

**Minnesota Health Insurance Exchange  
Finance Workgroup  
Draft Financing Options Table – December 5, 2011**

	User Fee (Individual)		Portion of Premium - Exchange Members Only		Portion of Premium – Fully Insured Membership		Broad based health care tax	
Description	Assessment on products sold through the Exchange that is charged to enrollees. Add-on to the premium paid by individual enrollee		Exchange keeps a portion (percent of small fee) of the products sold in the Exchange.		Assessment on fully-insured products sold by insurers. Could be similar to MCHA assessment or insurer premium tax. Could be a percent or flat fee per policy or enrollee.		An assessment like the provider tax or redirection of current health care taxes (possible capture of increased revenue from current health care taxes and surcharges due to reduced charity care and increased direct health care payments)	
	PROS	CONS	PROS	CONS	PROS	CONS	PROS	CONS
Governance Structure	Applicable to all governance structures.		As user fee on insurers – works in all Governance structures			Non- profit authority to assess non participants – may have to be appropriation directed to Exchange.		Non- profit authority to assess non participants – may have to be appropriation directed to Exchange.
Equitable distribution (broad versus narrow)	Narrow application of charges – aligns costs to direct purchasers of insurance through the Exchange.	Does not reflect all of the benefits an Exchange may provide to consumer that do not use the Exchange and to stakeholders such as insurers, providers, and navigators or brokers.	Narrow application of charges – most closely relates exchange business operation and market relationship. Focus on carriers that most benefit from the Exchange	Acknowledges some, but not all of the benefits an Exchange may provide to consumer that do not use the Exchange and to stakeholders such as insurers, providers, and navigators or brokers.	Broader application of charges - Acknowledges that some services may benefit consumers that do not get coverage from the Exchange (risk adjustment, comparative information on plans and providers),	Does not take into account that consumers with self funded plans and stakeholders such as providers and navigators or brokers may also benefit from the Exchange.  Reduces link between exchange business relationships and funding source	Broader application of charges - Acknowledges that some Exchange services may benefit a broad base of consumers and stakeholders including providers, self- funded plans and navigators or brokers.  Reflects shift in market structure as coverage expands	Further reduces link between exchange business relationships and funding source
Impact on individual/Plan/Payer		Would likely discourage enrollment, especially for those not eligible for subsidies and small employers.  Narrower the base – higher cost per person	Assessment is invisible to enrollee. Would not discourage Exchange participation.  Medical Loss Ratio – possibly excluded from administrative costs in MLR calculation	Medical Loss Ratio – if not excluded could increase administrative costs in MLR calculation	Allow premiums inside and outside the Exchange to be the same and not discourage participation of individuals or carriers.  Broad application of assessment – lower cost per person.  Medical Loss Ratio – possibly excluded from administrative costs in MLR calculation	Medical Loss Ratio – if not excluded could increase administrative costs in MLR calculation	Allow premiums inside and outside an Exchange to be the same and not discourage Exchange participation.  Broader base – lower costs per payer.	
Impact of premiums		Individual payments inside the Exchange would be larger than outside.	Premiums inside and outside exchange the same	Difference between Exchange business and non-exchange business – may incent carriers to sell outside Exchange.	Premiums inside and outside exchange the same		Premiums inside and outside exchange the same	
Predictability		Dependant on participation in		Dependant on participation in Exchange.	Similar to current premium taxes –		Similar to current health care taxes (provider tax,	Interaction with other processes (reinsurance,

