



Premium Aggregation and Payment Options:

Response to COHBE Board Questions and Public Comment

April 9, 2012

Q: What is legally required and what is optional? Can the Exchange choose more than one option?

Below is a summary of what is legally required and optional in the individual and SHOP exchanges under federal law:

Individual Exchange

Required	<ul style="list-style-type: none"> • A qualified individual must be allowed to pay any applicable premium owed directly to the Qualified Health Plan (QHP) issuer
Optional	<ul style="list-style-type: none"> • Premium aggregation for a household where members of the family are enrolled in different QHPs and/or medical assistance programs • Aggregating the premiums owed by an individual or household for different types of coverage (medical, dental, vision) • In addition to giving individuals the option to pay premiums directly to the QHP, the Exchange can also choose to add one of the two payment processing options below: <ul style="list-style-type: none"> ○ Exchange collects premiums but only passes them through to QHP without retaining any portion of the payment ○ Exchange collects premiums from individuals and pays an aggregated sum to the QHP • Payment Options may include: in person, online, by phone, by mail and through various means such as credit card, check, automatic transfers, or cash • Exchange can create a default payment mechanism • Exchange can direct individuals to select a payment option for a year at the time of enrollment

SHOP Exchange

Required	<ul style="list-style-type: none">• Exchange must accept payment of an aggregate premium by a qualified employer and pay aggregated sums to QHPs
Optional	<ul style="list-style-type: none">• Payment Options may include: online, by phone, by mail and through various means such as credit card, check, or automatic transfers• Exchange can create a default payment option• Exchange can direct employers to select a payment option for a year at the time of enrollment

Q: How will this decision impact the sustainability model of the Exchange?

Managing premiums provides COHBE maximum flexibility in the type of financing model COHBE decides to pursue (e.g. fees). It also affords the Exchange flexibility in developing compensation models for brokers and navigators.

Processing payments through the Exchange will provide better real-time enrollment and payment data for Exchange monitoring than if premium transactions by-pass the Exchange and are reconciled on the backend from carrier data feeds.

Q: What are the costs associated with building this solution?

There are technology costs and administrative costs associated with these capabilities. The technology solutions we are currently evaluating accommodate premium aggregation in both the individual and SHOP exchanges. The functionality already exists in the proposed solutions and would either be activated or not activated based on the board's decision. Administrative costs around processing and reconciliation of payments will exist regardless of the option selected. These administrative costs will increase with the number of enrollees and marginally increase with the number of options provided.

Q: What is the value proposition to carriers?

For carriers that do not have broad distribution channels, it allows them to offer plans on the Exchange without having to process and reconcile payments for individuals. COHBE will have to build a technology infrastructure that reconciles enrollment data with carriers and the federal government. This will have to be built regardless of the decision the COHBE board takes on premium aggregation. Adding financial transactions as a piece of the data reconciliation between COHBE and carriers will not impose significant burdens and costs. Lastly, there will be extra value added to carriers to have to primarily work with COHBE as opposed to handling a large volume of individual transactions.