

Interview Type: *In-depth Interview*

Organization: *INTERVIEWEE 1*

Date and Time: *10/01/12*

Location: *Albuquerque, NM*

Executive Summary

- Qualified Health Plans (QHP) should not be a barrier for new competition in the market. INTERVIEWEE 1 believes additional QHP requirements should be avoided, at least during the first year, to encourage competition.
 - INTERVIEWEE 1 is against the Exchange being an active purchaser model, and supports free-market principles (i.e., all plans meeting QHP requirements should participate in the Exchange).
- INTERVIEWEE 1 stressed simplicity in all aspects of the Exchange, as well as streamlining processes wherever possible.
 - It was advocated that the Exchange be developed in phases, rather than all at once. To best achieve this, the Exchange should outline the “nice to haves” vs. the “must haves” for January 1, 2014.
 - From INTERVIEWEE 1’s perspective, Navigators were bucketed as “nice to haves,” indicating that brokers should be leveraged until the Navigator program is properly established.
- To ensure carriers can go from product design to approval to marketing by January 1, 2014, state agencies need to show flexibility, particularly in the plan filing process.
- INTERVIEWEE 1 is not opposed to the Exchange requiring its plans to be statewide. However, if such a mandate were in place, geographic rating requirements would need to be established.
- Clarity in state and federal requirements is very important. INTERVIEWEE 1 believes the state should avoid creating duplicate PPACA requirements at a state level and rely on federal law. Only when state and federal law contradict or create unclear guidance should the state seek to provide additional guidance.
 - Update state codes to reflect the new Patient Protection and Affordable Care Act (PPACA) requirements. However, avoid over-complicating or duplicating PPACA requirements through the creation of new state laws.

Notes

What are some of the important elements, with respect to Interviewee 1, in planning for the Exchange?

The underlying tone from INTERVIEWEE 1 is that the Exchange must focus on simplicity and streamline as many processes as possible. Rather than trying to implement everything at once, Interviewee 1 believes the Exchange should focus on the top 10 most crucial elements now, phasing in the rest over time.

When it comes to the specifics, INTERVIEWEE 1 wants the state to pursue a state-based Exchange, as opposed to a state partnership or federally imposed model. With respect to QHPs, the organization would like the Exchange to utilize free-market principles, allowing all plans that meet minimum QHP requirements to participate - avoiding an active purchaser model.

In regards to the Exchange's current timeline, Interviewee 1 needs final rules and regulations from the state and federal government as soon as possible, to ensure products are ready for the Exchange on January 1, 2014. Furthermore, INTERVIEWEE 1 is advocating that the Exchange rely heavily on current state law wherever possible (e.g., marketing and network adequacy) due to the short timeframe. When it comes to Exchange processes, duplicative systems should be avoided at all costs, specifically during the rate review process.

The organization is particularly concerned with ensuring a level playing field in the market. INTERVIEWEE 1 advocated that all Exchange plans be statewide; however, a model needs to be in place to account for the geographical price disparities in New Mexico.

With respect to a Qualified Health Plan, are there any additional requirements that you feel should be added, perhaps from a solvency or network adequacy perspective?

The organization's primary goal is to jump into product design as quickly as possible to meet the current timeline – any additional requirements could jeopardize INTERVIEWEE 1 being Exchange-ready by the release date. Furthermore, the organization noted that they believe current QHP requirements offer sufficient consumer protection.

If you had the final Essential Health Benefits (EHB) for the Exchange today, would you be able to start product design, or do you need additional information? Having EHB information would not be enough. Information on the following would be required before product design could be initiated: actuarial value calculator, rating and insurance reforms, and the substantially equal substitution process.

Do you imagine the QHP certification requirements diverging from standard licensure requirements over time?

INTERVIEWEE 1 believes the QHP requirements outlined in the PPACA could be used initially and in the out years. Furthermore, it was stated that the current market has few competitors, and that adding additional requirements could dissuade new entrants over time.

Should carriers be required to sell statewide plans in the Exchange, or should they be allowed to pick specific geographic regions?

INTERVIEWEE 1 indicated that they had not fully vetted the concept of a geographical participation requirement. However, they expressed the necessity of a geographic rating requirement if the Exchange were to allow carriers to choose a specific region of the state to participate in, to avoid carriers "cherry-picking" lucrative areas and neglecting others. If this occurred, rural areas of the state would be hardest hit, as carriers would opt to participate in the lower-cost urban areas.

INTERVIEWEE 1 noted that a PPO product, as opposed to an HMO, would be better suited for a statewide plan requirement. In later discussion, an INTERVIEWEE 1 official noted that that Centennial is requiring MCOs to be statewide in New Mexico; and therefore, it may be beneficial for the Exchange to require the same of its plans.

If you had perfect visibility into state and federal guidance today, how long would it take you to create an Exchange-ready plan?

Approximately 15 INTERVIEWEE 1 employees were interviewed across the organization on this very question. They concluded that it would take about 1.5 years, although interviewees strongly believe the timeline could be compressed. The primary bottleneck is projected to be plan approval by the Department of Insurance (DOI). INTERVIEWEE 1 is currently considering ways to partner with the DOI to expedite the plan approval process. They believe that timely QHP creation depends largely on the cooperation of state agencies in ensuring products are Exchange-ready by January 1, 2014.

Do you believe the New Mexico Department of Insurance systems are ready to handle the influx in volume resulting from the Exchange's rate review process?

The consensus was that the DOI, as it stands today, would not be ready to expedite approvals in a timely manner. However, this is not solely because of the agency's internal systems. Concern was expressed over a recent senate bill (SB209) that creates a more stringent review process (the new legislation calls for more consumer input and review).

Is there any opposition to including ancillary products on the Exchange?

INTERVIEWEE 1 explained that they do not have a strong opinion on the matter, and will accept the final decision.

Is there anything the state can do to smooth price variability, or competitiveness in the market, within the rural geographic regions of the state?

