



Delivering on the Promise of the Affordable Care Act

July 1, 2015

Alliance for Health Reform
National Congressional Forum



Covered California's Promise:

- Better Care
 - Healthier People
 - Lower Cost
-

How Covered California Makes the Promise Real:

BEING AN
**ACTIVE
PURCHASER**

EFFECTIVELY
**REACHING
CONSUMERS**

OFFERING
**AFFORDABLE
PRODUCTS**

ENCOURAGING
**THE RIGHT
CARE AT THE
RIGHT TIME**



Core Functions of a Health Exchange: Opportunities for Coordination

Information Technology (website)

- subsidy eligibility
- displays available health plans

Not Location Specific

- but requires significant state-specific integration with Medicaid programs

Customer Service

- phone and online assistance
- problem resolution

Not Location Specific

- but training required relative to plans or state-law

Marketing and Advertising

- reaches potential customers
- conveys value of subsidies

Location Specific

- also has opportunity for coordination among states that share media markets

Plan Selection and Contracting

- offers quality health plans with good value
- leverages purchasing power to help consumers

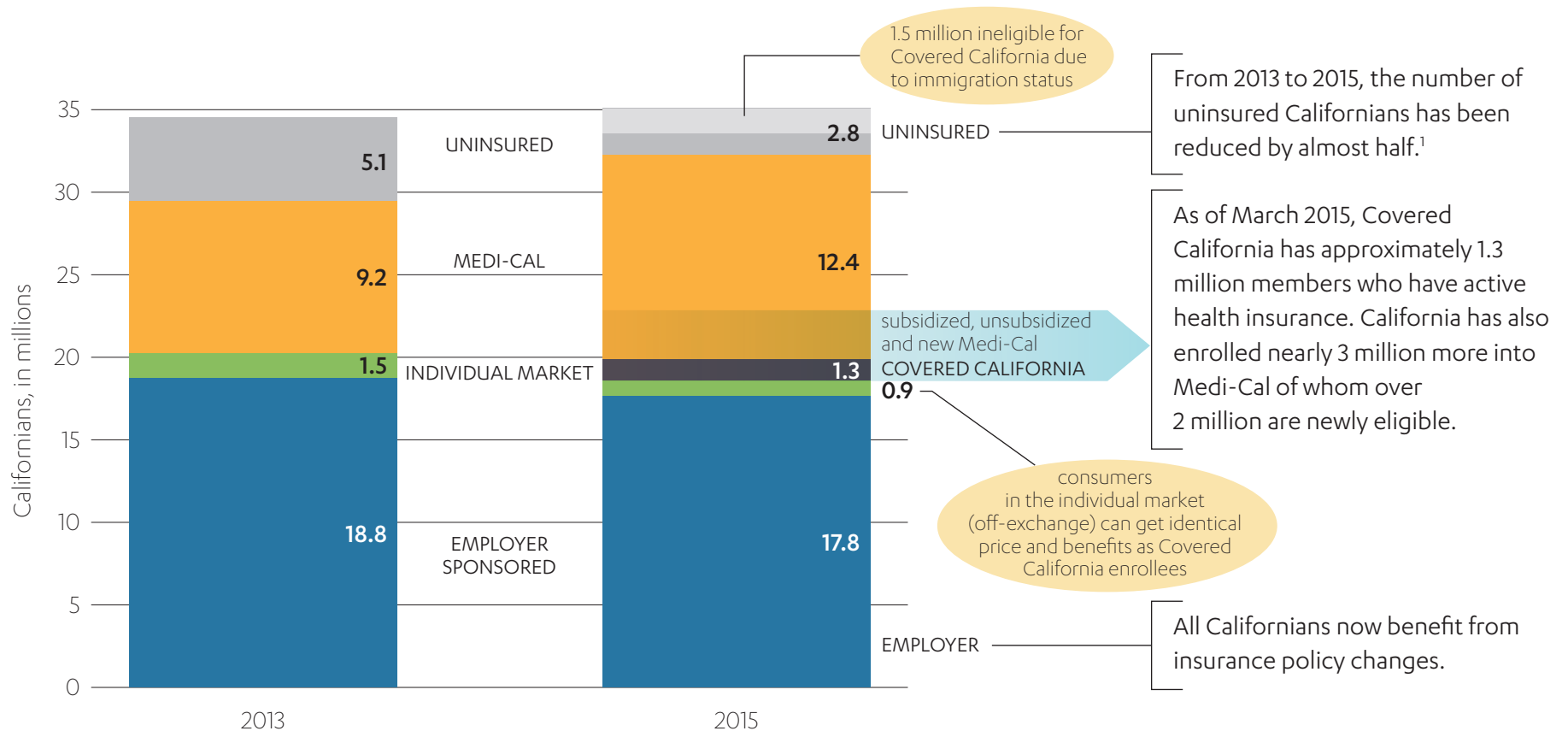
Location Specific

- very specific to each state



The Affordable Care Act Has Changed Health Care in California

The Affordable Care Act has dramatically changed the health insurance landscape in California with the expansion of Medicaid, Covered California and new protections for all Californians.



Source: Data shown in above graph is from: California Health Benefits Review Program, Center for Medicare and Medicaid Services, California Healthcare Foundation and Covered California (May 2015).

Notes: Medicare recipients and other publicly funded insured are not included in the graph.

¹ <http://www.commonwealthfund.org/publications/press-releases/2014/jul/after-first-aca-enrollment-period>



Covered California is Big and Having Big Impacts

It is now one of the largest purchasers of health insurance in California and the nation.

1.3
MILLION

consumers have active health insurance as of March 2015

Covered California is now the second largest purchaser of health insurance in the state for those under 65.

\$6.5
BILLION

estimate of funds collected from premiums in 2015

Covered California's size gives it the clout to shape the health insurance market.

