New Mexico Health Insurance Exchange Advisory Task Force

October 24, 2012

Santa Fe, New Mexico

Updates & Announcements

Updates & Announcements

- New Task Force Member
  - Chris Youngblood, Small Employer Representative
- Health Insurance Alliance Memorandum of Understanding
- Establishment Grant Planning Review: Oct 25-26
- Blueprint Submission Deadline: Nov 16
- Next Task Force Meeting: Nov 28, 8:30am
- Essential Health Benefits Submission

NM PRC Press Release

FOR IMMEDIATE RELEASE
October 17, 2012

NEWS RELEASE

PRC Insurance Division Sets Essential Benefits Plan Under Affordable Care Act

SANTA FE, N.M. — The Public Regulation Commission's Insurance Division has reached a major milestone in Affordable Care Act (ACA) compliance with the selection of the Lovelace Classic Preferred Provider Organization small group plan as New Mexico's Essential Health Benefits (EHB) benchmark policy.

For the past two years, the Insurance Division has worked with a special task force appointed by Gov. Susana Martinez to find a minimum standard EHB model that other health plans listed in the state's new insurance exchange must equal or exceed.

State Superintendent of Insurance John G. Franchini said an actuarial analysis of policy options versus cost put the Lovelace plan ahead of offerings from other companies in the state. Eleven other policies were reviewed.

ACA criteria require state EHB plans to include items and services in categories ranging from emergency services to prescription drugs in policies similar to those typically offered by employers. Franchini said the Lovelace plan will be supplemented with coverage for habilitative services and pediatric dental and vision benefits to meet those criteria.

The ACA extends health care coverage to more than 30 million uninsured Americans while expanding certain services through Medicaid. New Mexico's EHB plan will be active by 2014, when ACA mandates will officially require every U.S. citizen to have health insurance, or face a penalty.

By 2014, consumers who already have insurance through Medicare, Medicaid or a private insurer can keep their policies. Those who don't can purchase plans meeting the EHB standard through the state exchange.

New Mexico is one of only 10 states who have analyzed and chosen benchmark EHB plans so far. Non-grandfathered plans in the individual and small group markets both inside and outside the exchange, Medicaid benchmark and basic health programs must cover EHB beginning in 2014 to participate in the exchange.

"A lot of uncertainty remains our state's plan for ACA implementation, but I'm proud that the main task under the control of the PRC's Insurance Division – the designation of an EHB plan – has been successfully completed ahead of schedule," said District 1 Commissioner Jason Marks.

Updates & Announcements

- Contact information:

  Email: exchange.comments@state.nm.us

  Mail: Exchange – Comments
  Human Services Department
  P.O. Box 2348
  Santa Fe, NM 87504


Human Services Department
Serving 1 in 3
SiteMap
Search
Home
Newsroom
About HSD
Contacts
Working at HSD
Do I Qualify?
Do I Qualify? YES New Mexico
Applications
Application for Assistance (English)
Solicitud de Programas
Child Support Services Application - English
Child Support Services Application - Spanish
Federal Poverty Level Guidelines
Federal Poverty Level Guidelines - ISD
Federal Poverty Level Guidelines - MAD
Report Fraud Link
File Fair Hearings
Inspection of Public records Act
New Mexico Resource Directory
New Mexico Resource
Child Support
CSED helps locate missing parents, establishes legal paternity, and oversees child support orders.
Income Support
ISD assists low income New Mexicans with various programs including Food Stamps, General Assistance, Temporary Cash Assistance
Medical Assistance
MAD manages the New Mexico Medicaid program. Medicaid is a joint federal and state program that pays for health care to New Mexicans who are eligible for Medicaid benefits.
Behavioral Health
BHSD helps ensure access to mental health and substance abuse services; reducing the uninsured gap in New Mexico and increasing Medicaid funding for behavioral health services.
aspen
ASPEN - Automated System Program and Eligibility Network
The NM Human Services Department is in the process of replacing the approximately 25-year-old income support eligibility system known as the Integrated Service Delivery System or ISD2.
Click here to be redirected to the new YES-NM eligibility screening.
What's new at HSD
New Mexico Child Support Enforcement Division Recognized as Most Improved State Program in the Country
NMHIX Task Force Meeting June
New Mexico Human Services Department Announces Details of Webcasting Public Input Sessions
New Mexico Human Services Department Announces Public Hearings
Mental Health Support for Wildfire Victims - New!
HSD Selects Contractor to Assist in Exchange Development
Mental Health Awareness Month Proclamation
Children's Mental Health Awareness Day Proclamation
2012 May Mental Health Month & Day - Release - FINAL
Waiver Submission to CMS
NM Behavioral Health Collaborative Meets Thursday, April 12 in Santa Fe
Behavioral Health Funding Finds Parity in Centennial Care
New Mexico Human Services Department Releases Medicaid Sustainability Proposal
Centennial Care Concept Paper
Behavioral Health Day at the Legislature Celebrates 16 STARs
BH Day 2012 - Release
MEDIA ADVISORY Cabinet Secretaries to Speak at Behavioral Health Day at Roundhouse
Sidonie Squier, Cabinet Secretary
HSD Mission: To reduce the impact of poverty on people living in New Mexico by providing support services that help families break the cycle of dependency on public assistance.
Office of Secretary
Governor's Office
Lt. Governor's Office
INSURE New Mexico! SOLUTIONS
Behavioral Health Collaborative
Work in New Mexico
Recovery and Reinvestment
New Mexico Centennial Care
Bench Warrant Program
National Health Care Reform