While INTERVIEWEE 1 does not have a particular solution to the problem, an interviewee did reference a recent white paper that outlined an additional approach to increasing provider accessibility. This paper outlined a proposed legislative bill that would expand the scope of practice for chiropractors. The proposed legislation would allow chiropractors to prescribe medicine (assuming they undertake additional clinical hours and pharmacological training).

Do you have any concerns with SERFF (System for Electronic Rate and Form Filing)?

The biggest concern of INTERVIEWEE 1 is the scale of the overhaul the NAIC (National Association of Insurance Commissioners) is undertaking. While INTERVIEWEE 1 agrees that this overhaul is worthwhile, they are concerned with the short timeline, and question NAIC's ability to implement everything in the first year.

If you were a lawmaker, would you implement any state-specific policies for management of the new PPACA regulations (e.g., rating limitation, rate review, etc.)?

INTERVIEWEE 1 indicated that the state should let the PPACA stand as it currently is, and not create additional administrative or regulatory requirements that over-complicate the system. INTERVIEWEE 1

believe officials should seek to synchronize state and federal law (i.e., append state code as needed to federal law, rather than duplicating requirements).

What are your general thoughts regarding Navigators and brokers, particularly in the realm of outreach and education?

For INTERVIEWEE 1, Navigators fall into the “nice to have” bucket, but are not necessarily critical in the first years of Exchange implementation, particularly in the SHOP (small employer) Exchange. INTERVIEWEE 1 believes Navigators should be phased in after the Exchange has fleshed out the details of the program (e.g., recruiting, training, resources, etc.). Until then, the state should leverage brokers and agents for consumer support, outreach, education, and enrollment within the Exchange.

Interview Type: *In-depth Interview*

Organization: *INTERVIEWEE 2*

Date: *10/01/12*

Location: *Albuquerque, NM*

Executive Summary

- INTERVIEWEE 2 wants no cap placed on the number of plans allowed in the Exchange, as it would discourage competition. However, the organization agrees with enacting an initial plan limit to avoid bottlenecks within the Department of Insurance (DOI) filing process. The understanding is that the limit will be lifted as the DOI streamlines their filing process to allow increased volume.
- Current market dynamics within New Mexico do little to facilitate competition. Therefore, the Exchange should avoid any unnecessary requirement that may create barriers to entry, which includes adding additional Qualified Health Plan requirements outside of the federal mandate.
- INTERVIEWEE 2 is a strong supporter of adult stand-alone dental coverage in the Exchange, as it helps create greater transparency and simplicity for the consumer.
 - Because of recent HHS guidance, INTERVIEWEE 2 has begun advocating for a single pediatric dental plan. While the organization is arguing for stand-alone adult dental, they would be open to embedding pediatric dental.
- The Exchange must make it simple for consumers by asking the right questions up front. Doing so will (1) avoid the Exchange having to call consumers back for additional information, and (2) filter out inappropriate plans to guarantee the right choices display for the consumer.

Notes

As New Mexico contemplates the allowance of stand-alone dental plans, do you envision specific qualifications and criteria that plans must adhere to?

INTERVIEWEE 2 is a strong advocate for stand-alone adult dental plans in the Exchange, as it helps create greater transparency and simplicity for the consumer. Furthermore, the organization indicated that all stand-alone dental plans meeting state and federal requirements should be allowed in the Exchange (no additional requirements were stated outside of recent reforms).

In later discussion, INTERVIEWEE 2 touched on pediatric dental within the Exchange. Due to recent HHS guidance regarding pediatric dental (e.g., no annual or lifetime maximums), INTERVIEWEE 2 has begun advocating for a single pediatric dental benefit design (as opposed to multiple designs for each metallic level). Supporting this position is the primary focus of pediatric dental care on preventative and diagnostic work. Whereas adult dental care often requires an array of services (restorative work, fillings, implants, crowns, etc.), INTERVIEWEE 2 explained that there is little variance in potential pediatric plans due to the narrower focus in services.

What are your thoughts on Qualified Health Plans (QHP) within the Exchange and the possibility of additional requirements?

It was stated that current market dynamics in the state (few carriers, limited networks, large geographic area) already create an unattractive market for potential competitors. The adding of additional QHP requirements would only serve to make the already narrow market more stringent.

What does the general dental market in New Mexico look like today?

The largest dental carriers in the market today are:

- Delta Dental (stand-alone dental)
- United Concordia Dental (stand-alone dental)
- Met Life (stand-alone dental)
- Blue Cross Blue Shield (stand alone and embedded)

Is dental embedded in the Centennial plans?

The general thought is yes; however, this needs to be confirmed.

Do you have any sense regarding the intent of employers with respect to benefits offerings, perhaps on the medical or dental side?

INTERVIEWEE 2 explained that without benefits, companies are not competitive, specifically large groups (100+ individuals). While employers may have considered reducing benefits, many now realize it is not a realistic alternative.

What are your thoughts on the DOI requiring a specific number of plans to be reviewed during the first 1-2 years to ensure the review process is workable?

INTERVIEWEE 2 agrees with the proposed policy.

What other elements could the state include in the Exchange that would make it simple for consumers?

The offering of stand-alone dental plans is seen as a key element to a simplified consumer experience. INTERVIEWEE 2 felt strongly that the Exchange should present the right questions to the consumer up front, in order to narrow the selection of health plans and create a simple, non-overwhelming interface.

INTERVIEWEE 2 believes live, readily-accessible consumer assistance, even in kiosks, is crucial, particularly among the state's rural population.

Are there a sufficient number of community groups in New Mexico that have the capacity/interest to assume the role? How robust do you envision the Navigator training process being?

While there may be plenty of interest throughout the state, there are not enough individuals available to generate a strong, statewide Navigator presence.

Regarding operations of the Navigator program, INTERVIEWEE 2 indicated that a fully volunteer Navigator program is not feasible, primarily because of the difficulty of holding Navigators accountable. They felt that the Navigator program would require an incentive program to generate sufficient community interest.