1.8
MILLION

consumers served since Covered California began offering coverage

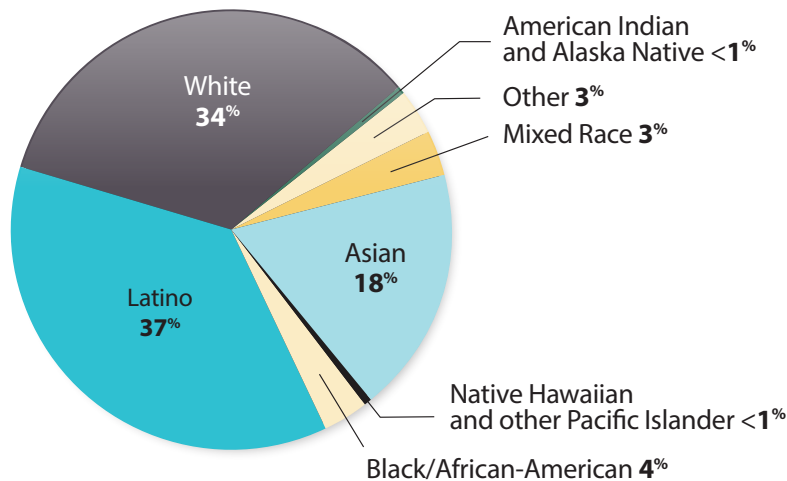
More than 500,000 Californians have benefitted from coverage through Covered California. Many of them now have either employer-based coverage or Medi-Cal.



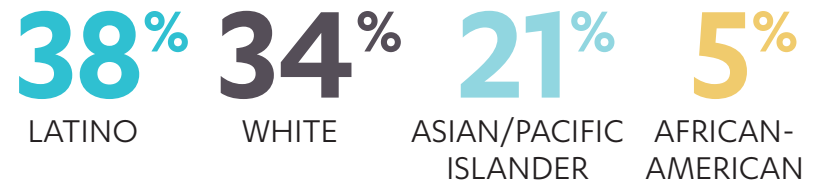
Covered California is Enrolling All Communities Across Our State

Enrollment data proves that our efforts to reach California's diverse population is working

Second Open Enrollment Nov. 1, 2014 - Feb. 15, 2015



Estimated subsidy-eligible population of the state developed by the University of California's statistical model¹:



An independent study conducted by the Kaiser Family Foundation² confirmed that:

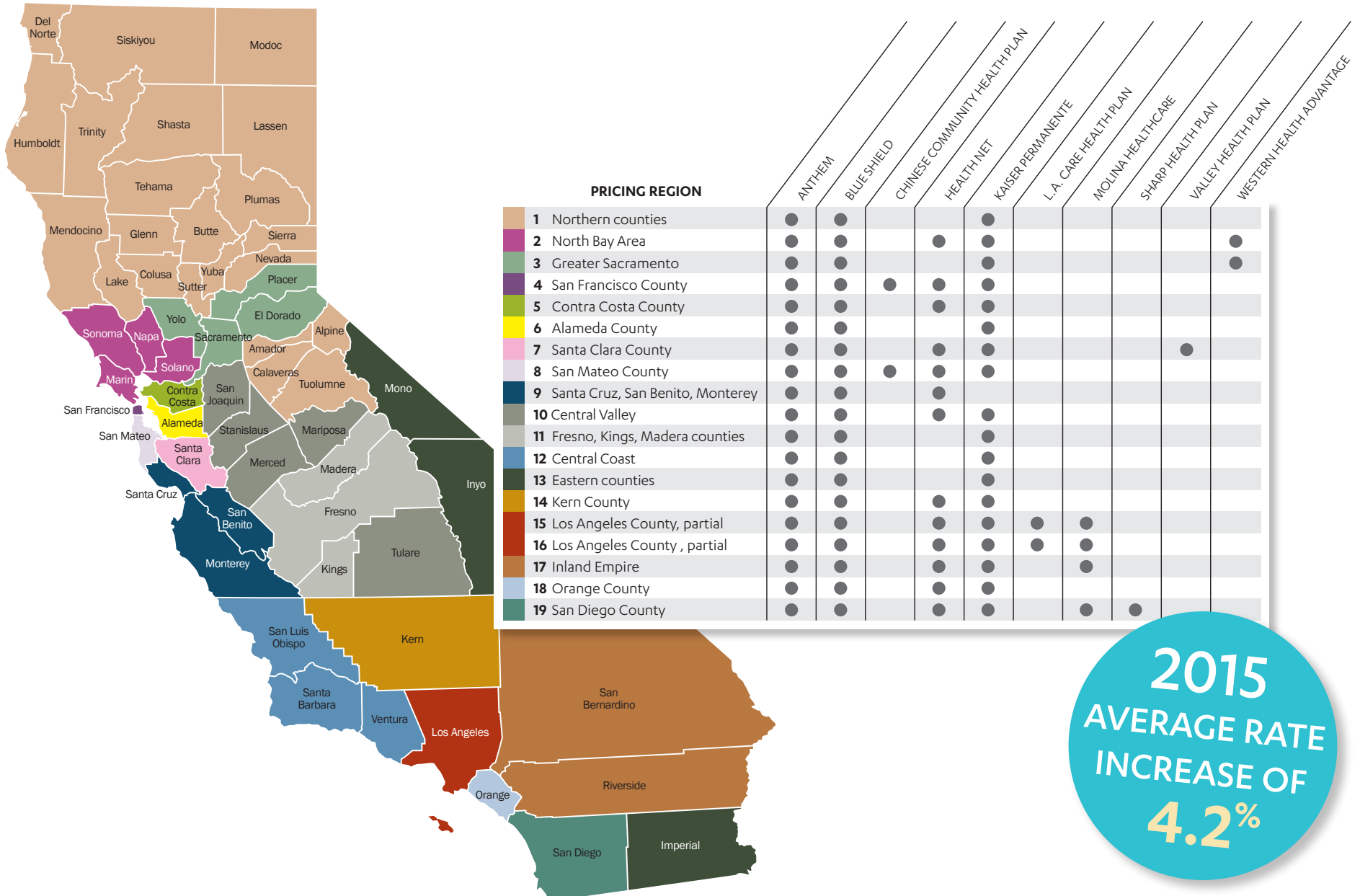
- Covered California enrollees are more racially diverse than the group of Californians with private coverage. 60 percent identify as a race/ethnicity other than white. Latinos make up 37 percent of the total.

