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Background

Informational Hearing: California Health Benefit Exchange: Progress toward ACA Implementation

Monday, September 23, 2013
State Capitol, Room 4202
1:00 pm

Peter Lee, Executive Director of Covered California, California's Health Benefit Exchange and Toby Douglas, Director of the Department of Health Care Services (DHCS), which is the department that administers Medi-Cal, California's Medicaid Program have been invited to update the Assembly Health Committee on the status of their efforts to prepare for new federal Patient Protection and Affordable Care Act (ACA) health coverage opportunities. After the presentations, speakers representing physicians, health plans, consumer organizations, and others will share with the Committee efforts under way to educate the public and specific populations about the health coverage changes coming soon.

Background on the ACA

On March 23, 2010, the ACA became law, with the objective to increase the number of Americans with health insurance coverage. The law contains many provisions, including statutory changes affecting the regulation of and payment for certain types of private and public health insurance. By 2014 states must either operate separate health benefit Exchanges that offer individual and small-group health coverage or rely on the federal Exchange. Exchanges are not insurers, but will provide a market place for eligible individuals and small businesses to select and purchase private health insurance plans in a way that allows concrete comparisons. In 2014, some individuals with income below 400% of the federal poverty level (FPL) will qualify for tax credits or advanced premium tax credits (APTCs)ⁱ toward their premium costs, and individuals with incomes below 250% of the FPL will qualify for cost-sharing subsidies for insurance purchased through an Exchange. Beginning in 2014, individuals will be required to maintain health insurance or pay a penalty,ⁱⁱ with exceptions for financial hardship (for example, if health insurance premiums exceed 8% of household adjusted gross income), religion, incarceration, and immigration status.

Other aspects of the ACA expand access to affordable health insurance coverage. For example, under the ACA requirement of "guaranteed issue," health plans offering coverage to individuals must accept every individual that applies for coverage. However, enrollment is available only during open or special enrollment periods. Additionally, health plans are limited in the factors they can use to establish their premium rates. There are four factors allowed under the ACA: age (an older person can only be charged up to three times that of a young person), geographic location, family size, and tobacco (however, California does not allow tobacco rating of insurance products in the individual and small group market).

The ACA also contains a number of improvements to the Medicaid program. One of the most significant is the addition of a new state-optional eligibility category made up of childless adults between the ages of 19 and 65, who are not disabled or pregnant, and not previously eligible for Medi-Cal.ⁱⁱⁱ The ACA also requires states to provide Medicaid coverage to all parents and caretaker relatives with family incomes up to 138% FPL. In addition, the ACA provides coverage for individuals up to age 26 who were in the foster care system at age 18. Furthermore, the ACA requires coordination between Medicaid, Children's Health Insurance Programs (CHIP), and Exchanges, as well as simplifies the Medi-Cal enrollment and renewal process.

California Implementation Activities

California was the first state in the nation to enact legislation (AB 1602 (John A. Pérez), Chapter 655, Statutes of 2010 and SB 900 (Alquist), Chapter 659, Statutes of 2010) creating an Exchange. Covered California is the State's Exchange and it operates as an independent government entity with a five-member Board of Directors. Four board members are appointed as follows: the Governor has two appointees, the Senate Committee on Rules and the Speaker of the Assembly each has one appointee. The fifth member of the board is the Secretary of the Health and Human Services Agency, who serves as an ex-officio, voting member. Board members must have demonstrated and acknowledged expertise in at least two of these areas: individual health care coverage, small employer health care coverage, health benefits plan administration, health care finance, administering a public or private health care delivery system, or purchasing health plan coverage.

Many private plan options will be available through Covered California. Consumers can already begin shopping for coverage at www.CoveredCa.com/fieldcalc. Twelve health insurance companies will offer coverage in the Covered California individual Exchange, with six of those companies also offering plans through the Exchange's Small Business Health Options Program (SHOP) market. A 13th tentatively selected company, Ventura County Health Care Plan, opted out of Covered California in the first year.^{iv} While comparing future to present premium rates is a challenge because of the changes required by the ACA, Covered California has achieved comparable products to the small employer market, where Covered

California rates for 2014 range from 2% above the 2013 average premium to 29% below the rates in California's most populous markets. Five companies will offer pediatric dental benefit plans in the individual Exchange and seven plans will offer pediatric dental coverage in the SHOP for 2014. Rates for some pediatric dental plans will be as low as \$8 per month in some areas.^v

In 2014, many California health plans will provide more comprehensive coverage options than are available for purchase today. All health plans purchased through Covered California must cover a range of services called Essential Health Benefits (EHBs). California established its version of EHBs through AB 1453 (Monning), Chapter 854, Statutes of 2012 and SB 951 (Ed Hernandez), Chapter 866, Statutes of 2012. These EHBs include coverage for prescription drugs, mental health care, hospitalization, doctor visits and more. Preventive services such as mammograms and colonoscopies are also covered with no out-of-pocket costs. Plans are also required to offer standard benefit designs^{vi} in four tier categories: platinum, gold, and silver, bronze. Platinum plans have higher premiums but pay, on average, 90% of health care expenses. Bronze plans have the lowest premiums but only pay 60% of covered expenses.

