Assembly
California Legislature

ASSEMBLY COMMITTEE ON HEALTH
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Briefing Paper

Informational Hearing:
Covered California: Results from the First Open Enrollment

State Capitol, Room 4202
Tuesday, May 6, 2014
Upon Adjournment of
Assembly Health Committee Bill Hearing

The Assembly Health Committee is holding an informational hearing looking at the results from the first open enrollment period for the purchase of health insurance under the provisions of the Patient Protection and Affordable Care Act (ACA). Peter Lee, Executive Director of Covered California, California's Health Benefit Exchange and Toby Douglas, the Director of the Department of Health Care Services (DHCS), the department that administers Medi-Cal, California's Medicaid Program, have been invited to update the Committee on the status of their efforts to implement the relevant provisions of the ACA. After the presentations, speakers representing physicians, health plans, consumer organizations, and others will share with the Committee their perspective on the successes and challenges involved with enrolling Californians in health insurance purchased in the Exchange and into the Medi-Cal program.

Background on the ACA

On March 23, 2010, the federal ACA became law. Among its many provisions, one of the most important objectives of the ACA was to increase the number of Americans with health insurance. The ACA includes statutory changes affecting the regulation of and payment for certain types of private health insurance, and beginning this year, either a state will operate a separate health benefit exchange to offer individual and small-group health coverage or rely on the federal exchange. Exchanges are not insurers but provide a marketplace for eligible individuals and small businesses to select and purchase private health insurance plans. One of the objectives of the Exchange is to make health insurance available to consumers in a way that allows concrete comparisons.

Beginning this year, individuals are required to maintain health insurance or pay a penalty, with exceptions for religion, incarceration, immigration status, and financial hardship (if health insurance premiums exceed 8% of household adjusted gross income). Assistance is available; some individuals with income below 400% of the federal poverty level (FPL) will qualify for tax credits or advanced premium tax credits (APTCs) toward their premium costs and subsidies toward their cost-sharing for insurance purchased through an exchange. APTCs are only available for plans purchased through an exchange. See Appendix for a description of APTCs.

Other aspects of the ACA expand access to affordable health insurance coverage. For example, under the concept of guaranteed issue, health plans offering coverage in the individual and small employer markets must accept every individual and employer 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 only 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).

The ACA also significantly expanded the Medicaid program, operated under the name Medi-Cal in California. One of the most significant changes 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. Those with incomes of up to 138% of the FPL (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. ACA does require 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, commonly referred to as CHIP, and exchanges, as well as simplifying 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, Statues of 2010) creating Covered California, as a state-based exchange that is operating as an independent government entity with a five-member Board of Directors. The Board members are appointed by the Governor, the Senate Committee on Rules, and the Speaker of the Assembly. The Secretary of the California Health and Human Services Agency serves as a an ex-officio, voting member. Board members must have demonstrated and acknowledged expertise in at least two 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, and purchasing health plan coverage.

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 include coverage for prescription drugs, behavioral health care, hospitalization, doctor visits, and more. Preventive services such as mammograms and colonoscopies are covered with no out-of-pocket costs. Plans are also required to offer standard benefit designs in four tier categories: platinum, gold, silver, and bronze).

Many individuals have reported being able to buy more affordable health insurance than they could buy today. Rates vary by region, metal tier level, and age. Statewide average premium rates for silver plans across all 19 regions are $325 per month. APTCs are available through Covered California based on an individual's income. The APTCs cap the amount an individual has to spend 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. 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.

Many 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 federal financial assistance and an additional 2.7 million who do not qualify for assistance 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, about 16% of the population under age 65, were without health insurance in 2012.

California has also enacted legislation to implement the Medicaid changes in state law, AB 1 X1 (John A. Pérez), Chapter 3, Statutes of 2013-14 First Extraordinary Session and SB 1 X1 (Ed Hernandez and Darrell Steinberg), Chapter 4, Statutes of 2013-14 First Extraordinary Session. A study from 2013 projected that upon implementation of the Medi-Cal provisions, more than 1.4

million uninsured individuals would be newly eligible, of which between 750,000 and 910,000 were 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*, by Laurel Lucia, Ken Jacobs, Greg Watson, Miranda Dietz, and Dylan H. Roby, and published jointly by the UC Berkeley Center for Labor Research and Education and the UCLA Center for Health Policy Research also estimated that about 2.5 million Californians were already eligible for Medi-Cal but not enrolled and projected enrollment of between 240,000 and 510,000 of them by 2019 as a result of implementing the ACA.

The enrollment for Exchange plans and Medi-Cal is coordinated. Eligibility at the Exchange begins with a Medi-Cal screen. If an individual is not found eligible for Medi-Cal, the state collects necessary information and determines potential eligibility for APTC in an Exchange plan. 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 moved quickly to develop the infrastructure to support the enrollment in time for the initial open enrollment period which ran from October 1, 2013, through March 31, 2014, for coverage beginning January 1, 2014. The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) procurement, conducted jointly by the Exchange, and DHCS, built the information technology system to support the consumer application and enrollment process at the Exchange. Following extensive review and stakeholder comment and input, Accenture was hired through a solicitation process for the design, development, and deployment of CalHEERS.

The portal offers eligibility determinations for both Medi-Cal and federally subsidized Covered California coverage through the Exchange. It also allows 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 also connect with the Medi-Cal eligibility data system.