Legislative Work Group Update

Legislative Work Group Committee Members

Name
Senator DeDe Feldman
Senator Carroll Leavell
Senator George Munoz
Senator Sue Beffort
Senator Linda Lopez
Senator Gerry Ortiz y Pino
Representative Mimi Stewart
Representative Jim Hall
Representative Tom Taylor
Representative Bill O'Neill
Representative Conrad James

Legislative Work Group Questions

- Should carriers be required to participate in both the individual and small group markets?
- Should health plans inside the exchange be subject to enhanced regulation on rate review or reporting requirements?
- Does a qualified health plan need to be available to everyone statewide, or can it be offered to only those in one region of the state?
- Where should oversight responsibility be housed?
- Should exchange-related assessments be imposed? If so, against whom (consumers, insurance carriers, providers, employers, hospitals, etc.)?
- What other creative ways could be used to fund operating costs?

Legislative Work Group
Governance & Constitutionalist

Q: How is the administration going to justify the use of the HIA as an Exchange, without modification?

A: The State is to provide to HHS "a copy of the law/regulation that indicates that the state has necessary legal authority to establish an Exchange or that establishes the Exchange. *Or other* legislation or general authority that the State has determined provides the necessary legal authority to establish the Exchange."

"Note: if the SHOP was separately authorized from the Exchange, pursuant to ACA 1321(b), provide documentation demonstrating that the State has enabling authority to establish and operate a SHOP. *AND if authority is not clear on its face,* provide a statement from the legal counsel of the office of the applicant, the Governor's legal counsel, or the State's Attorney General's Office certifying that a State is authorized to establish an Exchange under State law."

Legislative Work Group
Governance & Constitutionalist

Health Insurance Alliance Act (Ch. 59A, Art. 56 NMSA)

Created in 1994 as a nonprofit third party administrator, the Health Insurance Alliance is tasked with providing increased access to:

- Voluntary insurance coverage for small employer groups in New Mexico; and
- Voluntary health insurance coverage for the individual market in New Mexico

Legislative Work Group
Governance & Constitutionalist

Q: How is the HIA current Board membership structured, and does it comply with federal law?

A: Through the Governor's appointment power, and consistent with the HIA Act, New Mexico will conform the HIA Board to ACA requirements.

HIA is governed by a Board of Directors as follows:

- Chair of the Board (Superintendent of Insurance)
- 9 Governor appointees
  - 4 small employers
  - 1 nonprofit
  - 4 small business employees (including 1 consumer rep)
- 5 elected carrier directors

Legislative Work Group
Information Technology

Q: The Work Group would like a more detailed description of what will be included in the Information Technology RFP, contract and deliverables.

A: The IT RFP is being finalized and will be released by the end of November, possibly as early as next week.

Legislative Work Group
Actuarial Analysis

Q: Has an actuarial analysis been done to determine whether the individual and group markets should be merged, whether the definition of "small employer" should be changed, what kinds of policies should be offered and how much will they cost, etc.?