¹ CalSIM version 1.91 Statewide Data Book 2015-2019
<http://bit.ly/1Que1NV>

² Henry J. Kaiser Family Foundation. 2015. "Coverage Expansions and the Remaining Uninsured: A Look at California During Year One of ACA Implementation". Menlo Park, CA.



Covered California Health Plan Offerings for 2015: Broad Choice, Local Options and Good Trend



**2015
AVERAGE RATE
INCREASE OF
4.2%**



Covered California 2015 Standard Benefit Designs

In California, standard benefits allow apples-to-apples plan comparisons and seek to **encourage** utilization of the right care at the right time with many services that are not subject to a deductible.

Benefits below shown in blue are not subject to any deductible.

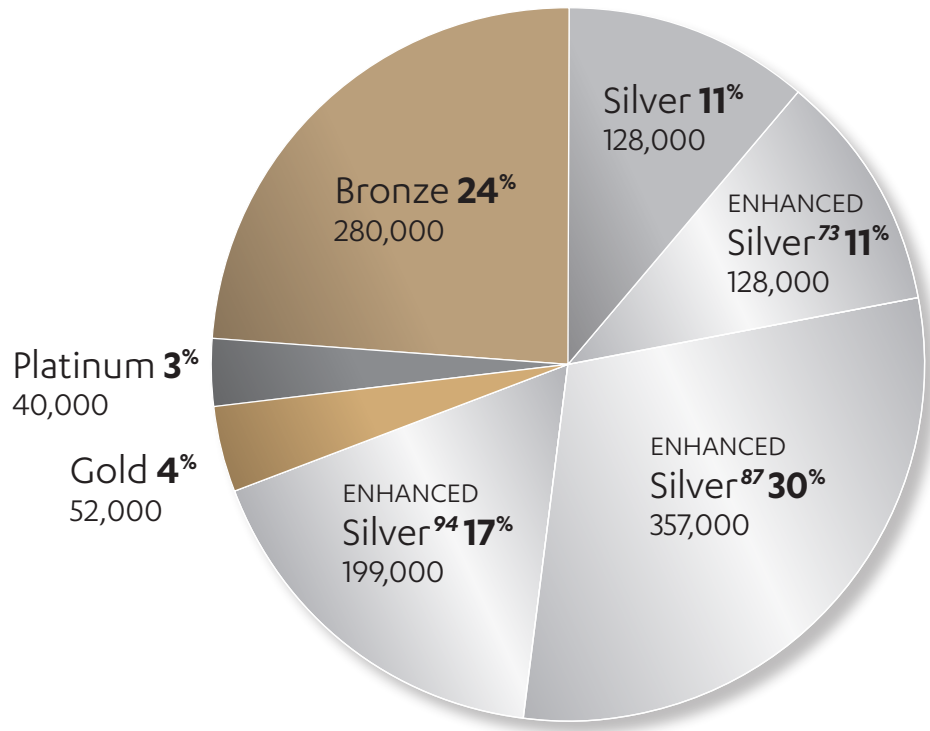
2015 STANDARD BENEFIT DESIGN BY METAL TIER								
Coverage Category	Minimum Coverage	Bronze	Enhanced Silver 94	Enhanced Silver 87	Enhanced Silver 73	Silver	Gold	Platinum
Percent of cost coverage changes	Covers 0% until out-of-pocket maximum is met	Covers 60% average annual cost	Covers 94% average annual cost	Covers 87% average annual cost	Covers 73% average annual cost	Covers 70% average annual cost	Covers 80% average annual cost	Covers 90% average annual cost
Cost-sharing Reduction Single Income Range	N/A	N/A	up to \$17,235 (100% to ≤150% FPL)	17,236 to \$22,980 (>150% to ≤200% FPL)	\$22,981 to \$28,725 (>200% to ≤250% FPL)	N/A	N/A	N/A
Annual Wellness Exam	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Primary Care Visit	after first 3 non-preventive visits, pay negotiated carrier rate per instance until out-of-pocket maximum is met	\$60 for first 3 non-preventive visits	\$3	\$15	\$40	\$45	\$30	\$20
Specialist Visit	pay negotiated carrier rate per service until out-of-pocket maximum is met	\$70 after deductible is met	\$5	\$20	\$50	\$65	\$50	\$40
Laboratory Tests		30% after deductible is met	\$3	\$15	\$40	\$45	\$30	\$20
X-Rays and Diagnostics		30% after deductible is met	\$5	\$20	\$50	\$65	\$50	\$40
Generic Drugs		\$15 or less after deductible is met	\$3	\$5	\$15 or less	\$15 or less	\$15 or less	\$15 or less
Preferred Drugs		\$50 after deductible is met	\$5	\$15	\$35	\$50	\$50	\$15
Emergency Room		\$300 after deductible is met	\$25	\$75	\$250	\$250	\$250	\$150
Imaging		30% after deductible is met	10%	15%	20%	20%	20%	10%
Deductible	N/A	\$5,000	\$0	\$500 medical \$50 brand drugs	\$1,600 medical \$250 brand drugs	\$2,000 medical \$250 brand drugs	\$0	\$0
Annual Out-of-Pocket Maximum Individual and Family	\$6,600 individual only	\$6,250 individual \$12,500 family	\$2,250 individual \$4,500 family	\$2,250 individual \$4,500 family	\$5,200 individual \$10,400 family	\$6,250 individual \$12,500 family	\$6,250 individual \$12,500 family	\$4,000 individual \$8,000 family



Covered California Enrollees Able to Choose BOTH Low Premium and Low Out-of-Pocket Designs

More than 69 percent of Covered California subsidy-eligible enrollees selected a Silver Plan — which have NO deductibles for any out-patient services; 58 percent of all subsidy eligible enrollees qualified for an "Enhanced Silver", which means even lower out-of-pocket costs when accessing services.