For consumer assistance Covered California operates three California Service Centers, in Rancho Cordova, Concord, and Fresno to answer questions and enroll consumers in private health plans and Medi-Cal coverage. The California Endowment and DHCS provided funding for Medi-Cal outreach and enrollment assistance. This funding was to support enrollment for up to 450,000 Medi-Cal applicants through in-person enrollment assistance payments, and also to make available grants for local outreach.

Covered California has a broad outreach and education strategy. As part of this effort Covered California teamed up with 50 grantees and more than 200 subcontractors to help educate

consumers about the state's health insurance exchange. The grants were aimed at reaching diverse, underserved communities about the 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 funds to organizations targeting consumers and to organizations that reach out to small businesses qualified to provide coverage to employees through the Small Business Health Options Program, also known as 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 were expected to reach approximately 9 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 grantees represent a mix of culturally and linguistically diverse groups targeting Californians where they live, shop, work, and play.

Covered California trained and certified staff of funded organizations to provide outreach and education to eligible consumers throughout the state. These staff are termed Covered California Certified Educators. The efforts of these Educators are focused on outreach and education of uninsured Californians. During a 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 include insurance plan options, consumer eligibility, privacy, and an overview of the ACA.

Television ads also played an important role in Covered California's outreach strategy. Covered California budgeted $45 million for the initial push of paid media through March 2014 and plans to spend another $35 million from April to December 2014. The funds come from a one-time federal grant.

Covered California also worked with health insurance agents trained and certified by Covered California who were then able to sell Covered California health insurance plans in the marketplace. Covered California Certified Insurance Agents formed a statewide network of trained and knowledgeable professionals to work personally with consumers and small businesses, helping them successfully obtain health care coverage.

Working in concert with certified insurance agents were certified enrollment entities and certified enrollment counselors. Certified enrollment counselors are certified by Covered California to provide culturally and linguistically appropriate one-on-one counseling and assistance to consumers in need of help with applying for Covered California programs.

Counselors work for certified enrollment entities, which are community-based organizations that conduct outreach and enrollment activities, and are not employees of the Exchange.

Results from the first Open Enrollment

Approximately 1.4 million California consumers enrolled in health insurance plans through the Exchange. This total far exceeded expectations; the forecast was that approximately 800,000 would enroll. Of those who enrolled, most, approximately 1.2 million, were eligible for financial subsidies to help cover the cost of their health insurance. The Covered California website was used to enroll for coverage by 41 percent of all consumers. A very similar proportion of 39 percent, were enrolled by Certified Insurance Agents. The remainder were enrolled by Covered California certified enrollment counselors and service center representatives.

An additional 1.9 million enrolled in Medi-Cal. This total includes 650,000 people who were in the former Low Income Health Program created as part of the state's transition to health care reform. Most Medi-Cal eligible applicants were enrolled either through Covered California or through county offices.

Of the total enrolled in Covered California and who were willing to disclose their race, approximately 300,000 or 28 percent were Latino, more than the projection by Covered California of 265,000 individuals. There was widespread concern regarding the early enrollment figures which has a low proportion of Latinos being enrolled into Covered California. However, targeted efforts were able to boost enrollment during the remainder of the open period and exceeded the basic projection.

Younger Californians had a strong showing according to Covered California. They were 36 percent of those who enrolled in coverage. Some experts had forecast that 40 percent of those enrolled nationally would be young adults and California's total was not far from that.

Issues for the Committee to consider

There was a nationwide spate of information technology problems. Malfunctioning websites had a significant impact on enrollment. The difficulties should not be too surprising given the technological hurdles that had to be faced. State Medicaid agencies largely used legacy computer systems making connecting new exchange systems and the older state systems a significant challenge, especially when combined with the myriad rules and regulations governing Medicaid programs. The Committee may want hear testimony regarding what steps are being

taken to improve websites, not just at covered California but those of health plans and others involved in enrollment.

The technology problems helped contribute to a backlog of potential Medi-Cal enrollees. The Committee may want to hear about the steps taken to reduce the backlog and what steps need to be taken to continue to improve operations.

In person assistance is critically important for some seeking coverage. Some people are reluctant to complete transactions online. Additionally, problems with the Covered California website forced people to seek out in-person assistance when unable to complete their application online. For many, this may have been their first attempt enrolling into health care coverage and tackling the complexities of health insurance or the Medi-Cal program, therefore it was easier to have someone to lead them through the application process.
For those seeking in-person assistance, many sought out the county welfare offices. The Committee may want to hear about efforts to ensure consumers are aware of this resource. Since Medi-Cal does not have an open enrollment period, it is always important to make sure consumers know of their local county welfare offices.

There are still many Californians who are uninsured. The Committee may want to hear about these groups and what are the barriers to them gaining insurance and what possible solutions may help them gain coverage.

Appendix

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." Federal poverty levels are used to determine your eligibility for certain programs and benefits. In 2012, the federal poverty level 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 percent and 400 percent of the federal poverty level 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 (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)

Standard Benefit Designs by Metal Tier

Coverage Category	Bronze Covers 60% *	Silver Covers 70% *	Gold Covers 80% *	Platinum Covers 90% *
Preventive Care Copay (in most situations, this is true for one visit per year)	No Cost	No Cost	No Cost	No Cost
Primary Care Visit Copay	$60 for 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 for you and $12,700 for your family	$6,350 for you and $12,700 for your family	$6,350 for you and $12,700 for your family	$4,000 for you and $8,000 for your family

***Percentage of average annual cost**