

COLORADO ASSOCIATION OF HEALTH PLANS

April 4, 2012

Board Members
Colorado Health Benefit Exchange

RE: Premium Aggregation in the Individual and SHOP Exchanges

Dear COHBE Board Member:

I am writing on behalf of the members of the Colorado Association of Health Plans regarding the issue of whether or not the Exchange should aggregate premiums. There is not a consensus position among our diverse membership. Thus, both sides of the premium aggregation debate are presented below to ensure that you have as much information as possible before voting on the issue. Additionally, since HHS rules require that premiums be aggregated for the SHOP Exchange, the points below pertain mainly to aggregation in the Individual Exchange.

Arguments *against* having the Individual Exchange aggregate premiums:

- HHS Exchange Rule, §155.240 requires that the Exchange **must allow** an individual to pay premium directly to the QHP issuer and provides that the Exchange **may collect and pay premiums** to insurers. Moreover, §1401 of the ACA states that the Secretary of Treasury will make advance payment of premiums directly to the issuer. Thus, if the Exchange aggregates premiums, there will be multiple streams of premium payment to different entities with considerable complexity and reconciliation expense.
- Given the HHS rule, every carrier will have to set up the infrastructure to receive premiums directly from individuals and subsidy payments directly from the Treasury Department. Thus, if the Exchange aggregates premiums, the Exchange will essentially be implementing a costly administrative system that already has to exist in every carrier. This duplicative spending will increase the cost of purchasing coverage in the Exchange.
- Running a subsidy management system will expose the Exchange to federal regulatory oversight and audit requirements.
- Running financial reconciliation services will expose the Exchange to complex accounting hurdles. Additionally, carriers will still have to perform monthly reconciliations on their end for accounting purposes and to ensure that members' premium status is accurate and current.
- The administrative relief provided to carriers by having the Exchange perform subsidy management and financial reconciliation services is limited by the fact that carriers will still need to be able to perform those same functions.
- The Exchange will have to increase its customer service capabilities to deal with payment and subsidy questions on an ongoing basis.
- If the Exchange aggregates premiums, new and complex data feeds would be required between the Exchange and carriers to ensure timely transactions. If the

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data exchange is not seamless, payment delays will become an issue and membership questions will arise since the current state of premium payments will be unknown to carriers responsible for providing coverage.

- Carriers have years of experience collecting premiums directly from members.

Arguments for having the Individual Exchange aggregate premiums:

- HHS Exchange Rule, §155.705(b)(4)(ii) requires that the SHOP Exchange, “**collect from each employer** the total amount due and **make payments to QHP issuers** in the SHOP for all enrollees.” As such, the technology to aggregate premiums should be available for the Individual Exchange if it exists in the SHOP.
- Carriers will be provided some administrative relief if the Exchange successfully operates subsidy management and financial reconciliation services. The administrative burden of these services will be spread equally across plans rather than being concentrated with plans that have a disproportionate share of individuals qualifying for subsidies.
- The economies of scale resulting from the Exchange performing this function will accrue to all plans. This is particularly important for smaller plans and plans that have not historically served the individual and small group markets and do not have well-established premium collection and reconciliation processes.
- Being one step removed from subsidy management and financial reconciliation services will allow carriers to avoid potential federal oversight.
- Aggregating premiums will present the Exchange more in-house data that can be used to further refine the business model moving forward.
- Customer service can be consolidated for a more expansive set of potential issues. For example, the Exchange will have direct control of customer service for the initial sale of a plan, as well as all billing and subsidy issues following the initial sale.
- Exchange participants will have continuity of billing if they switch plans or select different plans for different family members.
- The Exchange will have more control of potential compensation options for services performed by brokers and navigators.
- *Please Note:* All carriers in support of the Exchange aggregating premiums have a similar caveat. Data sharing between the Exchange and carriers must be timely and seamless, so that plans have current information on premium status for customer service, coverage, and regulatory purposes.

Premium Aggregation in the SHOP Exchange:

- As stated above, HHS requires the SHOP to aggregate premiums and make a monthly payment to QHPs.
- Premium aggregation in the SHOP will show added value to employers by allowing them to remove themselves from the plan selection process, while at the same time allowing employees more choice.

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- Administering premium aggregation in the SHOP is inherently less complicated than the Individual Exchange because of the lack of federal subsidies and Medicaid eligibility issues.

While we have no official recommendation for you, we hope that the information above will provide the necessary background for you to make an informed decision. Please do not hesitate to follow up with CAHP if you have any questions regarding premium aggregation.

Sincerely,

Marc Reece
Associate Director
Colorado Association of Health Plans