2015 Subsidized Enrollment by Metal Tier



Source: Covered California enrollment data as of April 2015, including only subsidized enrollees who have paid for coverage.

A few notes on monthly premium costs:

77 percent pay less than \$150 per month per individual.

More than 120,000 enrollees pay less than \$10 per month per individual.

25 percent of enrollees in an Enhanced Silver⁹⁴ plan pay less than \$25 per month per individual, while more than half pay less than \$50. *In addition, these individuals pay only \$3 for doctor visits.*

Covered California's Standard Benefit Design:

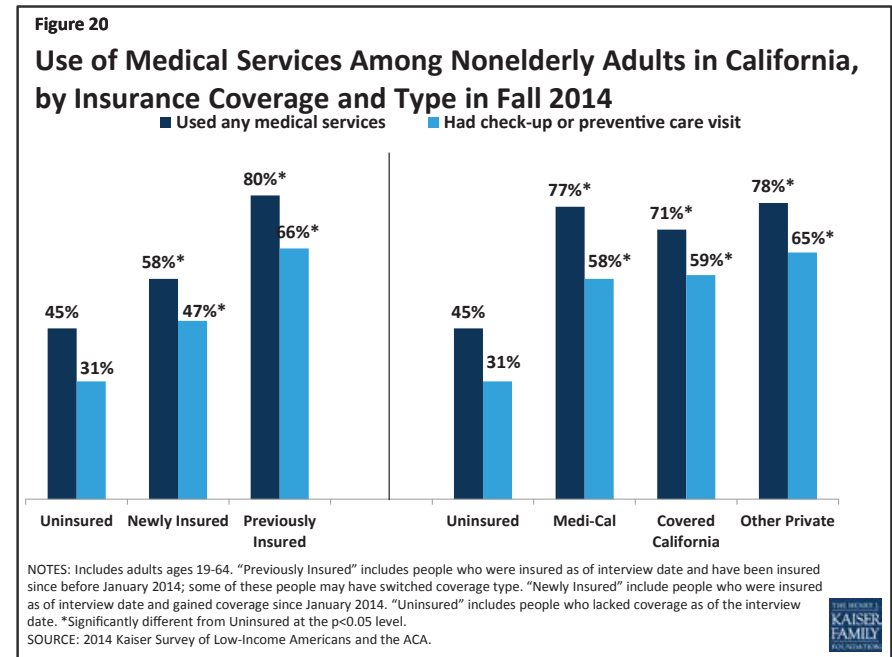
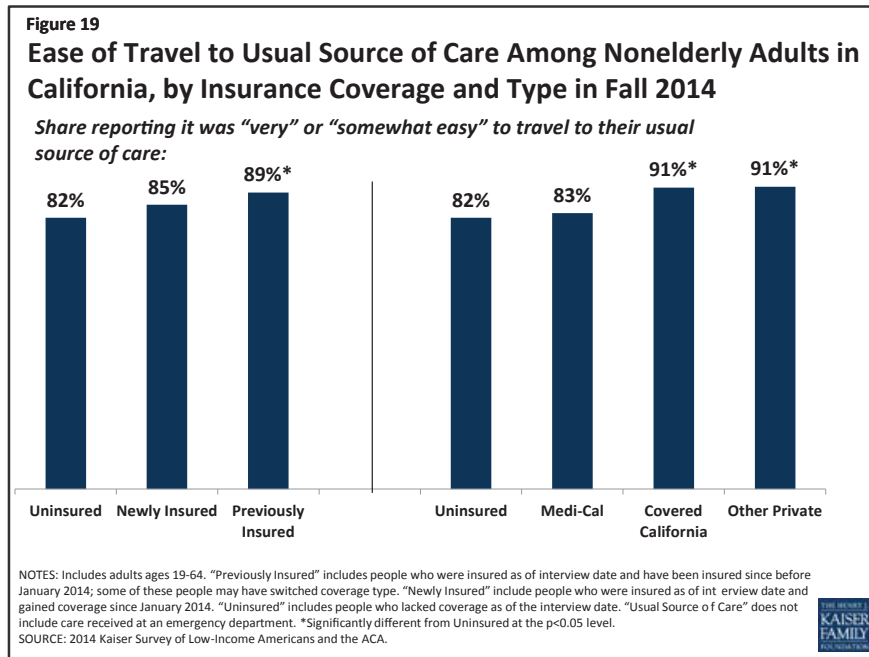
- Bronze — three office visits and lab work, not subject to deductible.
- Silver, Gold, Platinum — no deductibles on **any** outpatient services.



Health Care Access is Improving Dramatically for both Covered California and Medi-Cal Enrollees

A Kaiser Family Foundation independent survey of consumer released in May 2015 reported on services through the Fall of 2014.

- **91 percent** of Covered California enrollees reported it was “very” or “somewhat easy” to travel to their usual source of care, which matches the Other Private markets (Figure 19).
- **59 percent** of Covered California enrollees had a check-up or preventive care visit by the Fall of 2014, which is **nearly twice the rate** for preventive visits amongst the uninsured (Figure 20). This is not significantly statistically different from other private market, and if extrapolated over time, this means more than **800,000 preventive visits** have been provided through Covered California since Jan. 2014.



Source: Henry J. Kaiser Family Foundation. 2015. “Coverage Expansions and the Remaining Uninsured: A Look at California During Year One of ACA Implementation”. Menlo Park, CA.