Interview Type: *In-depth Interview*

Organization: INTERVIEWEE 3

Date and Time: 10/01/12

Location: Albuquerque, NM

Executive Summary

- Brokers, as well as employers, are taking a wait-and-see approach to the Exchange.
- Brokers would like to see more competition in the market. However, because there are only two provider networks in the state, there will be an inability among carriers to be competitively priced on the Exchange.
- Avoid inflexible licensing mandates, such as requiring brokers to obtain an appointment with each Qualified Health Plan (QHP). Brokers are advocating for a single Exchange licensing process that would grant them the ability to sell all QHPs.
- With respect to the individual market, brokers view themselves as a tool to be utilized to ensure strong consumer satisfaction. However, there is a significant gap between the group and individual market when it comes to in broker awareness. Therefore, outreach and education is anticipated to be a critical component of brokers' integration strategy with the Exchange.
- Brokers are indifferent toward a per member, per month vs. percentage-based compensation, within both the small group market and individual market.
 - Standardizing compensation within the Exchange should not be required; instead, allow participating carriers to determine the appropriate compensation model.

Notes

As you speak with clients and other brokers, what are the general thoughts toward the Exchange?

It was stated that most individuals do not understand/know the details of the Exchange, which in turn has led to a wait-and-see attitude. As for employers, many do not know what to expect. The most prominent question among employers is whether the Exchange will lower prices. Brokers fear that the culmination of unknowns and misinformation will lead employers to believe Exchange plans will drop their costs an unrealistic amount (e.g. 50 percent).

When it comes to the small group market, what do you believe employees care most about (e.g., price, network, benefits, etc.)?

For employees as well as employers price is the dominant factor in all choices.

What is your perspective on the current market competition, as it exists in New Mexico, relative to health insurers? Should the Exchange be in a position to promote or inhibit further participants from coming into the market?

Brokers agree with the theory that the more carriers in a market, the more price-competitive the market is. However, it was explained that in New Mexico, there are four carriers (Blue Cross Blue Shield, United Health Group, Lovelace, and Presbyterian) and only two networks (Lovelace and Presbyterian).

Therefore, any net entrants would have to lease one of the two networks, which prevent true price competitiveness from occurring. While brokers would like to see healthy competition between networks, there is uncertainty as to how the Exchange might help.

Later discussion revealed that Blue Cross Blue Shield leases Lovelace's network and United Health Group leases Presbyterian's network. In the market today, it was said that Lovelace, followed by Presbyterian, have the most price-competitive rate structures.

How are employers looking at the changes to benefit offerings? What have you heard from employers regarding how they may approach the Exchange?

Brokers reiterated that there is a wait-and-see attitude throughout the employer community. However, there has been discussion from small group employers regarding the transition of employees to the individual Exchange.

Do you believe people will be shifting from an HMO to PPO model in the Exchange?

It was explained that over time, the HMO model in New Mexico has changed significantly. While these models are on an HMO platform, they also have deductibles and co-insurance. An interviewee noted that their organization (a large, statewide firm) does not have a single, true HMO in place for any of their clients.

Would you please describe the general composition of the broker community in New Mexico?

Mike Nunez (a non-interviewee) noted that while there are approximately 1,000 licensed brokers in the state, only 400 of these drive business.

Later discussion revealed that the most prominent challenge for the broker community would be educating the individual market. Today, the group market utilizes brokers for a myriad of functions (e.g., human resources, legal, and accounting), while the individual market is relatively unfamiliar with the concept of a broker in general. Interviewees referenced a broker website that focuses on assisting the individual.¹

How do you see brokers playing a role in the individual market? What structural changes might support broker outreach and education?

Interviewees reiterated that going through a broker is the best solution for the individual. Brokers view themselves as a critical point of education for the consumer, and a tool that ensures their plan meets their health needs.

Interviewees stressed the need for flexibility in broker licensing within the Exchange. This flexibility means instead of requiring a broker be registered with each QHP that a one-time Exchange licensing process be implemented that allows them to sell all products.

What is a sufficient compensation amount that would encourage a broker to actively pursue the individual market? How might brokers go out and pursue that business?

¹ www.hphq.com

Because of the rural nature of the state, the geographic spread in New Mexico is vast. It was indicated that many brokers would not be willing to travel outside their geographic region for a commission on a single individual.

When initially discussing potential compensation methods in the individual market, brokers expressed favor for a Per Member, Per Month (PMPM) or percentage-based model. While more details about the Exchange's operations are necessary before brokers feel comfortable advocating for a specific compensation model, initial comments showed higher favor for the PMPM system. In regards to the small group market, brokers are fine with compensation being PMPM or percentage based.²

Later discussions revealed that brokers do not have a strong opinion toward a standardized compensation model in the Exchange (in reference to small group and individual). The consensus of the group was to let participating carriers decide which compensation model to use.

Are you seeing broker consolidation happening in the market today?

Brokers indicated that this type of consolidation is taking place today. It was stated that many brokers are acquiring additional licenses (e.g., property, life, casualty, etc.) to hedge against market uncertainties. Until fears within the broker community subside, which will likely occur once the market absorbs all recent (and soon to be) political events, the trend will continue to accelerate.

Are there any issues or concerns that we may have overlooked that you would like to touch on or give consideration to?

Brokers showed significant concern toward the Navigator program. However, most of the concern stems from uncertainty surrounding the program.

² In the small group market, majority of broker compensation is percentage based.