A: Due to various complexities and future uncertainties, an actuarial analysis that estimates the monetary values or costs of health plans in New Mexico has not yet been performed.

Legislative Work Group
Federal Grant

Q: How has the Level One Establishment Grant been spent? What deliverables have been completed or are contemplated? And will the money need to be returned if not spent?

A: New Mexico is pursuing a request for an extension of the $34.2 million grant given to the state for purposes of establishing the Exchange. To date, a very small percentage of the funds have been spent. The state has a planning review with HHS Oct. 25 - 26 to discuss what has been done and what envisaged work remains.

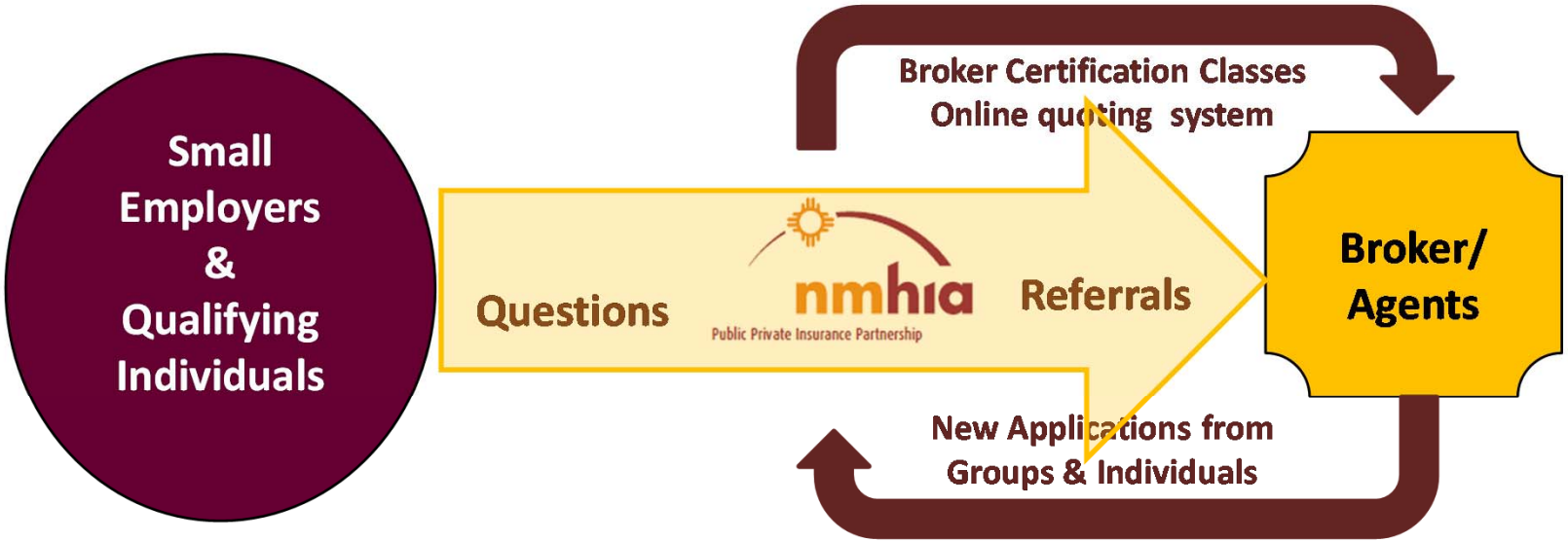
Grant monies, once distributed to the state, do not need to be returned.

Legislative Work Group
Outreach and PR Plan

Q: What is the outreach and PR plan to take the HIA/Exchange from approximately 4,000 members to over 100,000 members in a year or two?

A: The following slide is part of a presentation given by Mike Nuñez, Executive Director of HIA, to the Legislative Work Group on October 16, 2012, and gives an overview of the Outreach and PR plan.