Covered California Aims To Improve the Health Care System: Opportunities for Collaboration for 2016 and Beyond

Choosing Wisely

- Promoting consumer information on treatment options

California State Innovation Model Maternity Project

- Payment reform for obstetric care and appropriate use of C-Sections

Payment Reform Models from the Center for Medicare & Medicaid Innovation

- New models for primary care and oncology as first steps in evolving from fee for service to fee for value

Hospital Safety, Partnership for Patients

- Promoting an incentive to reduce readmission and hospital acquired condition rates

Clinical Practice Transformation

- Broad adoption of Patient Centered Medical Home
- Encourage primary care — specialty collaboration

BACKGROUND MATERIAL

For more information go to [CoveredCA.com](https://coveredca.com)



Major Changes to the Health Care System because of the Affordable Care Act

Before the Affordable Care Act

Today

<ul style="list-style-type: none"> • Many consumers denied coverage by insurers because of pre-existing conditions. 	<ul style="list-style-type: none"> • Guaranteed coverage for all — no screening or price differences due to health status.
<ul style="list-style-type: none"> • Many consumers with insurance bankrupted by gaps in coverage and annual or lifetime limits. 	<ul style="list-style-type: none"> • Insurers are prohibited from setting lifetime limits on essential health benefits, such as hospital stays.
<ul style="list-style-type: none"> • Health insurance companies could cancel a plan if an individual omitted minor conditions by accident. 	<ul style="list-style-type: none"> • Insurers are no longer allowed to re-examine a customer’s initial application to cancel, or “rescind,” their coverage due to unintentional mistakes or minor omissions.
<ul style="list-style-type: none"> • Insurers could remove young adults from their parents’ policies, leaving them uninsured. 	<ul style="list-style-type: none"> • Dependent children up to age 26 must be offered coverage under a parent’s insurance plan.
<ul style="list-style-type: none"> • Children under 19 could be denied coverage because of a chronic condition. 	<ul style="list-style-type: none"> • Insurers may not exclude children under the age of 19 from coverage due to a pre-existing medical condition.
<ul style="list-style-type: none"> • Medicaid only covered low-income children, pregnant women, elderly and disabled individuals, and some parents, but excluded other low-income adults. 	<ul style="list-style-type: none"> • Medicaid covers all adults under 65 with income up to 133 percent of the federal poverty level.



The Affordable Care Act Subsidies Level the Playing Field

Those without employer-based insurance can now receive the same benefit.

- Tax credits for health insurance are not a new concept — *they have been around since the 1940s.*
- More than half of Americans 65 and under get employer-based health coverage that lowers an employee's taxable income, similar to that of a tax credit.
- At \$250 billion, employer-based coverage is the single largest tax expenditure by the federal government.¹
- **The annual value of the employer-based health coverage tax break is \$4,012 per family.**



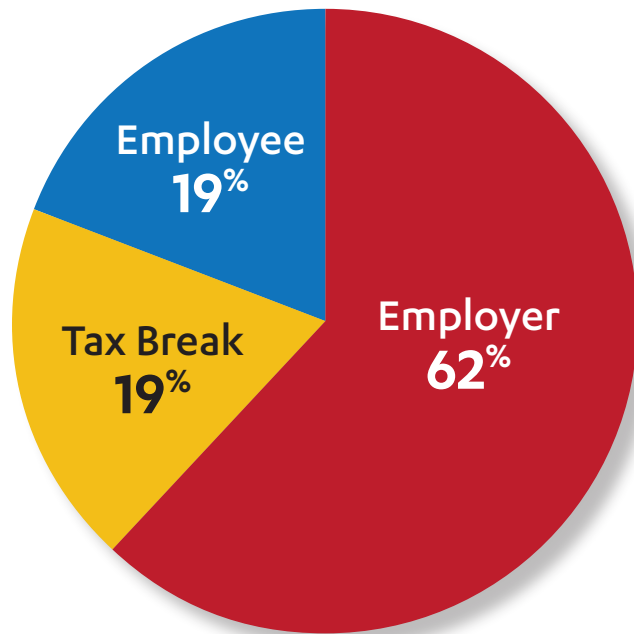
The Affordable Care Act allows eligible Americans to receive tax credits that make coverage affordable for those not offered employer-based health coverage. **In California, the average family who enrolled in Covered California and got a subsidy received \$5,200 of these credits.**

¹According to the Congressional Budget Office



Federal Tax Support Makes Health Care Affordable for All Americans

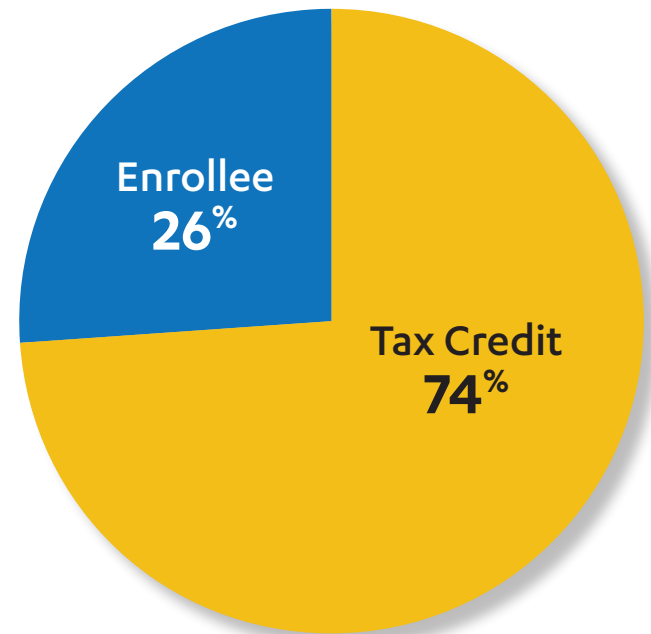
California Employer-based Coverage Source of Payment