Interview Type: *In-depth Interview*

Organization: *INTERVIEWEE 4*

Date and Time: *10/01/12*

Location: *Albuquerque, NM*

Executive Summary

- Avoid designing additional Qualified Health Plan (QHP) requirements outside of the current federal mandate. Doing so would create potential barriers to entry that would dissuade competition and even new market entrants.
- INTERVIEWEE 4 explained that the first phase of the Exchange should focus on outreach and education. All subsequent phases should focus on creating the right benefits, with the right incentives, to promote the right behaviors.
 - Outreach and education cannot fall solely on the state and carriers. Instead, the Exchange must utilize every consumer touchpoint within the health care system, specifically providers.
 - While all forms of outreach and education are necessary, face-to-face is the most critical in New Mexico.
 - Due to the short timeline, there will not be adequate time to train Navigators before January 1, 2014. As a result, they recommend phasing in the program and utilizing the broker community until Navigators are properly trained.
- There are significant health care cost disparities throughout the different geographic regions of the state. As a result, INTERVIEWEE 4 was forced to purchase the hospital system in a region of the state where costs were inflating.
 - The organization fears that health care costs within the Exchange environment will likely increase, causing their margins to contract. As a result, INTERVIEWEE 4's willingness and ability to make similar decisions to control costs (i.e. purchase a hospital) would likely diminish.
- While INTERVIEWEE 4 is open to the idea of requiring Exchange plans to offer coverage statewide, area factoring for each of the state's seven regions would need to be included in the pricing model.
 - The con with requiring a statewide plan requirement is that it discourages new market entrants.
- New Mexico has very low access to providers, specifically specialty physicians. INTERVIEWEE 4 pointed to telemedicine as a potential solution to increased access, but the state must solve its workforce shortage first.

Notes

How do you see the state defining a QHP? What recommendation might you want to make to the state?

INTERVIEWEE 4 views a QHP as being a plan that is able to provide the benefits necessary for quality. While the measurements for quality of care still need to be defined, it is critical that the state rely on existing processes and tools due to the short Exchange timeline.

Because of the unique market dynamic in New Mexico (4 carriers and only 2 networks), the state should seek to allow as many QHPs as possible onto the Exchange to facilitate competition.

Do you see the potential for new entrants coming into the Exchange?

It was said that a significant influx of new entrants is unlikely, but there has been discussion of Aetna and Cigna returning to New Mexico and likely to file plans in the Exchange.

What type of Exchange phase-in do you see?

The first phase should not be focused on who can play in the Exchange; instead, the emphasis should be on outreach and education. It was stressed that Exchange awareness and acceptance among New Mexico residents is very low, particularly within the tribal populations. Outreach and education must focus on the “what” and “why” (e.g., what is the Exchange, why should I care, what happens if I do nothing). The Exchange also must overcome challenges inherent in the rural geographic nature of the state, specifically poor electronic connectivity.

As the Exchange develops a sound outreach and education platform, subsequent phases should focus on developing the right benefits with the right incentives to promote the right behaviors. In the beginning, the Exchange will not have lower prices than the outside market (in fact, they will likely increase), and consumers need to understand this. This increase is expected to occur due to (1) removal of medical underwriting, (2) pent-up market demand, and (3) limited provider access. Over time, however, the Exchange will begin to improve networks, carriers, and benefits, which may ultimately reduce costs.

How do you envision the state administering outreach and education for the Exchange?

It was stated that outreach and education should not fall solely on the state and carriers. Instead, an effective campaign must utilize every consumer touch point in the state, particularly providers. Furthermore, outreach and education must utilize a face-to-face approach, especially in rural areas. A face-to-face approach is critical due to the educational level of many state residents. Educational material must also come in multiple languages to address the ethnic diversity of the state.

Do you believe providers are sufficiently incented to provide adequate outreach and education?

INTERVIEWEE 4 indicated that physicians within their integrated health care delivery system are incented to get individuals into a health care product because they are most likely to receive reimbursement.

In a later discussion, INTERVIEWEE 4 stressed that access in New Mexico is a serious issue, particularly with specialty groups and pediatricians. It was stated that solutions need be brought forth to address the work force shortages in the state.³

How would you characterize the disparity in compensation between primary care physicians and specialty physicians in New Mexico? Is there anything being done today to address current workforce shortages in the state?

INTERVIEWEE 4 explained that the cost of health care in Albuquerque, compared to the rest of the geographic regions in the state, can be anywhere between 40-45 percent less than the rest of the market (on average).⁴

The cost of health care in the Southeast became so inflated that the organization was forced to buy the hospital in Roswell, and once the hospital is fully staffed, rates should become comparable to Albuquerque. INTERVIEWEE 4 noted that similar actions from other carriers in the state would likely occur in an effort to stabilize costs.

Is INTERVIEWEE 4's strategy to continue purchasing hospitals to solve the workforce shortage? What other strategies is INTERVIEWEE 4 considering to solve the issue?

INTERVIEWEE 4's primary strategy is to reinvest in the community. However, the organization fears that costs within the Exchange environment will increase, causing margins to contract. This may diminish INTERVIEWEE 4's willingness and ability to make similar investments in the future.

Do you see the emergence of telemedicine helping mitigate workforce shortages among specialty physicians?

INTERVIEWEE 4 believes telemedicine among specialty groups has potential. However, there needs to be competition within the specialty market before the idea could be generally adopted.

What do you believe will drive consumer decisions in the Exchange?

It was stated that price would be the driving factor; brand and network would not be important in comparison.

What do you see business doing as we move forward with the Exchange? Do you see strong participation on the SHOP Exchange? Do you see a movement towards defined contribution plans?

INTERVIEWEE 4 indicated that broker communities and small groups are 'throwing their hands up' due to the complexity of the Exchange. In some cases, employers have begun discussing the possibility of transitioning their employees to the individual market and dropping group coverage altogether, primarily in high-cost regions of the state. INTERVIEWEE 4 stressed that a strong education initiative must be in place to address the complexity of the SHOP Exchange.

³ Approximately 80 percent of providers in the state are under contract with Lovelace or Presbyterian.

⁴ Health care costs in Farmington and Las Cruces are approximately 45 percent higher than Albuquerque. Health care costs in the southeast and southwest can be as high as 67 percent higher than Albuquerque. Health care costs in the Northeast can be as high as 85 percent higher than Albuquerque.

When it comes to educating consumers, INTERVIEWEE 4 believes Navigators will face a significant learning curve. In addition to having to learn the intricacies of the Exchange process, Navigators must learn how to explain health insurance in a simple, straightforward manner. INTERVIEWEE 4 feels the challenge has not been properly addressed or planned for.

Structurally, is there anything the state could do in designing the SHOP Exchange that would elicit greater participation from employers?