Many individuals will be able to buy more affordable health insurance than they could buy today. Rates vary by plan, region, metal tier level, and age. Statewide average premium rates for silver plans across all 19 regions are \$321 per month. APTCs, which will lower premium rates, are available through Covered California based on an individual's income. The APTCs cap the amount an individual has to spend on health insurance and are based on the second lower cost silver plan for the region. An individual can use the dollar amount of the APTC to buy any plan in the platinum, gold, silver, or bronze tiers but must pay the difference between the APTC amount and the actual premium, if any. In addition to the APTC, individuals with incomes at or below 250% of the FPL will receive cost-sharing subsidies (that lower the average amount an individual would pay out-of-pocket for co-payments, co-insurance, and deductibles). However, individuals only receive cost-sharing subsidies in the silver benefit tier. Catastrophic plans will also be available for individuals up to age 30, or those individuals who can provide a certification that they are without affordable coverage or are experiencing hardship.

Millions of Californians stand to benefit from more affordable plan choices, and others will gain access to new and improved public and private health coverage options. About 2.6 million Californians will qualify for APTCs and an additional 2.7 million who do not qualify for APTCs will benefit from guaranteed coverage through Covered California or from an insurance company in the individual market. According to a model of California insurance markets known as the California Simulation of Insurance Markets, 5.6 million Californians were without health insurance in 2012, equating to 16% of the population under age 65.

California has also enacted legislation to implement the Medicaid changes in state law through AB 1X 1 (John A. Pérez), Chapter 3, Statutes of 2013 and SB 1X 1 (Ed Hernandez and Steinberg), Chapter 4, Statutes of 2013. A recent study estimates that when California implements the Medi-Cal provisions, more than 1.4 million of these individuals will be newly eligible, of which between 750,000 and 910,000 are expected to be enrolled at any point in time by 2019. This study, *Medi-Cal Expansion under the Affordable Care Act: Significant Increase in Coverage with Minimal Cost to the State*, Laurel Lucia, Ken Jacobs, Greg Watson, Miranda Dietz, and Dylan H. Rob, UC Berkeley Center for Labor Research and Education, UCLA Center for Health Policy Research, January 2013, also finds that about 2.5 million Californians are already eligible for Medi-Cal but not enrolled and between 240,000 and 510,000 of them are expected to be enrolled at any point in time by 2019 as a result of implementing the ACA.

Under the ACA, enrollment for Exchange plans and Medi-Cal must be coordinated. Therefore, eligibility at the Exchange will begin with a screen for Medi-Cal eligibility. If an individual is not found eligible for Medi-Cal, the State must collect necessary information and determine potential eligibility for APTC. States are also required, to the maximum extent possible to rely on electronic data matches with trusted third party sources to verify information provided by applicants.

California is moving quickly to develop the infrastructure to support enrollment in time for the initial six month open enrollment period of October 1, 2013 through March 31, 2014. Coverage through Covered California can begin January 1, 2014. The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) procurement, conducted jointly by the Exchange and DHCS is the information technology system to support the consumer application and enrollment process at the Exchange. The portal will offer eligibility determinations for both Medi-Cal and federally subsidized coverage through the Exchange. It will allow enrollment through multiple access points including mail, phone, and in-person applications. It is guided by a "no wrong door" policy that is intended to ensure the maximum number of Californians obtain coverage appropriate to their needs. The CalHEERS business functions include interfacing with the Medi-Cal eligibility data system. It will also have the capacity to be a secure interface with federal and state databases in order to obtain and verify information necessary to determine eligibility. Online application functionality is expected to be available beginning October 1, 2013 at www.CoveredCa.com. Some features not critical for day 1 will roll out in scheduled maintenance releases in the weeks following October 1. A paper application will also be available in multiple languages and in large format. The application is three pages per individual. With introductory material, a privacy statement, optional questions, attachments and FAQs, the total package is 33 pages. Individuals can also apply using a toll-free number (1-888-300-1506).

For consumer assistance, Covered California will open a total of three California Service Centers, in Rancho Cordova, Concord, and Fresno to answer questions and enroll consumers in private health plans and Medi-Cal coverage. Two of three will be functioning by the time the marketplace launches on October 1, 2013, with the expectation that 442 Service Center representatives will be working at the two centers and another 253 people will be working as management, back office, and quality assurance staff. Another 300 will be hired at the Fresno center which will be operational by mid-November. County welfare departments are also developing new work flows to respond to inquiries.