General Awareness/Marketing



- **Print**; ads & editorials
- **Radio**; ads & interviews
- **TV**
- **Web**
- **Seminars**
- **Broker Communications**

Certification/ Carrier Broker Events

- **Face2Face Meetings**
  - Broker meetings
  - Broker Council
  - Chambers of Commerce
  - Trade Assns
  - Small Bus Dev Centers
  - Community Organizations
- **Website management**

Legislative Work Group Discussion & Questions

Exchange Market Regulation Work Group Update

Exchange Market Regulation Work Group Members

Name	Represented Group
Alex Valdez, Christus St. Vincent Hospital	Hospitals
J.R. Damron, M.D.	Providers (Nurse/Physician)
Gabriel Parra, Presbyterian Health Services	Insurance Companies
Carol Luna-Anderson, The Life Link	Employers
Thom Turbett, Independent Insurance Agents of New Mexico	Agents & Brokers
Jane Wishner, Attorney and Consultant	Underserved Populations
John Franchini, Superintendent Aaron Ezekiel, Administrative Law Judge New Mexico Division of Insurance	State Government Agencies
Larry Curley, Navajo Nation Department of Health	Tribal
Jim Copeland, Alta Mira	Consumers at Large
Liz Stefanics, Health Care Consultant and RWJF Fellow	Consumers at Large

EXCHANGE MARKET REGULATION WORK GROUP

OVERARCHING PRINCIPLES 1) DOI remains key regulator.	
2) To extent practical, HIX regulatory duties 'subcontracted' to DOI	
OTHER ISSUES	
Substantial concern re: initiating SHOP exchange w/o individual exchange	
Date certain for insurer plans submission to achieve DOI/HIX regulatory approval in time for HIX 10/2013 initial open enrollment	
Resubmission of amendments to Legislature to align Insurance Code with PPACA (formerly 2012 SB 290)	

Market Regulation Work Group Discussion & Questions

Introduction:
Native American Work Group

Native American Work Group Members

Name	Represented Group
Governor Richard Luarke	Laguna Pueblo
Secretary Arthur Allison	Department of Indian Affairs
Erik Lujan	NA Council on Aging
Joyce Naseyowma-Chalan	Taos Pueblo
Ester Tenorio	San Felipe Pueblo
Ken Lucero	Zia Pueblo, Center for Health Policy, UNM
Leonard Montoya	Ohkay Owingeh Pueblo
Linda Son-Stone	First Nations, Urban Populations
Nancy Martinez	Albuquerque Indian Health Board
Barbara Tafoya	Santa Clara Pueblo
Jennifer Nanez	Acoma Pueblo
Sandra Platero	Mescalero Apache Tribe
Scott Atole	Jicarilla Apache Nation, Lovelace
Lisa C. Maves	Jemez Pueblo
Roxane Bly	Bernalillo County Off-Reservation NA Health Comm.
Admiral Richie Grinnell	Albuquerque Area IHS
Larry Curley	Navajo Nation Department of Health
Floyd Thompson	Navajo Nation IHS

Native American Work Group Questions

1. What are the obstacles regarding tribal enrollment verification of Native Americans for purposes of qualifying for exemptions?
2. Should the state require QHPs to contract with Indian Health Service / Tribal / Urban Indian Health (I/T/U) providers as a condition of certification? What stipulations should be made concerning network adequacy?
3. What should the Native American Service Center (NASC) look like, and what functions should it serve?
4. How can the state improve on collaboration and consultation with tribes and I/T/Us?

Native American Work Group Schedule

Date	Time	Location
Oct 23	10am	Plaza San Miguel, Room 33 729 St. Michael's Dr Santa Fe
Nov 7	9am	Pollon Plaza 2009 S Pacheco Dr Santa Fe

Risk Adjustment & Reinsurance

Debbie Armstrong, NMHRP

Reinsurance

and

Risk Adjustment

Leveling the Playing Field

Presented By:
Deborah Armstrong, Executive Director
New Mexico Medical Insurance Pool

October 24, 2012
Health Reform Advisory Task Force

Background

What is it and why do we need it?

The 3 Rs
Adverse Selection Protection

- **Reinsurance**
  - Intended to protect health plans operating in individual market from specific high-cost individuals
- **Risk Adjustment**
  - Intended to protect health plans operating in the small group and individual markets (in and out of Exchange) from attracting higher than average health risk
- ***Risk Corridor***
  - Intended to stabilize the market by sharing risk at a time when implementation of reform makes accurate rate setting challenging. Limits the gains and losses of a QHP operating in the Exchange.

