



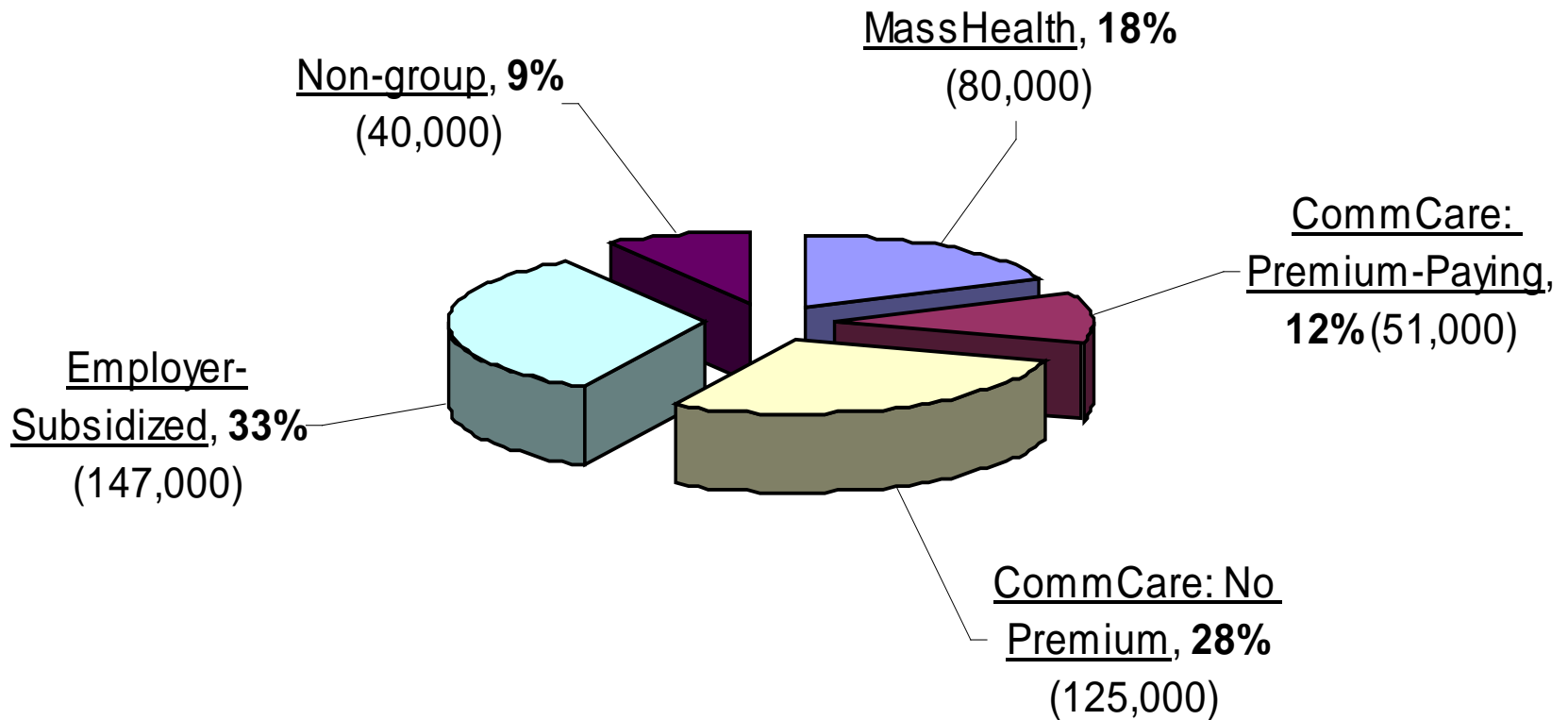
Structuring the Commonwealth Connector(s)

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2.6% Uninsured in Mass: 442,000 Newly Enrolled in Two Years



Two Distinct Commonwealth “Connectors”

- Gov’t-Subsidized Commonwealth Care Program:
 - 1 plan w/progressive copays & contributions
 - 4-5 MCOs offered at different price points
 - Annual bidding process
 - 165,000 adult members “shop”
- Private Commonwealth Choice Marketplace:
 - 4 benefit tiers, ranging from Young Adult Plan to “Gold”
 - 6 carriers participate (2-5 per zip code)
 - Rates set by carriers, same in/out of Connector
 - 20,000 = 25% of non-group market (50% of growth)



Commonwealth Care

- Subsidized, commercial-like coverage for adults not eligible for ESI, Medicaid, Medicare,...

