy added that the Exchange's Navigators would provide phone support and technical assistance. The group requested that Ms. Pool forward information from other Work Groups on the Navigator program.

Mr. Sanchez suggested the range of 2-3% of premium costs used by other states as the goal for Exchange maintenance. Mr. Roddy suggested a target of \$180 per insured individual, and summarized expected cost categories as follows:

- 1) Administration
- 2) IT system
- 3) Navigator system

4) Oversight

Mr. Vallejos reminded the group that set-up costs should be considered separately from administration, and will be covered by federal establishment grants. Mr. Sanchez and Ms. Toone explained to members that recommendations could still be made regarding the preferred methods for funding Exchange operations, even without specific cost projections. Mr. Sanchez summarized by saying that the focus of the discussion should be on the different avenues of funding, and not the specific numbers involved.

A discussion of various costs followed, such as Medicaid administration and broker reimbursement. A participant pointed out that costs can be reduced by implementation of automated services on the web application.

DISCUSSION ITEM 2	Should Assessments be Imposed, and If So, Against Whom?
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Mr. Padilla introduced the topic of assessments, and asked the group to consider whether they should be considered, and if so, from whom should they be collected. He reminded participants that today's discussion would hopefully result in recommendations during the next meeting.

Mr. Vallejos asked whether New Mexico held legal jurisdiction in the creation of assessments. Specifically, he was concerned about the creation of state assessments in federally operated exchanges. He understood that in these cases, revenue would be primarily collected through consumer premiums, in lieu of carrier assessments. He clarified that he was not advocating for a federal exchange.

A participant agreed that it was a difficult question, but addressed it by explaining a congressional act that determined states should be the primary regulators in this regard. Mr. Sanchez added that even in federal exchanges, he understood that states would still be responsible for the collection and payment of some costs. Mr. Larsen noted that a 3.5% assessment is levied against participating carriers in federally operated exchanges as well. He agreed to provide an email with corroborating information to the Work Group.

Mr. Roddy referred to a chart provided to the Work Group, which listed funding information for 14 of the 18 states (including Washington D.C.) known to be implementing exchanges. Most included plans for some kind of exchange assessment ranging from 2-5%. He felt this was evidence of assessments as fixtures in exchange environments.

Dr. Shin suggested that broad-based assessments levied evenly against all parties that might benefit from the Exchange—carriers, providers, hospitals, etc.—should be recommended. Mr. Vallejos pointed out that assessments are eligible for tax credit, although he acknowledged that this might not be the case in some Exchange assessments. He also mentioned that the levy of assessments only

against insurers offering Exchange products might introduce adverse selection in the market, and discourage carrier participation.

Ms. Rush described the financial situation of her own hospital, which treats up to 75% Medicaid/Medicare clientele and receives fewer reimbursements than will cover costs, at an operating loss of \$2.2 million per year. She said that as a public hospital they were not eligible for the tax credits mentioned.

Mr. Ezekiel asked Ms. Rush for her opinion of the possibility of increased revenue from a more widely insured customer base, which the Exchange is expected to provide. Ms. Rush responded that the impact would vary, depending on the number of enrollees. Mr. Vallejos mentioned the difficulty of collection in levying broad assessments against such entities as small providers, and suggested that a carrier-assisted model for collection of administrative costs may be a viable option.

Mr. Padilla solicited suggestions for alternative revenue sources from the members. He mentioned a number of different funding mechanisms, such as provider taxes and excise taxes against users of tobacco and other products with adverse health effects.

Dr. Shin advocated for collection of advertising revenue from such healthcare entities as the YMCA, which might be solicited to post notices and promotions on the Exchange website. A participant expressed concern that advertising from healthcare entities might constitute a conflict of interest. Mr. Padilla responded that only advertisements for health plans or carriers might be such, but health-oriented ads for products and services not vended on the site were unlikely to be inappropriate.

Mr. Padilla solicited audience comments on the topic. Participants discussed such issues as the offsetting of costs the Exchange will provide to insurers in advertising and administrative services; and the importance of considering the Medical Loss Ratio (MLR) of providers in balancing a vibrant exchange environment. Ms. Huerta advocated for assessments against all carriers, including Medicaid and commercial product insurers, so as not to adversely affect the cost of Exchange products. Mr. Padilla felt that Medicaid products should not be assessed, and Ms. Huerta explained that they already are.

DISCUSSION ITEM 3	Should Assessments be Fixed or a Percentage, and Should They be Lowered as the Exchange Matures?
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Mr. Padilla asked whether the assessments (or other chosen funding mechanisms) should be fixed, or assessed as a percentage of activity. He also introduced the option of lowering assessments as the Exchange matures and stabilizes, possibly resulting in lower costs. Participants discussed the pros and cons, and Mr. Roddy suggested that fixed vs. variable assessments were equivalent vehicles to approach the same goal of financial stability.

There was a discussion introduced by Mr. Ezekiel as to the scope of involvement of the DOI in aspects



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of administration, and a member felt that DOI intervention should be limited to the approval of Qualified Health Plans.

CONCLUSION

Mr. Padilla reminded members that preliminary recommendations for the Advisory Task Force would be formulated and voted upon at the next meeting. He announced the date as January 10th, and the location as the HSD ISD office on 1171 Randolph Road SE in Albuquerque.

Mr. Padilla then advised members to come prepared with informed opinions regarding assessments and other methods of revenue generation, to assist in constructing these recommendations. He instructed them to consult available resources, such materials provided by Leavitt Partners and summaries of the discussions of other Work Groups, as needed, prior to the meeting. He also stated that contacting Leavitt Partners or Mr. Sanchez with questions was acceptable.

The members were dismissed and the meeting adjourned.