In late June, the California Endowment and DHCS announced \$26.5 million in funding for Medi-Cal outreach and enrollment assistance to be matched by the federal government for a total of \$53 million. This funding will provide \$28 million in private and federal monies to support enrollment for up to 450,000 Medi-Cal applicants, through in-person enrollment assistance payments, and make an additional \$25 million available in grant funds for local outreach and enrollment opportunities. Included in this funding is \$6.5 million for Medi-Cal retention assister payments during the annual eligibility review.

Covered California has a broad outreach and education strategy, which includes \$43 million in grants. In March of 2012, Covered California awarded Ogilvy PR Worldwide \$900,000 to develop the campaign. Covered California reported in July of 2013 that as part of this effort it had teamed up with 50 grantees and more than 200 subcontractors to help educate consumers about the state's health insurance Exchange. The grants are aimed at reaching diverse, underserved communities about Covered California health insurance plans available online, over the phone, or via in-person enrollment under the new health care reform law. Covered California awarded \$34 million to organizations targeting consumers and another \$3 million to organizations that reach out to small businesses qualified to provide coverage to employees through the SHOP.

The Outreach and Education Grant Program establishes partnerships with key organizations, including universities, faith-based organizations, and unions that have trusted relationships with uninsured individuals. The grant recipients are expected to reach approximately nine million individuals and more than 200,000 small businesses across all 58 counties to raise public awareness about the competitively priced health insurance companies available through Covered California. The grant recipients represent a mix of culturally and linguistically diverse groups targeting Californians where they live, shop, work, and play. In July 2012, as part of this campaign, Covered California announced a partnership with Sierra Health Foundation providing nearly \$1.5 million in grants to help educate consumers in Northern California about the State's new health insurance marketplace. Together their outreach and education efforts will focus on 24 mostly rural counties in Northern California. In August 2012, Covered California announced \$3.1 million in grants to four medical associations to help doctors, nurses, pharmacists and other clinicians increase their knowledge

of the ACA and how Covered California's new health insurance marketplace works. The expectation is for these medical professionals to help educate their patients about the new coverage options available through Covered California and about how to obtain financial assistance to help pay for them.

Covered California is training and certifying staff of funded organizations to provide outreach and education to eligible consumers throughout the state. These staff will be referred to as Covered California Certified Educators. The selected organizations will reach consumers in the following 13 languages: Arabic, Armenian, Chinese, English, Farsi, Hmong, Khmer, Korean, Laotian, Russian, Spanish, Tagalog, and Vietnamese. In mid-July 2013, Covered California launched its Certified Educator training statewide to certify about 2000 educators. These Covered California Certified Educators will focus outreach and education on the 5.3 million Californians in need of health insurance. During their three day course, the educators were taught how to disseminate clear, accurate, and consistent messages that eliminate barriers, increase interest, and motivate consumers to enroll in coverage. Topics included insurance plan options, consumer eligibility and privacy, and an overview of the ACA.

Beginning Labor Day 2013, television ads were released in three test markets: San Diego, Sacramento, and Chico/Redding. By October 2013, other television markets will be added. The phased approach allows Covered California to test the impact of ads and fine-tune its customer service process. Covered California has budgeted \$45 million for the initial push of paid media through March 2014 and plans to spend another \$35 million from April through December 2014. The funds come from a one-time federal grant.

Covered California is also working to train and certify health insurance agents who will be able to sell health insurance plans in the Exchange marketplace. Covered California certified insurance agents will form a statewide network of trained and knowledgeable professionals to work personally with consumers and small businesses, helping them successfully obtain health care coverage. For the SHOP, Covered California has announced General Agents for 2014. These General Agents will provide product and sales training to the broader insurance agent market and recruit agents to promote enrollment in the SHOP, among other responsibilities. Covered California is also developing health plan based enrollment requirements.

Conclusion

Much has been accomplished both at the federal level and here in California since the passage of the ACA in 2010. The Legislature has moved quickly to adopt necessary implementing legislation.^{vii} Covered California, a brand new start-up, and DHCS have been working to put major systems in place in a very short timeframe to ensure that California is ready to implement the ACA. As is true with many major information technology projects, California

has a history with projects being over budget and extremely delayed, yet the CalHEERs system is expected to launch beginning October 1, 2013.