INTERVIEWEE 4 indicated that the biggest challenge is getting employers to accept the SHOP Exchange as a viable option. The broker community must be utilized to educate employers on the value of the SHOP Exchange. There was little confidence in a Navigator's ability to adequately educate and simplify the Exchange for small groups.

Bottom line, INTERVIEWEE 4 does believe the state can fully educate Navigators in a timely manner. They suggest the Exchange utilize the broker community initially and phase in the Navigator program.

Do you believe small group employers will stick with employer choice or send employees to the individual market?

INTERVIEWEE 4 believes the small group market is not adequately educated on the Exchange and its mandates. As a result, many employers are likely to make decisions based on inaccurate information. In the end, INTERVIEWEE 4 believes employers may be inclined to 'throw their hands up' and opt for the (cheaper) penalty for noncompliance.

How do you see subsidies playing out in the Exchange?

Recent projects indicate there will be between 250,000 – 400,000 uninsured brought into the Exchange. The big question for many in the state is where the funding will come from. Anticipating that employers will drop benefits and transition employees to the individual Exchange, INTERVIEWEE 4 expects demand for Exchange subsidies to increase significantly. If this occurs, the underlying fear is that the federal government would be pressured to stop paying for the subsidies and transfer responsibility to the state.

What elements could be tied in to the Exchange to simplify the consumer experience?

The implementation of kiosks offering face-to-face consumer assistance would help simplify the process. Potential areas of implementation are pharmacies, grocery stores, and provider offices.

When selling on the Exchange, should participating carriers be required to sell throughout the entire state, or be allowed to sell in specific geographic regions?

As a carrier, INTERVIEWEE 4 indicated that being able to pick specific geographic areas would make them more competitive.

Requiring statewide pricing would require new risk models, as there is significant disparity in costs between geographic regions. These models would require area factors for each of the state's seven regions to be feasible for carriers, which may discourage participation and prevent new entrants to the market.

Interview Type: *In-depth Interview*

Organization: *INTERVIEWEE 5*

Date and Time: *10/01/12*

Location: *In-person*

Executive Summary

- The INTERVIEWEE 5 stressed that the Exchange should require all Qualified Health Plans (QHPs) to be statewide to avoid “cherry picking.” Such a requirement would help reduce adverse selection and create a level playing field in the market through apples-to-apples completion.
 - To best level the playing field, the pricing model should include geographic and socioeconomic factors.
- At a minimum, QHPs should require providers to comply with current managed care regulations.
- While INTERVIEWEE 5 is a strong advocate for QHP quality measures, these should be phased in over time. It was recommended that they be phased in during the recertification process.
- New Mexico has significant primary care physician (PCP) workforce shortages. As a result, health care costs in the rural geographic regions have jumped.
 - INTERVIEWEE 5 indicated that the state should seek a course of action that helps reorder/restructure the market in a way that allows market forces to increase PCP compensation.
- Current network adequacy requirements in the state are too rigorous given the current workforce shortages. There is concern that the influx of insured lives in the market (post January 1, 2014), coupled with current workforce shortages, will create significant challenges to adhering to network adequacy requirements.

Notes

Will you be contracting with a provider, or are you looking to narrow networks in specific markets?

INTERVIEWEE 5 indicated that it is tough to implement a narrow hospital network in the State of New Mexico because it is mostly critical access hospitals outside Roswell, Las Cruces, and Albuquerque. Furthermore, INTERVIEWEE 5 detailed the New Mexico market, indicating that current market dynamics challenge strong provider competition.

What kind of telemedicine programs have been emerging out of the University of New Mexico?

The primary program coming out of the University of New Mexico (UNM) is the Echo Program. Initially, the focus of the program was on hepatitis C and opiate addiction. Since being implemented, the program has received additional funding to serve Medicaid patients with diabetes, obesity, hypertension, and associated co-morbidities, which are widely treated among the rural population.

How would you prefer to see a Qualified Health Plan (QHP) defined?

At a minimum, QHPs need to be confined to those providers who currently comply with managed care regulations. Over the long run, quality measures should be introduced to audit QHPs. It was stated that the quality measures should be phased in as a means to recertifying QHPs within the Exchange.

INTERVIEWEE 5 stressed that quality measures should be tailored to a specific product line, as opposed to a ubiquitous set of quality measures.

In a subsequent discussion, INTERVIEWEE 5 noted that there is a significant risk for “cherry picking” in the market. It was stated that most insurers only want to service urban areas (e.g., Albuquerque, Santa Fe, and the Rio Grande corridor), as opposed to the more rural geographic regions of the state. Historically, rates in the rural geographic regions are much higher due to critical access hospitals and workforce shortages. It was stressed that the rural areas in the state need access to care the most. Therefore, INTERVIEWEE 5 is a strong advocate for requiring all Exchange QHPs to be statewide. In order to have true, statewide competition in the Exchange, INTERVIEWEE 5 indicated that geography and socio-economic factoring would need to be included in the pricing model.

What would your recommendations be in regards to network adequacy and solvency requirements on the Exchange?

INTERVIEWEE 5 stated that the network adequacy requirements in the state are too rigorous given the current workforce shortages⁵. There is concern that the influx of insured lives in the market (post January 1, 2014), coupled with current workforce shortages, will create significant challenges to adhering to network adequacy requirements.

Is there anything that the state is currently doing to address the primary care physician shortage?

The state is supportive of UNM’s *1 + 2 Program* and the expansion taking place. Furthermore, the program places a strong emphasis on students who are from local communities, as they tend to return to those areas after graduation. INTERVIEWEE 5 stated that loan forgiveness does exist for graduates; however, once completed the individual often leaves the State of New Mexico.

INTERVIEWEE 5 stated that the state should seek a course of action that helps reorder/restructure the market in a way that allows market forces to increase compensation.

How would you evaluate the solvency system today, versus what might be helpful or prohibitive in the final QHP for the Exchange?

It was stated that for the state population, solvency in New Mexico is relatively high. INTERVIEWEE 5 (for the most part) recommended that the Exchange rely on current solvency requirements for licensure.

How can the state best manage the implementation process of PPACA market reforms (e.g., rating limitations, community rating, etc.) to ensure the current system is not harmed?

