

Comparison of State and Federal Exchange Financing Provisions

Minnesota Health Insurance Exchange Advisory Task Force
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Key Financing Points

- Our budget estimates have not increased.
- We still anticipate roughly \$40 million in Exchange expenses for 2014 – we will request federal funding and include in 2013 session request.
- Total operating expenses for 2014 are estimated to be \$47.6 million (\$7.1 million is allocated to Medical Assistance).
- Operating expenses for 2015 and 2016 will be higher as private sector enrollment increases.
- Our estimates are similar but generally lower than other leading Exchange states.
- Our estimates are also lower than what will be charged by the Federal Exchange.
- Some Exchange expenses will replace existing public/private spending and result in state/county savings. Other expenses will be new to the public/private sectors and are related to enhanced levels of eligibility and required new services under the ACA.

Budget Summary

Budget Category	2014	2015	2016
Personnel	\$10.5 million	\$10.9 million	\$11.1 million
Administrative	\$3.4 million	\$2.3 million	\$2.3 million
IT Infrastructure	\$12.5 million	\$9.8 million	\$9.8 million
Business Operations	\$21.2 million	\$29.2 million	\$38.4 million
Total	\$47.6 million	\$52.2 million	\$61.6 million
Exchange	\$40.5 million	\$42.8 million	\$52.8 million
Medical Assistance	\$7.1 million	\$9.4 million	\$8.8 million
Fixed Cost	\$23.8 million	\$21.4 million	\$21.6 million
Variable Cost	\$23.8 million	\$30.8 million	\$40.0 million
Enrollment	944,500	1,105,000	1,230,000
Individual	204,000	324,000	340,000
Small Group	40,500	81,000	190,000
Medicaid	700,000	700,000	700,000

- Does not include funding for Navigators or Brokers.

Budget Summary - Personnel

Budget Category	2014	2015	2016
Exchange	\$5.1 million	\$5.5 million	\$5.7 million
Info Technology	\$3.2 million	\$3.2 million	\$3.2 million
Regulatory Agencies	\$2.2 million	\$2.2 million	\$2.2 million
Total	\$10.5 million	\$10.9 million	\$11.1 million
FTEs			
Exchange	52	54	57
Info Technology	29	29	29
Regulatory Agencies	22.5	22.5	22.5

Budget Summary – IT Infrastructure

Budget Category	2014	2015	2016
Exchange Application Annual Maintenance, Support, & Upgrades	\$2.5 million	\$2.5 million	\$2.5 million
IT Infrastructure maintenance & support	\$7.0 million	\$7.0 million	\$7.0 million
Data Center	\$240,000	\$240,000	\$240,000
IT Contracted Installation Resources	\$2.8 million		
Total	\$12.5 million	\$9.8 million	\$9.8 million

Budget Summary – Business Operations

Budget Category	2014	2015	2016
Eligibility Assistance	\$8.0 million	\$8.9 million	\$12.7 million
Customer Service	\$5.0 million	\$9.5 million	\$13.0 million
Premium Processing	\$3.0 million	\$5.3 million	\$6.7 million
Appeals	\$1.2 million	\$1.4 million	\$1.9 million
Marketing/Outreach	\$2.6 million	\$2.6 million	\$2.6 million
Other (analysis, training, audit, etc.)	\$1.4 million	\$1.5 million	\$1.5 million
Total	\$21.2 million	\$29.2 million	\$38.4 million

- This category does not include any spending or cost allocation for Medicaid.

State Exchange 2015 Budget Comparisons

State	2015 Exchange Private Enrollment PMPM Cost
Maryland	\$16.75
Washington	\$13.69
Massachusetts	\$13.48
Oregon	\$11.94
Minnesota	\$9.66
Nevada	\$9.25

Eligibility Assistance and Customer Service Comparisons

	Cost	Enrollment	Per Member Cost
MN Exchange 2015	\$18.4 million	405,000	\$45.43
WA Exchange 2015	\$13.8 million	344,000	\$40.12
MN Medicaid County 2011	\$98.2 million	710,000	\$138.31
MNCare DHS 2011	\$15.2 million	144,000	\$105.56

Issues to keep in mind for the differences in costs between state programs and the Exchange are that:

- Existing state programs serve lower income individuals that will generally require more assistance. (For example, the Medicaid numbers include families, kids, adults, elderly, and disabled)
- The services are similar but not exactly comparable. For example, existing state programs rely on significantly more manual processing than will exist under the Exchange, so the Exchange should be lower cost and result in efficiencies/savings for MA for counties.

State/Federal Financing Comparisons

- HHS will collect a service fee from insurers participating in the Federal Exchange to cover the following services:
 - Certification of plans as QHPs
 - Ability for insurers to sell coverage through Exchange
 - Consumer assistance tools
 - Outreach and Education
 - Management of Navigator program
 - Regulation of agents and brokers
 - Eligibility determinations
 - Administration of premium tax credits and cost sharing reductions
 - Enrollment processes
 - Administration of small business Exchange functionality
- Activities not mentioned here are not included in the service fee. HHS reserves the right to increase fee/set other fees.



Proposed Federal Exchange Fee

- For the 2014 benefit year HHS proposes a service fee equal to 3.5% of the premium charged by insurers for plans sold through Federal Exchange.
 - The comparable percent for the Minnesota Exchange is estimated to be less than 3% of premiums for 2015 & 2016
- Federal Exchange will deduct service fee from Exchange-related payments to insurers (more guidance on collection mechanism is forthcoming)
- Federal Exchange will allow insurers to pay brokers for plans sold through Exchange
 - Insurers will be required to have the same compensation structure for plans sold inside and outside the Exchange