Average Annual Family Premium and Tax Break

Premium — \$17,580
Tax Break — \$4,012

Covered California Source of Premium Payment



Average Annual Family Premium and Tax Credit

Premium — \$7,027
Tax Credit — \$5,200

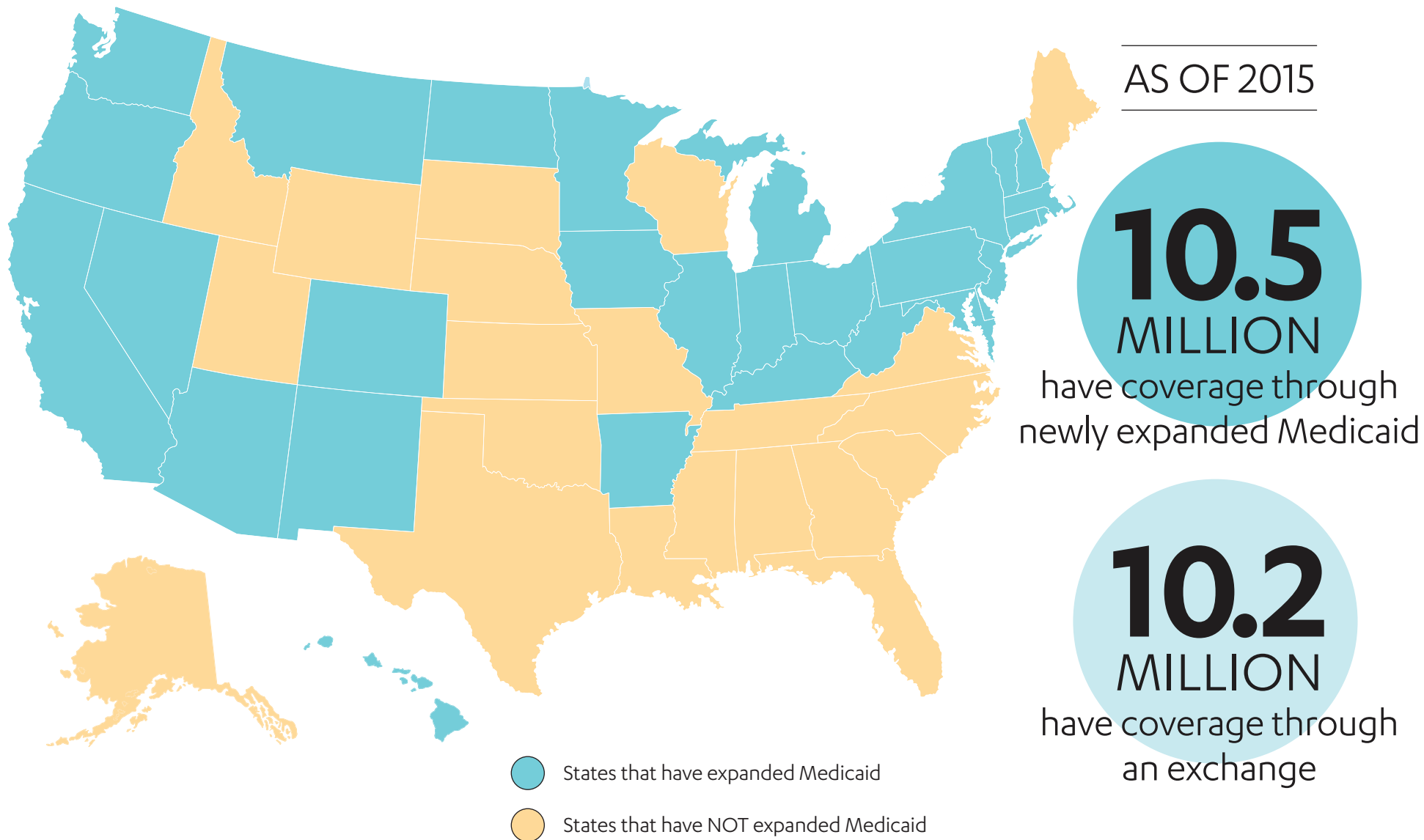
In addition to lower premiums, **60 percent** of enrollees receive, on average, **\$1,200** a year to help pay for services at the point of care.

Note: pie charts reflect pricing of average household premiums. For average family premiums, scope of benefits and family size differ in the two populations.
Sources: Pew Charitable Trust, MacArthur Foundation, and the Congressional Budget Office



The Affordable Care Act has Changed Health Care in America

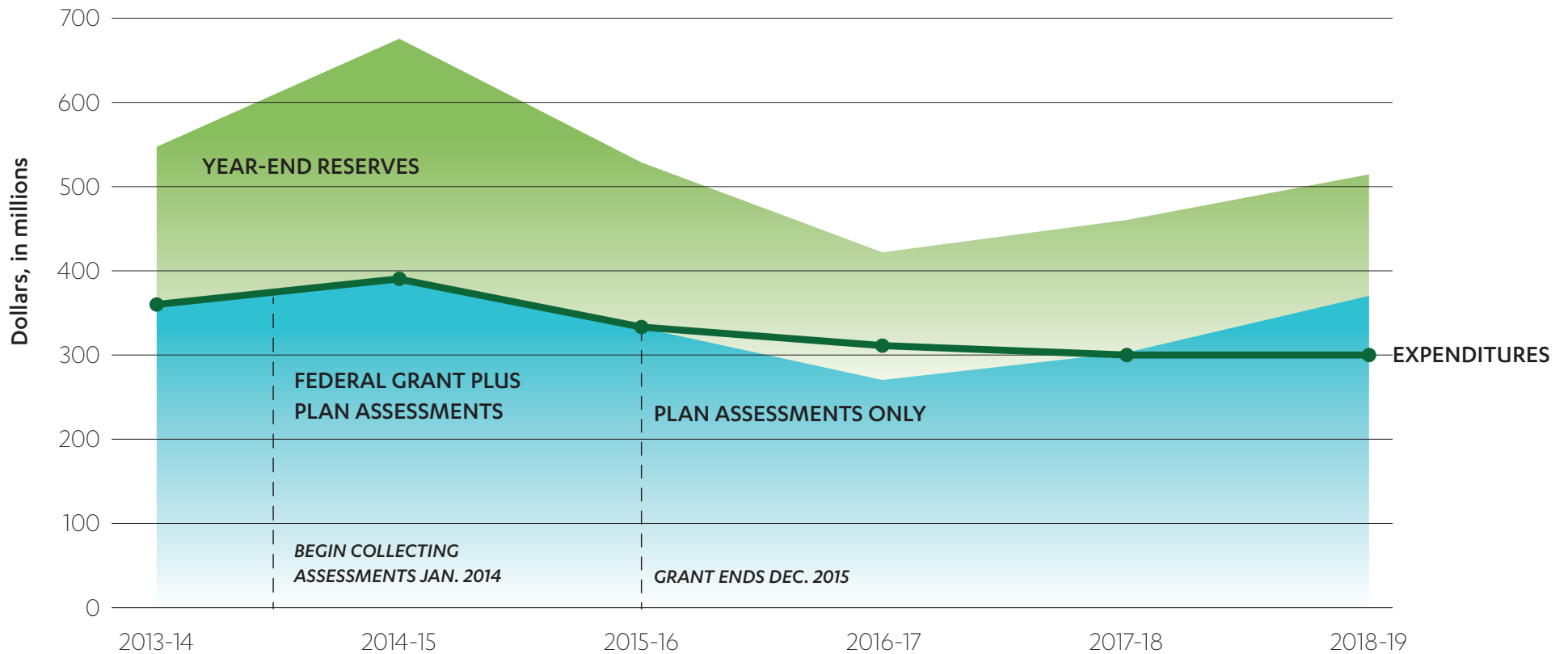
Residents in every state enrolled in exchanges have benefited from the protections granted by the Affordable Care Act, even though not every state expanded their Medicaid program