INTERVIEWEE 5 indicated that ultimately any market reforms that are not implemented on a geographic basis would be good for the system, as well as the competitive dynamics.

⁵ The current workforce shortage in New Mexico is estimated to be between 400-600 primary care physicians.

Interview Type: *In-depth Interview*

Organization: *INTERVIEWEE 6*

Date and Time: *10/02/12*

Location: *Albuquerque, NM*

Executive Summary

- INTERVIEWEE 6 advocated for minimal statutory requirements from the state. The underlying tone of the organization was that the Exchange should function freely by utilizing free market principles whenever possible.
 - The current market dynamics within New Mexico do not provide a very competitive environment. Any unnecessary requirements outside of federal law would greatly discourage competition in the market.
- Come January 1, 2014, INTERVIEWEE 6 believes the individual and small group market will transition to the Exchange. As a result, INTERVIEWEE 6 will begin focusing its efforts and resources on developing products for the Exchange, rather than the outside market.
 - Within five years, 90 percent of INTERVIEWEE 6's business is projected to be within the Exchange.
- INTERVIEWEE 6 is in favor of ancillary products being offered on the Exchange. However, if offered, present them separately to avoid potential consumer confusion.
- INTERVIEWEE 6 is not opposed to the Exchange requiring all carriers to sell their products statewide.
 - The organization did note that requiring a statewide requirement could discourage competition and innovation in the market.
- To help mitigate current workforce shortages, the state should look beyond the recruitment of primary care physicians. Instead, state resources should be allocated to increasing the supply of midlevel nurse practitioners and focus on alternative venues of care (e.g. telemedicine).
- Today, it takes approximately 6-8 months for INTERVIEWEE 6 to receive an approved filing from the Department of Insurance (DOI). Therefore, the DOI must make significant efforts to streamline its approval process.
 - INTERVIEWEE 6 would not be opposed to an initial Exchange plan filing cap for carriers to ensure the DOI can approve all filings by January 1, 2014.

Notes

As you approach the Exchange, what components are most important to INTERVIEWEE 6? What would you like to see as the Exchange comes closer to being implemented?

INTERVIEWEE 6 stated that their organization has created a set of guiding, macro principles for evaluating the Exchange. The following principles were listed:

- Avoid setting the Exchange up in a way that jeopardizes or damages the existing commercial market
- Ensure there is freedom between choosing to participate in or outside the Exchange
- Preserve existing networks and allow current market dynamics to play out (i.e. do not mandate that hospitals and physicians must provide services to all carriers in the Exchange or vice versa)
- The Exchange should never be in a position to compete with existing insurers by offering insurance products itself
- Assessments can't be used to subsidize premiums
- Assessments can be used for administrative costs, but not for bricks and mortar

Have you given thought to ancillary products on the Exchange?

INTERVIEWEE 6 believes that ancillary products should be offered on the Exchange; however, they need to be presented separately to avoid complications for the consumer (i.e. choose your insurance first, and then proceed to select ancillary services).

In a subsequent discussion, INTERVIEWEE 6 touched on pediatric dental benefits, as it pertains to Essential Health Benefits. There was uncertainty as to whether all consumers had to select pediatric dental or just those with children. Either way, INTERVIEWEE 6 is advocating for consistency (i.e. all insurance products have it embedded or all insurance products have it sold separately). The consensus of the group was to not embed pediatric dental.

Do you believe health plans in the Exchange should be required to sell statewide, or should they be allowed to pick specific geographic regions to participate?

INTERVIEWEE 6 indicated that plans within the Exchange should be required to sell statewide to avoid “cherry picking.” However, such a requirement could limit innovation and new competition in the market.

Is there anything New Mexico could or ought to do to smooth out market disparities, particularly in regards to provider access?

INTERVIEWEE 6 noted that low Medicaid reimbursements have helped facilitate primary care physician shortages throughout the state.

In a later discussion, INTERVIEWEE 6 stated that in areas where health care costs are highest their hospital margins are lowest. In the end, this causes the organization to pull their only remaining lever to increase margins, which are commercial insurance rates.⁶

If the Exchange had the capability of outsourcing responsibilities to the DOI, what would you not like to see the DOI have control of?

The general thought is to allow the DOI to maintain its current responsibilities (e.g., rate setting, improving benefits, certifications, etc.). INTERVIEWEE 6 would like to see efforts allocated to fixing the DOI internally to ensure short- and long-term stabilization (do not create another DOI).

⁶ For more information on this topic, contact Jeff Dye (President of the New Mexico Hospital Association).

What are some potential solutions to solving the PCP workforce shortage in the state?

Rather than focusing all efforts on recruiting new PCPs into the market, look to midlevel nurse practitioners and alternative venues of care (e.g., eMedicine and telemedicine). If the budget allows, expand the University of New Mexico Medical School to accommodate more students and provide loan forgiveness for those who stay in state. Come January 1, 2014, it was stated that the current workforce is not going to be capable of handling the influx in patient volume.

Come January 1, 2014, what do you see employers in the group market doing?

It was stated that most small group employers will likely drop coverage, and migrate to the Exchange because of the subsidies. During this migration, there will be a mix of employers who send their employees to the individual or SHOP Exchange. As for the individual market, INTERVIEWEE 6 has a similar outlook and believes that the individual market will migrate to the Exchange (primarily because of the subsidies offered). Because of this belief, INTERVIEWEE 6 will begin focusing its efforts and resources on developing products for the Exchange, rather than the outside market. Post January 1, 2014, the organization will gradually phase out marketing, selling, promoting, systems implementation and product design in the outside market. It was stated that within five years, 90 percent of INTERVIEWEE 6's business would be within the Exchange.

Come January 1, 2014, do you foresee new health plans entering the market and wanting to participate in the Exchange?

It was stated that New Mexico does not have an attractive market for a variety of reasons (e.g. small market, minimal networks, and state-level MLRs). The only national players that would possibly enter the market are United Health Group and Cigna.

Do you believe additional Medicaid MCOs would enter the Exchange market?