3 Rs ~ Market & Administration

	Sold Inside Exchange		Sold Outside Exchange			Who Administers	
	Individual	**Small Group**	**Individual**	**Small Group**	**Grand-fathered**	**State Run HIX**	**Fed Run HIX**
Reinsurance *Temporary*	Yes	No	Yes	No	No	State or HHS	State or HHS
Risk Adjustment *Permanent*	Yes	Yes	Yes	Yes	No	State or HHS	HHS
Risk Corridor *Temporary*	Yes	Yes	No	No	No	HHS	HHS

REINSURANCE

Reinsurance Concepts

- Most health plans carry commercial reinsurance to help pay for large catastrophic claims.
- The Reinsurance Program is NOT intended to replace commercial coverage.
- The Reinsurance Program is intended to help share the cost of mid-range high claims…those outliers that are higher than majority of claims but not yet as high as catastrophic claims covered by commercial reinsurance.
- The Reinsurance Program is intended to ease the way into effective risk adjustment and rate setting methodologies.

Reinsurance Parameters

- **Key reinsurance parameters:**
  - **Attachment point** ~ *What size claim triggers reinsurance?*
  - **Maximum coverage level** ~ *What is maximum claim covered by program, after which commercial reinsurance kicks in for catastrophic coverage?*
  - **Coinsurance level** ~ *Does the program pay 100% of claim or just a portion?*
- **EXAMPLES:**
  - Reinsurance covers 60% of claims between $25,000 and $50,000, OR
  - Reinsurance covers 80% of claims between $50,000 and $100,000, OR

How much money is available?

What are NM claims like?

Estimate $ Available to NM Reinsurance *(Estimated)*

	Nation	NM	NM %
Population	281 million	2.1 million	0.76%
Under Age 65	246 million	1.8 million	0.74%
2014 % in Commercial Insurance	71%	61%	
2014 # in Commercial Insurance	175 million	1.1 million	0.63%
2014 Reinsurance Funding and Contribution Rate	**$10 Billion** $4.76 PMPM	**$63 million**	0.63%
2015 Reinsurance Funding and Contribution Rate	**$6 Billion** $2.86 PMPM	**$38 million**	0.63%
2016 Reinsurance Funding and Contribution Rate	**$4 Billion** $1.91 PMPM	**$25 million**	0.63%