Covered California's Strong Balance Sheet and Financial Management Assures Long-Term Viability

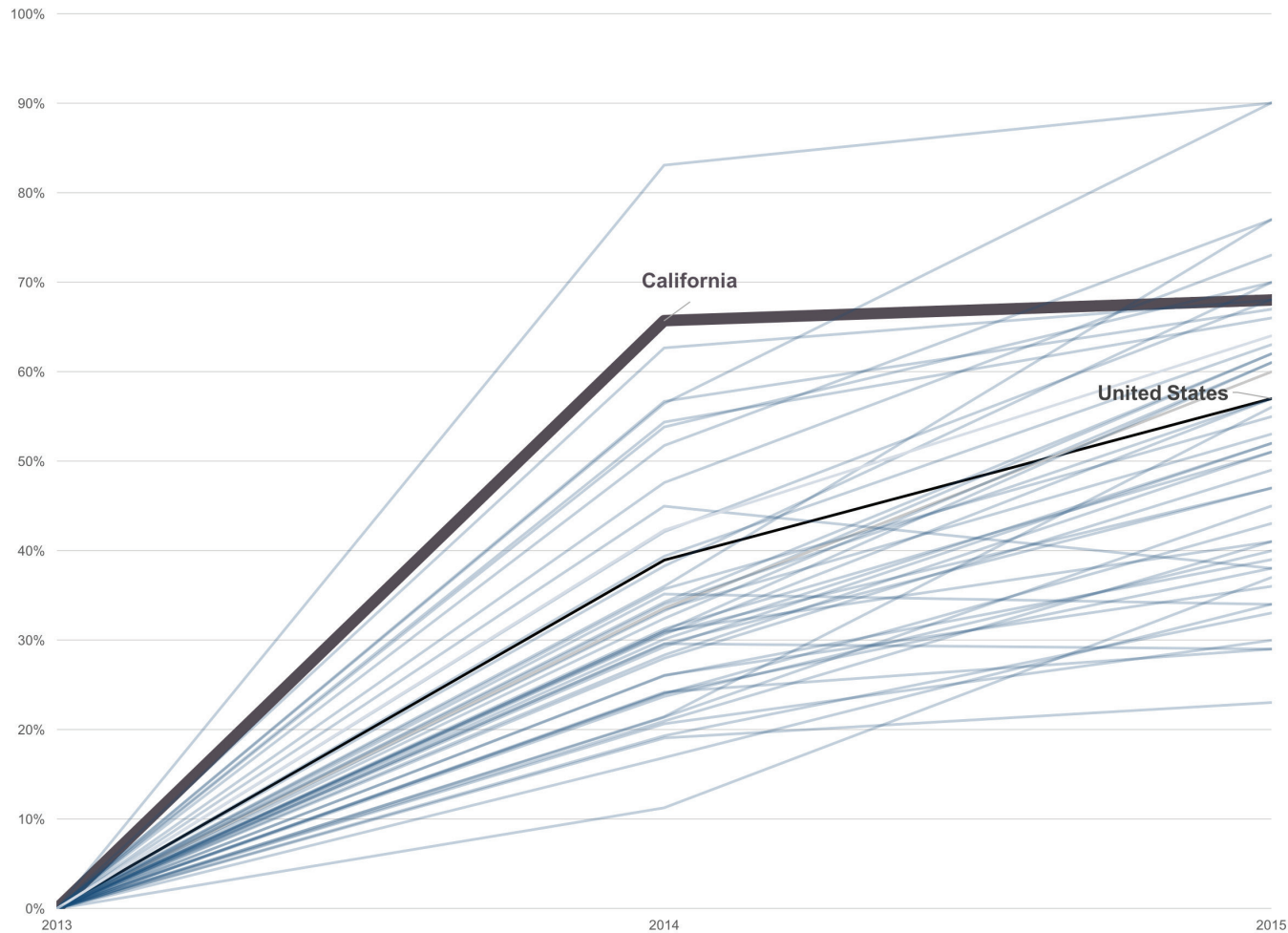
With unrestricted reserves of more than \$200 million in 2015 and the ability to adjust plan fees as appropriate, Covered California has a business model that guarantees ongoing support.