INTERVIEWEE 6 indicated that Centennial would be entering the market. As for additional MCOs, the following organization would likely contemplate entering the commercial market: Centene, Molina Healthcare, and Humana.

Are you looking at offering narrower network-type products on the Exchange?

INTERVIEWEE 6's first strategy is to look at ways to offer a narrower network on the Exchange. The organization indicated that this strategy is not an effort to raise prices, but to manage care.

What is the average timeframe to move from product design to marketing? From your perspective, do you believe the DOI is ready (internally) to accept filings?

Today, it takes INTERVIEWEE 6 approximately 6-8 months to move from filing to approval with the DOI. It was stated that the DOI must make significant efforts to streamline their process today to ensure they are ready for the Exchange filing process.

In a later discussion, INTERVIEWEE 6 indicated that the DOI should look to cap the amount of plans per metallic level (initially) to ensure filing can be completed in a timely manner. It was stated that caps

should be implemented based on collaboration between the DOI and Exchange (do not introduce regulations or statutes).

Interview Type: *In-depth Interview*

Organization: *INTERVIEWEE 7*

Date and Time: *10/02/12*

Location: *Albuquerque, NM*

Executive Summary

- Unless the SHOP Exchange provides a unique value proposition to the small group market, there is little belief that employers will migrate from the outside market. The organization stressed that resources would be best spent on the individual Exchange.
- INTERVIEWEE 7 stressed that the market dynamics in New Mexico do not lend themselves to a competitive environment.
 - Today, the inability to be innovative in the market helps keep prices artificially high.
 - While it is not a recommendation of INTERVIEWEE 7, an interviewee did note that the state could exert significant influence on the market (as both a state employee and medical payer) to smooth contracting disparities.
- With respect to Qualified Health Plans, INTERVIEWEE 7 believes the Exchange should avoid embedding additional requirements.
- INTERVIEWEE 7 would not oppose the Exchange requiring all plans to be statewide.
- Today, the review process within the Department of Insurance (DOI) is inefficient and often subjected to processing delays. Limited resources and staffing issues are the primary cause. However, the recent passing of SB208 has also contributed to recent slowdowns within the DOI.
 - INTERVIEWEE 7 would not be opposed to an initial Exchange plan filing cap for carriers to ensure the DOI can approve all filings by January 1, 2014.
 - The Department of Insurance needs to become more open to inventive ways to delivering product, plan, and network design.

Notes

What are your general thoughts regarding the market shifts that will occur come January 1, 2014?

INTERVIEWEE 7's national research and estimates do not anticipate a large shift in the small group market immediately. The notion that small group employers will begin dumping employees into the individual Exchange on January 1, 2014 is not a belief that INTERVIEWEE 7 shares.

Is there anything INTERVIEWEE 7 sees that would significantly increase or decrease cost in the Exchange market?

INTERVIEWEE 7 stated that plan design, networks, and carrier flexibility are potential methods to lowering cost. INTERVIEWEE 7 indicated that the Exchange should focus its initial resources on developing the individual Exchange, as opposed to the SHOP. It was stated that there would be little

migration from the small group market to the Exchange, unless a unique value proposition is offered to differentiate itself from the outside market.

As the PPACA changes the current market dynamics of the state (e.g. elimination of underwriting, guaranteed issue, etc.), how do you see the market being affected in terms of consumer uptake, Exchange pricing, contractor relationships, etc.?

INTERVIEWEE 7 explained that the current market in New Mexico is very tough, as it is not considered a competitive market. From a contracting perspective, INTERVIEWEE 7's provider partner is also their competitor. As a result, INTERVIEWEE 7 will never receive a rate (on the network side), that helps them build in competitive premium pricing. It was indicated that the introduction of an Exchange would not implicitly invite more competition into the market.

In a later discussion (personal, not the opinion of INTERVIEWEE 7), it was proposed that the state, as a payer on both the state employee and Medicaid side, exert its influence/leverage on the market to smooth contracting disparities. However, such a move would be politically difficult.

If we were going to divide the state into Albuquerque, Santa Fe, Four Corners Area, Farmington, Las Cruces, and Rural, what percentage of the providers would you say are comprised of those markets?

It was stated that the further out you get in the state (border towns), the more competitive the market. This is primarily because Presbyterian and Lovelace do not have a strong footing in these markets. However, the issue that arises is that some of the individuals in these border towns travel to an adjacent state to receive care.

Do you believe health plans in the Exchange should be required to sell statewide, or should they be allowed to pick specific geographic regions to participate?

INTERVIEWEE 7 stressed that the Department of Insurance (DOI) needs to become more open to inventive ways to delivering product, plan, and network design. Failure to recognize this will hinder any progress toward developing an affordable health insurance product. There is concern that the lack of opportunity to create skinny networks keeps prices artificially high in the market.

Do you see ACO opportunities in the New Mexico market?

INTERVIEWEE 7 noted that it is possible for ACOs to enter the market, but it is not the most robust place for doing so. While not to the full extent of an ACO (i.e. risk sharing and data transparency), INTERVIEWEE 7 has found other opportunities in the market, such as pay-for-performance models.

What are your thoughts on the Department of Insurance (DOI) requiring a specific number of plans to be reviewed during the first 1-2 years to ensure the review process is workable?

INTERVIEWEE 7's core principle is to have the Exchange allow any Qualified Health Plan and avoid being an active purchaser. However, because of the short timeframe, INTERVIEWEE 7 is open to the idea of submitting a specific number of plans (initially) to the DOI, and then easing into more as the process becomes streamlined.

In your opinion, would allowing Medicaid MCOs to sell commercial products on the Exchange work in New Mexico? Do you believe that would be attractive to Medicaid MCOs?

While INTERVIEWEE 7 cannot speak for Medicaid MCOs, it was stated that there would be appeal from the consumer, state, and plan side.

What additional requirements, if any, would you put on QHPs?