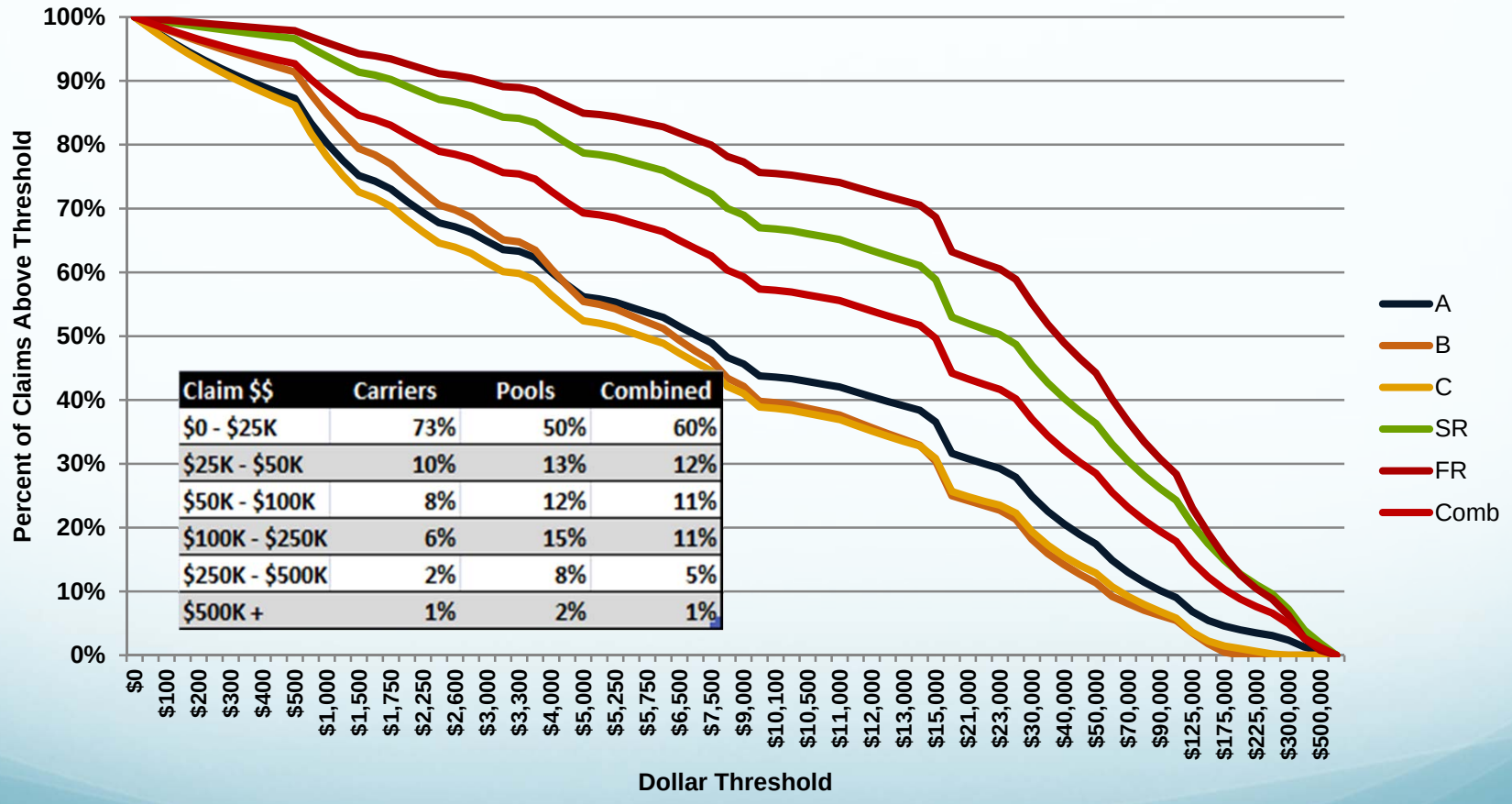
Estimated % of Claims That Can Be Reinsured

	Count	Est. Claims
Current Individual Market	56,000	$350 PMPM
State High Risk Pool	8,400	$1,200 PMPM
Federal High Risk Pool	1,100	$2,800 PMPM
Half of Uninsured	109,600	$400 PMPM
Total 2014 Individual Market	175,100	$437 PMPM
Annual Individual Market Claims		$919 Million
2014 Reinsurance as % of Claims		**6.9 %**
2015 Reinsurance as % of Claims		**4.1 %**
2016 Reinsurance as % of Claims		**2.8 %**

Claims Distribution
Individual Market 2011

Claim $$	Carriers	Pools	Combined
$0 - $25K	73%	50%	60%
$25K - $50K	10%	13%	12%
$50K - $100K	8%	12%	11%
$100K - $250K	6%	15%	11%
$250K - $500K	2%	8%	5%
$500K +	1%	2%	1%

Individual Market Claims Distribution



Claim $$	Carriers	Pools	Combined
$0 - $25K	73%	50%	60%
$25K - $50K	10%	13%	12%
$50K - $100K	8%	12%	11%
$100K - $250K	6%	15%	11%
$250K - $500K	2%	8%	5%
$500K +	1%	2%	1%