While so much has been done to prepare for opening day, this is really just the first of many major milestones ahead. There is still much more to do to realize the objectives of the ACA. Even Covered California has acknowledged that there will be bumps in the road. Stakeholders seem committed to resolving glitches or problems as they arise. Policymakers will continue to closely monitor the activities to assess the extent to which progress is made in order to achieve projected enrollment goals. Based on historical trends of launching coverage programs and national estimates, Covered California and DHCS have forecasted the following enrollment goals:

By the end of the first open enrollment period (April 1, 2014) 487,000 to 696,000 subsidy eligible Californians will be enrolled.

- By the end of 2014 (Medi-Cal has no open enrollment period); there will be 1.1 million in new Medi-Cal enrollments.
 - 700,000 newly eligible under the ACA
 - 350,000 previously eligible, but benefitting from new streamlined application

Implementation of the ACA in California is a massive undertaking. California's population is incredibly diverse in so many ways. It will be important for the Legislature to continue to work with Covered California and DHCS to ensure that enrollment reaches the most underserved populations, that California's health coverage market thrives, and that the promise of expanded and affordable coverage is realized in California.

ⁱ APTCs are available for individuals and families who meet certain income requirements and do not have access to affordable health insurance through their employer or another government program.

Eligibility for APTCs is based on a standard, called the "federal poverty level." The FPL is used to determine eligibility for certain programs and benefits. In 2012, the FPL for an individual was \$11,170 per year and \$23,050 for a family of four. The size of the tax credit is based on a sliding scale, with those who make less money getting more financial support to lower the cost of their insurance coverage. Individuals and families who make between 138% and 400% of the FPL may be eligible for an APTC. This means that an individual making up to \$44,680 and a family of four earning up to \$92,200 may be eligible for an APTC.

Household Size	Annual Income	Yearly Cost of Health Insurance (without APTC)	Yearly Federal APTC	New, Lower Cost of Health Insurance
4	\$31,900	\$12,300	\$11,100	\$1,200 (\$100 per month)
4	\$88,800	\$12,300	\$3,900	\$8,400 (\$700 per month)
1	\$27,000	\$4,548	\$2,460	\$2,100 (\$175 per month)

- ii In 2014, the penalty is 1% of yearly income or \$95, whichever is higher. By 2016, it will be 2.5% or \$695. After 2016 the penalty amount increases based on a cost-of-living adjustment.
- iii Those with incomes of less than \$15,000 for a single individual and \$31,180 for a family of four will be eligible for the new Medi-Cal category.
- iv The following companies will offer plans in Covered California’s individual market: Alameda Alliance for Health, Anthem Blue Cross of California, Blue Shield of California, Chinese Community Health Plan, Contra Costa Health Plan, Health Net, Kaiser Permanente, L.A. Care Health Plan, Molina Healthcare, Sharp Health Plan, Valley Health Plan, and Western Health Advantage. Covered California selected the following health plans to participate in SHOP: Blue Shield of California, Chinese Community Health Plan, Health Net, Kaiser Permanente, Sharp Health Plan, and Western Health Advantage. In addition, for pediatric oral benefits, five insurance companies will offer plans to families who buy insurance through Covered California in 2014: Anthem Blue Cross, Blue Shield of California, Delta Dental, Liberty Dental, and Premier Access. Seven companies will offer dental plans in Covered California’s SHOP: Blue Shield of California, Delta Dental, Guardian, Liberty Dental, MetLife, Premier Access, and Safeguard.
- v For pediatric oral benefits, five insurance companies will offer plans to families who buy insurance through Covered California in 2014: Anthem Blue Cross, Blue Shield of California, Delta Dental, Liberty Dental, and Premier Access. Seven companies will offer dental plans in Covered California’s SHOP: Blue Shield of California, Delta Dental, Guardian, Liberty Dental, MetLife, Premier Access, and Safeguard.
- vi Standard Benefit Design:

Coverage Category	Bronze Covers 60% *	Silver Covers 70% *	Gold Covers 80% *	Platinum Covers 90% *
** Preventive Care Copay	No Cost	No Cost	No Cost	No Cost
Primary Care Visit Copay	\$60 (3 visits)	\$45	\$30	\$20
Specialty Care Visit Copay	\$70	\$65	\$50	\$40
Urgent Care Visit Copay	\$120	\$90	\$60	\$40
Emergency Room Copay	\$300	\$250	\$250	\$150
Lab Testing Copay	30%	\$45	\$30	\$25
X-ray Copay	30%	\$65	\$50	\$40
Generic Medicine Copay	\$25 or less	\$25 or less	\$20 or less	\$5 or less
Annual Out of Pocket Maximum Individual and Family	\$6,350/Individual \$12,700/Family	\$6,350/Individual \$12,700/Family	\$6,350/Individual \$12,700/Family	\$4,000/Individual \$8,000/Family

* Average annual cost
 ** In most situations, this is true for one visit per year

vii See list attached