Comparing Covered California Subsidy-Eligible Enrollment to Other States

Subsidy-Eligible Plan Selections as a Percent of Total Potential Subsidy-Eligible for All States



Using Kaiser Family Foundation¹ data, by the end of the second open enrollment period Covered California enrolled 68 percent of subsidy-eligible individuals, which is among the top 10 states and 11 percentage points higher than the national average.

¹ 2015 data: Kaiser Family Foundation's "Marketplace Enrollees Eligible for Financial Assistance as a Share of Subsidy-Eligible Population" (<http://bit.ly/1drsT2L>).
2014 data: Kaiser Family Foundation's "Marketplace Enrollees by Financial Assistance Status, April 2014" (<http://bit.ly/1Iznep5>) and (<http://bit.ly/1MCWJOe>).



The Value of Standard Benefit Design: A Tale of Three Cities

By offering fewer, but standardized products, Covered California offers **better** options, creating more value for consumers.

The number of health insurance products available at the Silver tier:

Los Angeles

7

Silver plans offered
through 6 carriers

Denver

35

Silver plans offered
through 8 carriers

Miami

35

Silver plans offered
through 8 carriers



The Impact of Standard Benefit Design On Consumers' Product Choices: A Tale of Three Cities

Products offered in states **not** actively purchasing results in confusing product options that could easily lead consumers to make poor choices, either by picking a product that's too expensive or has the wrong benefit package.

Los Angeles – 7 Silver products available	Denver – 35 Silver products available	Miami – 35 Silver products available
<p>Premium: \$457 - \$649 per month</p> <p>Benefits not subject to deductible – see standard benefit design</p> <p>Deductible brand drug deductible \$0 - \$4,000 \$0 - \$500</p> <p>High cost and infrequent services 10-20% of your plan's negotiated rate</p> <p>Maximum out-of-pocket \$12,500</p>	<p>Premium: \$602 - \$1,362 per month</p> <p>Benefits — For some plans, regular outpatient care is subject to deductible</p> <p>Deductible combined medical & drug ranges between: \$0 to \$10,000</p> <p><i>additional details vary widely by plan</i></p> <p>Maximum Out-of-Pocket Ranges from \$7,300 to \$13,200</p>	<p>Premium: \$539 - \$1,267 per month</p> <p>Benefits — For some plans, regular outpatient care is subject to deductible</p> <p>Deductible combined medical & drug ranges between: \$0 to \$11,500</p> <p><i>additional details vary widely by plan</i></p> <p>Maximum Out-of-Pocket Ranges from \$7,000 to \$13,200</p>
<p>California 2015 Enrollment</p>	<p>Colorado 2015 Enrollment</p>	<p>Florida 2015 Enrollment</p>

Covered California compared plans in three different states for a family of four with 35-year-old adults who earn \$70,000 per year seeking a Silver plan.



The Danger of Non-Standard Benefit Design: A Tale of Three Cities

Not having Standard Benefit Design results in too many plan options that could make a consumer choose what looks like is the “cheapest plan”, but may not offer affordable services when utilized.

Los Angeles — Health Net Silver	Denver — HealthOP Bison Flex	Miami — Assurant Health Silver
<p>Premium: \$129 per month after tax credit of \$90</p>	<p>Premium: \$183 per month (does not account for tax credit reduction)</p>	<p>Premium: \$252 per month after tax credit of \$101</p>
<p>Benefits NOT subject to deductible</p>	<p>Benefits NOT subject to deductible</p>	<p>Benefits NOT subject to deductible</p>
<ul style="list-style-type: none"> Wellness visit Primary care visit Specialist visit X-rays Generic drugs 	<ul style="list-style-type: none"> Wellness visit Generic drugs 	<ul style="list-style-type: none"> Wellness visit
<p>Benefits subject to deductible</p>	<p>Benefits subject to deductible</p>	<p>Benefits subject to deductible</p>
<ul style="list-style-type: none"> Imaging Preferred drugs In-patient hospital care 	<ul style="list-style-type: none"> Primary care visit Specialist visit Imaging X-rays In-patient hospital care 	<ul style="list-style-type: none"> Primary care visit Specialist visit Imaging X-rays Generic drugs Preferred drugs In-patient hospital care
<p>Deductible: \$2,000 medical; \$250 drug</p>	<p>Deductible: \$3,900 medical and drug</p>	<p>Deductible: \$3,500 medical</p>
<p>Maximum Out-of-Pocket: \$6,250</p>	<p>Maximum Out-of-Pocket: \$6,600</p>	<p>Maximum Out-of-Pocket: \$3,500</p>

Premium and subsidies are based on 30 year-old who earns \$25,000 per year.



Covered California is Building the Platform To Improve the Delivery of Care

For Covered California, being an “active purchaser” is about far more than just selecting plans and negotiating for the best possible rates. The negotiations and contract requirements are specifically designed to promote the triple aim at the delivery of care: better quality, promoting health and wellness and lowering costs.

Covered California recognizes that promoting better care delivery and reducing disparities requires coordinated action across large public and private purchasers and the plans they contract with.

The following link shows the contract terms all Covered California plans must agree to. Specifically, Attachment 7 addresses quality, network management and delivery system standards: <http://hbex.coveredca.com/solicitations/QHP/library/QHPModelContractAttachments-Final.pdf>.

Based on these, plans have requirements to:

- Participate in payment reform and quality collaboratives
- Develop programs that chart progress in reducing health disparities in meaningful and measurable ways.
- Have a process that determines, monitors and records the health status of consumers over the age of 18 and use the information to promote better health among consumers.
- Encourage consumers to use their insurance and seek health and wellness services.
- Help consumers select a primary care physician, find a federally-qualified clinic or team-based center (medical home) to coordinate all health and wellness needs.
- Actively help consumers with chronic conditions manage their illness through providers specializing in coordinated care. Conditions could include hypertension, diabetes, asthma and heart disease.
- Provide and update information showing total costs and out-of-pocket costs for the most-used services and highest-cost services.

Covered California is assessing health plans efforts in these areas and will be “raising the bar” in coming years.