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		Exchange. First few years may be hard to predict.		First few years may be hard to predict.	predictable, may be able to redirect current revenues or increase for Exchange.		HMO and hospital surcharges, premium taxes), may be able to redirect current revenues or increase for Exchange	rate regulations, etc) enhances uncertainties.
Scalability	Fee would be scalable to enrollment.		Fee would be scalable to enrollment.		Revenue would be fixed, dependant on assessment rate – tied directly to estimated budgeted, indirectly to enrollment		Revenue would be fixed on assessment rate – tied directly to estimated budget and indirectly to enrollment.	
Collection methodology	All premium payments would need to flow through the Exchange or have a mechanism in the Exchange to charge and collect fee.		All premium payments would need to flow through the Exchange or have a mechanism in the Exchange to charge and collect fee.		Mechanism outside Exchange and would require redirection or appropriation of funds to Exchange		Mechanism outside Exchange and would require redirection or appropriation of funds	
Size of budget (% fixed versus variable costs)		Per person costs will vary with size of participation on % of costs that are fixed versus variable.		Per member costs will vary with size of participation on % of costs that are fixed versus variable.	Less relationship with Exchange participation and fixed versus variable costs.	Not tied to enrollment, risk of over/under collection as enrollment costs vary from projections	Less relationship with participation and fixed versus variable costs.	Not tied to enrollment, risk of over/under collection as enrollment costs vary from projections
Impacts from MCHA transition								
Supreme Court decision – what if have guaranteed issuance but no mandate		Participation may be reduced against projections – higher costs per person – further disincentive to participate.		Participation may be reduced against projections – higher costs per premium – further disincentive to participate.	Revenue would be fixed, dependant on assessment rate – tied directly to estimated budgeted, indirectly to enrollment		Revenue would be fixed, dependant on assessment rate – tied directly to estimated budgeted, indirectly to enrollment	.

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	Broad Based Assessment		Current general fund revenue		Other		Medical Assistance	
	Sin tax (alcohol or tobacco) or other broad based tax/fee that applies broadly to a population		General fund appropriation or recapture of potential general fund savings		Raise revenue through other mechanism such as naming rights, website advertising, grants, etc		Cost allocate eligible activities (eligibility, enrollment, outreach, etc) to Medical Assistance	
	PROS	CONS	PROS	CONS	PROS	CONS	PROS	CONS
Governance Structure		Non- profit authority to assess non participants – may have to be appropriation directed to Exchange.		Non- profit authority to assess non participants – may have to be appropriation directed to Exchange.	Non-profit may be able to raise revenue without state funds	May harm independent nature of Exchange especially as a state agency		State share of medical assistance needs to be from local government, non-profit entity may not be able to cost allocate.
Equitable distribution (broad versus narrow)	Spreads costs across broad base.  Expands costs beyond health care industry  Recognizes the Exchange as a public good	Reduces link between exchange activities and parties that most directly benefit from the Exchange	Spreads costs across broad base.  Expands costs beyond health care industry  Recognizes the Exchange as a public good	Reduces link between exchange activities and parties that most directly benefit from the Exchange	Could reduce or eliminate need for fees and assessments of consumers and stakeholders.		Links costs of activities that benefit public program participants to the public program.  Reduces cost for other payers	
Impact on individual/Plan/Payer	Broad base - reduced cost per person	Raises taxes	Broad base - reduced cost per person					
Impact of premiums	Premiums not impacted		Premiums not impacted				Premiums not impacted	
Predictability	Sin taxes – known base – increases current					Not predictable	Dependant on participation in Exchange. More predictable than individual enrollees and small employers	
Scalability	Revenue would be fixed, dependant on assessment rate – tied directly to estimated budgeted, indirectly to enrollment	Not adjust to enrollment	Revenue would be fixed, dependant on assessment rate – tied directly to estimated budgeted, indirectly to enrollment	Not adjust to enrollment		Not adjust with enrollment	Would adjust with public program participation	
Collection methodology	Mechanism outside Exchange and would require redirection or appropriation of funds to Exchange		Mechanism outside Exchange and would require redirection or appropriation of funds to Exchange		Mechanism within Exchange would collect revenues		Cost allocation to Medical Assistance from the Exchange.	
Size of budget (%)	Less relationship with	Not tied to enrollment,	Less relationship with	Not tied to enrollment,	Less relationship with	Not tied to enrollment,	Dependant on costs of	

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fixed versus variable costs)	Exchange participation and fixed versus variable costs.	risk of over/under collection as enrollment costs vary from projections	Exchange participation and fixed versus variable costs.	risk of over/under collection as enrollment costs vary from projections	Exchange participation and fixed versus variable costs.		eligible activities – allocated to MA based on enrollment.	
Impacts from MCHA transition								
Supreme Court decision – what if have guaranteed issuance but no mandate	Revenue would be fixed, dependant on assessment rate – tied directly to estimated budgeted, indirectly to enrollment		Revenue would be fixed, dependant on assessment rate – tied directly to estimated budgeted, indirectly to enrollment					