Reinsurance Program

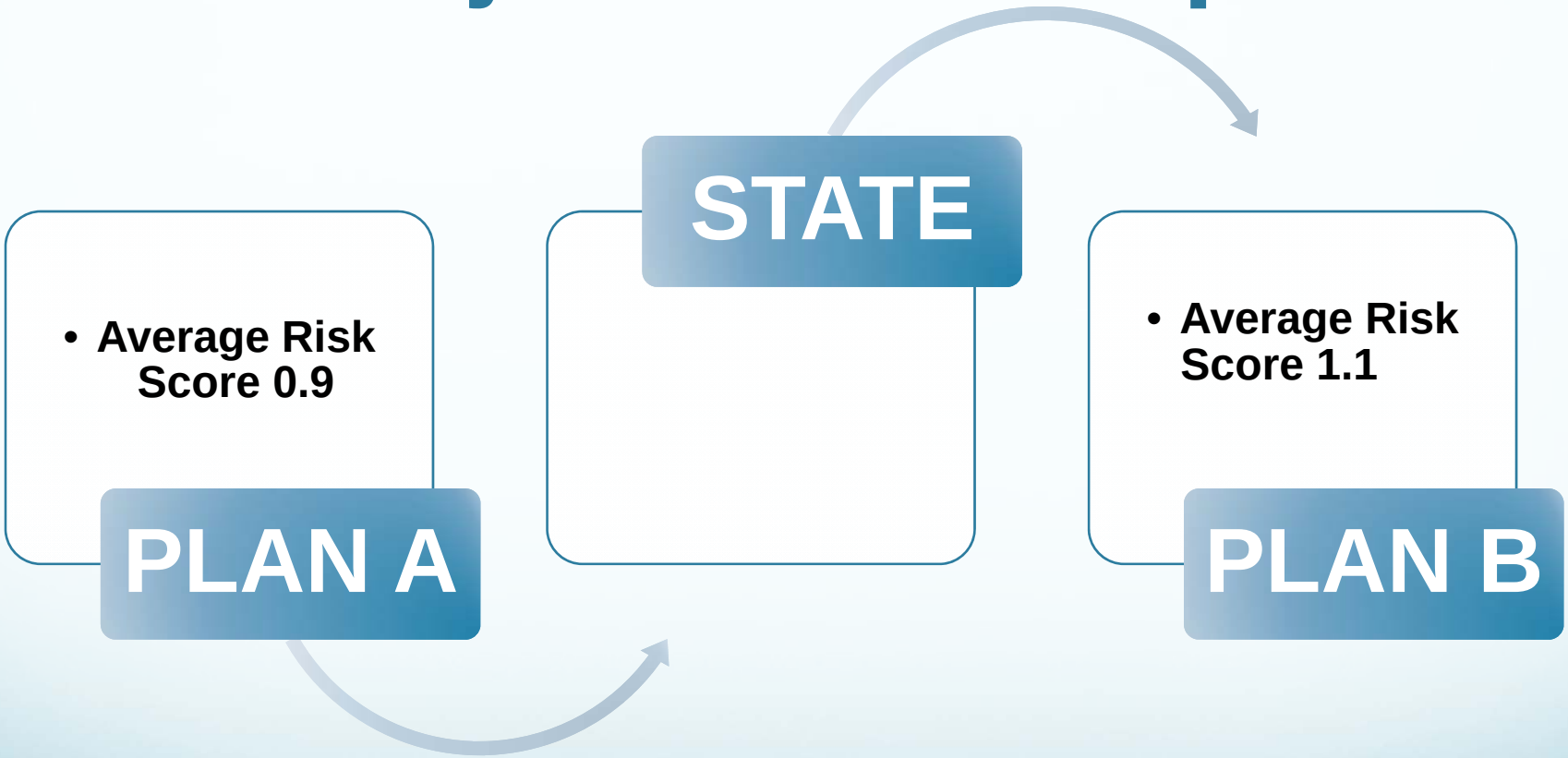
- **Temporary program** ~ 2014, 2015 and 2016
- **Individual market only** ~ Inside & Outside Exchange
- **State MAY operate** ~ Even if Feds operate Exchange
- **State MAY use Federal reinsurance parameters or develop its own**
- **All health insurers and TPAs must financially contribute**
- **Contribution rate will be set uniformly on national basis at a PMPM rate ~** All insurers/TPAs contribute same rate
- **State MAY increase the contribution rate ~** can't decrease

Decision Points

- **Outstanding Questions**:
  - Federal Contribution Rate – Will it be enough for NM?
  - Federal Parameters – Will it make sense for NM based on our claims distribution?
  - Federal Payment Methodology – How will equity be assured for claims filed late in the year?
- **Likely Recommendation:**
  - New Mexico should operate its own Reinsurance program to allow for flexibility in setting contribution rate, parameters and payment methodology.

RISK ADJUSTMENT

Risk Adjustment Simplified



Avg. Premium Rate = $500 PMPM

Plan A pays Plan B $50 PMPM

What is Risk Adjustment? (At Member Level)

Example 1: John Smith, 32, has the following medical history:

Risk Marker	Risk Weight
Male, Age 32	0.22
Diabetes with significant co-morbidities	1.32
Asthma/COPD	0.96
Low cost dermatology	0.30
Total Risk Score	**2.80**

If the average risk score is 1.0, John Smith is expected to be 2.8 times more costly than the average enrollee.