- Progressive schedule of copayments (FY 2009):
 - <100%: virtually none
 - 101-200%: \$10/18 per visit, \$50 per stay, \$50 ER
 - 201-300%: \$15/22 per visit, \$250 per stay, \$100 ER

Risk-Adjusted Bidding for FY 10

1. **Target capitation for FY '10=claims paid + 2% trend (\$404 pmpm)**
2. **Adjusted for geography, benefits & acuity:**
 - use DxCG predictive software for risk score
 - Age/gender or predictive risk score, depending on history
 - MCO payments adjusted quarterly
3. **Market-share incentives to bid below target cap**
 - Price (>100% fpl)
 - Auto-assignment (<101% fpl)
 - Value-added benefits (<101% fpl)
4. **Over 100% of FPL, both enrollee contribution & public cost are based on the lowest bid**

FY '10 Discounts from 2% Trend: small decrease projected, pmpm

	Discount Percentage - Actual (Due to ASRR Floor)				
	BMC	FCHP	NHP	NH	CFHP
Boston	2.52%	2.10%	2.00%	5.39%	5.39%
Central	1.00%	0.00%	2.00%	4.06%	5.39%
North	5.39%	1.00%	2.00%	2.06%	5.39%
South	1.00%	4.00%	2.00%	5.39%	5.39%
West	1.00%	NA	2.00%	5.39%	NA

Shaded cell = greatest discount allowed i.e. 5.39%

For enrollees >100% FPL, CommCare capitates all MCOs at the same low-bid rate, and enrollees pay their income-related enrollee contribution, plus *pro rata* delta from low bid; below 100% FPL, CommCare pays each MCO its own bid rate