INTERVIEWEE 7 stressed that the underlying goal of the Exchange should be to facilitate wide-open competition. To best achieve this goal, INTERVIEWEE 7 recommends that the Exchange rely on current federal QHP statutes and avoid embedding additional requirements. Furthermore, it was recommended that the state law be reviewed to ensure there are not any current regulations that could limit competition on the Exchange.

Since the passing of SB208, how have you found the rate review process in the state to be?

There have not been any major issues, roadblocks, or challenges with the rate review process since the legislation passed. However, it was noted that the DOI does have significant staffing issues internally (e.g. lack of personal and experience). INTERVIEWEE 7 stated that a rate review process has slowed recently – in July, the organization submitted its paperwork, which took 60 days to be approved.

What drives the high market disparities in price within the rural areas of the state?

INTERVIEWEE 7 noted that the key facilitator in price disparities is the current network adequacy requirements.

What are some ways to address the physician workforce shortages in the state?

INTERVIEWEE 7 indicated that the state should look to bringing in more physician assistants and utilizing the concept of telemedicine.

How do you think the Exchange should help prevent the potential for a January 1, 2014 blowback, as a result of the various market reforms?

INTERVIEWEE 7 explained that because the Exchange is not a panacea for price (which many consumers and small groups believe), an honest discussion needs to take place with key stakeholders to inform them. The discussion should not only address education, but also potential solutions to pricing (i.e. make them confront this issue of cost).

Interview Type: *In-depth Interview*

Organization: *INTERVIEWEE 8*

Date and Time: *10/01/12*

Location: *Albuquerque, NM*

Executive Summary

- The INTERVIEWEE 8 recognizes the current physician workforce shortage in the state. INTERVIEWEE 8 anticipates the state’s provider access shortage will significantly increase as the market experiences an influx in newly insured individuals.
 - It was recommended that the state increase funding to the graduate medical education pool.
- INTERVIEWEE 8 anticipates consolidation among primary care physicians (PCPs) to continue in the market.
- INTERVIEWEE 8 is in favor of ancillary products (e.g., dental, life, and vision) being sold on the Exchange.
- INTERVIEWEE 8 would like to see the Exchange require all participating carriers to sell their products statewide. However, if required, the Exchange would need to factor geography into the pricing model.
- In regards to risk-based payments, INTERVIEWEE 8 indicated that such a transition would be extremely slow. Today, INTERVIEWEE 8’s margins are virtually breakeven, which discourages the hospital from assuming more risk.
- INTERVIEWEE 8 outlined three elements to ensuring the Exchange is simple for consumers: (1) provide multiple channels to access the Exchange, (2) provide an easy payment system, and (3) provide straightforward language to help consumer understand their options.

Notes

What should be considered by the state when constructing policy for the Exchange?

There is general concern from the provider side that consumers will buy high deductible products (i.e. a bronze plan) from the Exchange. As a result, consumers may be unable to afford their deductible during the time of service, which would cause a provider’s accounts receivable to grow. The underlying question is if the Exchange or state will assume any type of service responsibility to facilitate payment from the consumer.

One of the challenges for the Exchange is ensuring an adequate number of primary care physicians (PCPs) and specialists in each network. How does the INTERVIEWEE 8 view these things, with respect to current workforce shortages, and what do you see happening?

With the influx of newly insured on January 1, 2014, coupled with current access shortages, INTERVIEWEE 8 is very concerned. Currently, INTERVIEWEE 8 has limited access to primary care physicians (PCPs). It was stated that almost all INTERVIEWEE 8 panels are full, and that the hospital is at 90% occupancy. In regards to specialty care access, the waitlist is between 3-6 months.

To best address the current workforce shortages, INTERVIEWEE 8 recommended that the state increase funding to the graduate medical education pool.

How does INTERVIEWEE 8 plan to cope with the phase-out of Disproportionate Share Payments (DSH)?

INTERVIEWEE 8 provides services to a significant amount of uninsured New Mexicans. Today, DSH payments are used to compensate the hospital for services provided to the uninsured.

In theory, once the Exchange is implemented, these same uninsured individual would now be able to receive a commercial insurance product on the Exchange through a subsidy. As indicated earlier, the fear is that these individual would purchase a bronze plan and be unable to afford their deductible at the time of service. The underlying question INTERVIEWEE 8 faces is if this will cause a net loss for the organization because of the DSH phase out.

Over the next 3-5 years, do you see consolidation happening in the PCP market?

INTERVIEWEE 8 believes that consolidation will continue to increase in the New Mexico market.

As PCP consolidation takes place in the market, what impact might that have on INTERVIEWEE 8?

As consolidation takes place, INTERVIEWEE 8 will likely look to creating affiliation agreements with independent physicians, as well as recruiting for faculty positions. However, this will ultimately depend on the strategy the organization decides to pursue.

How is INTERVIEWEE 8 thinking about taking on risk-based payments?

INTERVIEWEE 8 noted that their hospital margin last year was virtually break-even, which creates a tenuous situation for taking on risk. While the organization has consulted with third parties about such a model, any transition would take significant time.

How should the state design the Exchange so it is simple for consumers? From your perspective, what are the most critical elements to simplicity?

INTERVIEWEE 8 outlined several elements to simplifying the Exchange. The first is to provide multiple channels to access the Exchange, specifically face-to-face assistance in the rural populations. The second is to utilize a simple payment system for consumers. The third is to provide simple, straightforward language to help consumers understand their options.

Should the states regulate or restrict the number of carriers in the Exchange, or should everyone who meets the minimum criteria be allowed to participate?

While the organization believes a “no cap” policy would facilitate competition, it was stated that it could also generate confusion among consumers. The consensus of INTERVIEWEE 8 was to allow all carriers to participate, as long as they met the minimum criteria.

Would you like to see ancillary products (e.g. dental, vision, and life) be offered on the Exchange?

INTERVIEWEE 8 is in favor of ancillary products being sold on the Exchange.

Should carriers on the Exchange be required to sell their plans statewide, or should they be allowed to pick specific geographic areas to participate?

INTERVIEWEE 8 indicated that the Exchange should require plans to sell statewide. However, it was mentioned that geography would need to be factored into the pricing model.