Source: American Academy of Actuaries: Issue Brief, "Risk Assessment and Risk Adjustment," 5/2010

Example 2: Mark Johnson, 32, has no medical history:

Risk Marker	Risk Weight
Male, Age 32	0.22
Total Risk Score	**0.22**

If the average risk score is 1.0, Mark Johnson is expected to be 78% less costly than the average enrollee.

NM Data Collection

- Carriers:
  - BCBSNM, Lovelace, Presbyterian, NMMIP and NMHIA (Molina added later)
- Markets:
  - Alliance, SCI and Commercial (including NMMIP)
- Lines of Business:
  - Individual, Small group (2-50) and “large” small group (51-100)
- Claims from 2010 and 2011
- More than 3 Million member months
- More than $1.3 Billion in claims
- Demographic, diagnoses and Rx data (added later)

Risk Score Models

	ACG-HIE	CDPS	CMS-HCC	WRA
Developer	Johns Hopkins	University of San Diego	CMS	Wakely
In Use Since	1991	1996	2004	2012
Used For	Medicaid, but new version for Exchanges	Medicaid	Medicare Advantage	Designed for commercial populations
Modeling Inputs	Diagnosis only in HIE version	Diagnosis only, Rx NDC only, or combined	Demographics, diagnoses	Demographics, diagnosis, NDC
User Support	None for HIE version	Limited	Available	Available
Pros	•ICD10 compliant •Software updated quarterly •Used in 16 state Medicaid agencies	•Routinely updated •Many states use for Medicaid	•Open code and lookup tables •CMS developed	•Designed for this purpose •Built on CMS-HCC (medical) and CDPS (Rx) •Ease of use
Cons	•No user support for HIE version	•Free, but code is written in SAS which isn't free •Based on Medicaid experience	•Uses SAS •Based on Medicare experience	•New, no history of successful use

New Mexico Modeling

- Selected 3 models to try:
  - CPDS – Built on a base Medicaid population
  - HCC – Built on a base Medicare population
  - Wakely – Built on a base Commercial population
- Initially, did not use Rx
- Best “fit” = Wakely Model
- Further refined, adding Rx data, additional diagnoses and included Molina data
- NEXT STEP – Run same data through Federal model when released and compare results and ease of use.

Federal Model
Under Development

- HHS developing new model for this use
- It will use demographics (age/gender) and medical claims data ~ not Rx data
- Concurrent model – diagnoses in the current year used to predict expenditures in current year
- Separate model for each metal plan
- Same model for individual and small group plans
- Distributive model ~ carriers will hold data, run through model and report summary results to HHS

Risk Adjustment Program

- **Permanent program** beginning in 2014
- **Individual and Small Group market** sold inside and outside the Exchange
- **State MAY operate ONLY if operates Exchange**
- **State MAY use Federally developed model, develop its own or adopt model certified for another state**
- **Audits** to validate data

Decision Points

- Federal Model –
  - Is it a better “fit”/better predictor?
  - Is there flexibility in use of model?
  - Ease of use?
- IF NEW MEXICO OPERATED –
  - Federal model or alternate model?
  - Distributive or centralized data collection?
  - Merge individual and small group markets?
  - What entity will provide oversight?

Questions

Other Business

Task Force & Work Group Meeting Schedule

Date	Location	Time
Oct 30	Insurance Conference Room 4th Floor, Room 428 Division of Insurance 1120 Paseo de Peralta Santa Fe	9am – Legislative Work Group 11am – Market Regulation Work Group
Nov 7	OOS Conference Room Pollon Plaza 2009 S Pacheco Santa Fe	9am – Native American Work Group
Nov 13	Room 33 Plaza San Miguel 729 St. Michael's Drive Santa Fe	9am – Legislative Work Group 11am – Market Regulation Work Group
Nov 28	Collaborative Health Room 37 Plaza La Prensa Santa Fe	8:30am – Advisory Task Force Meeting

Q & A

New Mexico Health Insurance Exchange Advisory Task Force

October 24, 2012