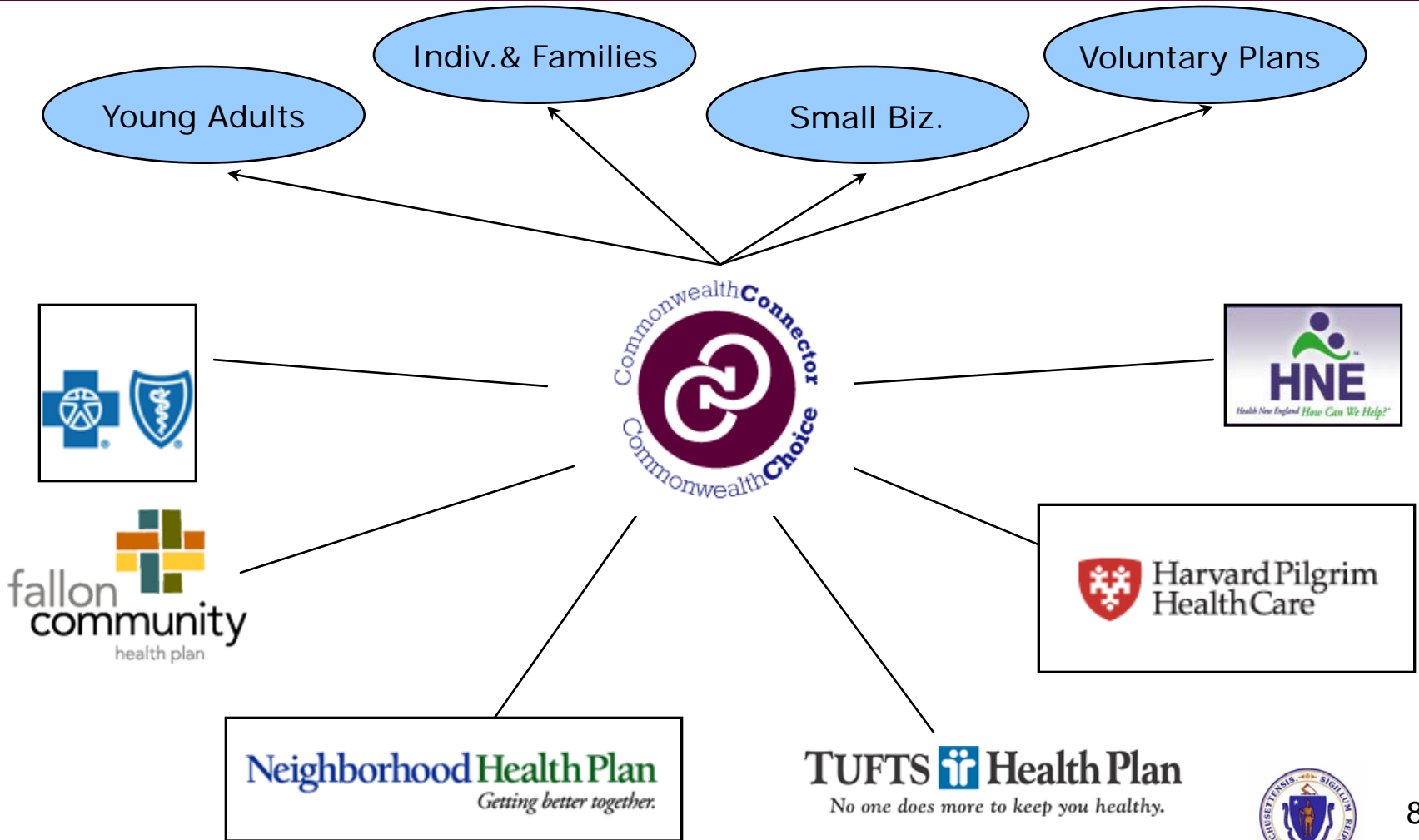


Shopping, Auto-Assignment + the MCO's "Commitment" to this Market Drive Bidding

Maximum Price "Signaling" Among MCOs

<u>FPL Group</u>	<u>Base Contrib'n</u>	+	<u>Max Add-on</u>	<u>Range</u>
100-150%	\$0		\$12.59	NA
151-200%	\$39.00		\$24.98	64%
201-250%	\$77.00		\$40.79	53%
251-300%	\$116.00		\$60.93	53%

Commonwealth Choice Serves Four Market Segments



Mass. Experience w/N-Group Reform

	1998	2006	2008
# Carriers	21	19	28
# Benefit Packages	26	30	180
Monthly Premium *	100%	244%	185%

* Premium relativities for an individual subscriber in Boston, enrolling in a standard HMO plan, for 1998 (just after "partial" non-group reform), 2006 (before comprehensive reform), and Oct. 2008 (after comprehensive reform), based on 3 leading HMOs



Rules of the Road (July 1, 2007)

- ACR, w/ guaranteed issue & renewal
- Individual mandate
- Small-group & non-group risk pools merged
- Same pricing/underwriting in/out of Connector
- All small-group insurers required to bid

Individuals Told us 3-5 HMOs at High, Medium & Low Benefit Levels

MCC Coverage for a 37-year-old Bostonian, July 2007

Benefit Level	Carrier A	Carrier B	Carrier C	Carrier D
Gold	\$474	\$521	\$417	\$319
Silver	\$372	\$380	\$303	\$256
Bronze	\$278	\$257	\$248	\$184

Twice the Benefits at Half the Price

	Pre-reform	Post-reform
Monthly Premium	\$335	\$184
Rx coverage	None	\$100 deductible
Deductible	\$5,000	\$2,000



CommChoice: Problems & Responses

1. How to convince carriers to cooperate?

- Ethos of “shared responsibility” (mandates)
- Prospects for market share at reasonable acquisition costs
- Decent risk selection



CommChoice: Problems & Responses

How to deliver volume?

- Marketing/outreach/promotion
- Serve multiple market segments
- Exclusive products
- Create “destination” web site
- Brand



CommChoice: Problems & Responses

How to deliver good risk?

- Individual mandate
- Young adult plans
- Focus on minimum credible coverage
- Uniform rating rules, in/out



CommChoice Issue #2: Scale Economies

Strong value proposition for connectors in non-group:

1. Transparency
2. Ease of buying (80% online)
3. Distribution costs (our 4.5% is modest)
 - Price-sensitive small households expensive to service
 - Automation/efficiencies especially feasible for non-group
 - Break-even point: 40,000 to 50,000 members
 - Web-based enrollment, billing, payment and servicing scalable



CommChoice Issue #3: Risk Selection

CommChoice premiums on same benefits tier vary 50% to 60%, probably reflecting:

- Actuarial/underwriting assumptions
- Network and reimbursement patterns
- Risk selection?