Defined Contribution Risk Adjuster Board Minutes

State Office Building Room 3112

Approved

August 24, 2010

Attendees: Nancy Askerlund, UID; John Borer, PEHP; Bob Wilcox, UID; Stephanie Jensen, PEHP; Matt Spencer, OCHS; Norm Thurston, DOH; Perri Babalis, Utah Attorney General; Dave Jackson, First West; Judi Hilman, Utah Health Policy Project; Russ Johnston, First West; Darcel Stucki, Moreton & Co; Randy Hughes, DTS; Gabriela Benitez, GBS Benefits; Cathy Dupont, OLRGC; Chet Loftis, Regence; Korey Capozza, Voices for Utah Children; Neal Gooch, UID; Tanji Northrup, UID; Sue Watson, OCHS; Jim Pinkerton, Regence (via telephone); Ann Ibrahim, Regence (via telephone); Frank Kyle, Altius (via telephone); Kim Miller, United Health Care (via telephone); Jody Atkinson, UHIA (via telephone); John Sweeney, Health Equity (via telephone); Wendy Wright, Moreton & Co (via telephone); Jan O'Brien, bSwift (via telephone); Brian Smart, Educator's Mutual (via telephone); Mark Brown, Select Health (via telephone); Lucy Feldkircher, Health Equity (via telephone)

- Dave Jackson called the meeting to order at 1:04 PM and welcomed the group
- Dave asked for any questions or concerns regarding the July 27, 2010 minutes. There were none. The minutes are approved as submitted
- Norm provided an update on board membership. Kurt Howell was appointed to the board. Todd Trettin is no longer part of the board. The board currently has 8 members
- Dave noted the contract for the Independent Actuary has been signed. It is key to the launch to have the Actuary ready to review the filings. In order to meet the September 1, 2010 launch, carriers have an August 31, 2010 deadline. Funding needs to be there for the Independent Actuary and we are only a week away from the filing deadline
    - Tanji stated the code requires rates for the insurers who are offering coverage in the Exchange be reviewed by the Independent Actuary prior to the posting. We have been through the RFP and the contract has been awarded. Now, there is a need to assess and collect money to pay for their work. Before Tanji can do the assessment, she needs the Board to come into agreement in how the code is made. The assessment can be made to all insurers offering coverage to small employers, it is not limited just to those in the Exchange. She is proposing $150,000 be assessed in three installments
    - Bob asked who was awarded the position
        - To ensure no conflicts of interest, two contracts have been awarded. One to Lewis Ellis and one to Milliman. Work will be done on a rotating basis with a best attempt to split the work equally between the two entities
    - Dave provided a summary of the recommendation from the Risk Adjustment and Premium Allocation (RA&PA) meeting. There will be an assessment to all active small employer carriers in the medical market. Assessment will be performed on a proration basis on covered lives (fully insured carriers). They anticipate using the data as of December 31, 2009 for the assessment. The assessment will be collected in three installments
        - Mark asked what the expected timing was for the three assessments
            - Tanji noted funds will need to be replenished once the funds in the account were depleted
        - Bob asked how much of the initial assessment needs to be collected before the Independent Actuary can start

            - Tanji needs to refer to the RFP to find the approximate cost for the first wave of filings
        - Mark asked what would happen if someone refused to pay the assessment
            - Tanji stated everything would stop. Rates cannot be posted until they are reviewed by the Actuary
        - Neal noted that once we have the assessment, we can talk about how to get it going and keep it going, but for now we need to get the assessment mechanism in place
    - Bob made a motion to assess the funding for the Independent Actuary of a total level of $150,000 in three equal installments to covered lives on information available in the last available health survey. Norm seconded the motion. Mark clarified that active carriers are those filing rates, which needs to be reviewed by the Independent Actuary. Dave suggested the motion be amended to say "active filing". The amended motion is to asses the funding for the Independent Actuary of a total level of $150,000 in three equal installments to active lives on information available in the last available health survey. There was no need for further discussion. All were in favor, none opposed. The motion carries
- Matt provided an update from OCHS
    - They are on track for the January launch with the September 1st - 15th window for employers seeking an eligible date of January 1. After September 15th, enrollment will be accepted for subsequent months. Employer applications will be gathered in September, employee applications gathered in October and open enrollment takes place in November
    - Matt noted the website is going to be revamped. The call center is ready for general questions for the public as well as for support for the producers
    - They are asking for a grant of $1 million. If approved, the money will be used for planning purposes for State and Federal health system reform
- Jan provided an update from bSwift
    - They are training underwriters this week, with additional training for United Health Group – the most recent carrier to join
    - Carriers are doing a good job on building plans out in the system
    - The webinar explaining the whole portal process (employer and employee application process) is being rescheduled for next week
- John Sweeney also provided an update from bSwift
    - A training plan is being prepared to aide in broker knowledge regarding applications
    - bSwift is working with OCHS to make sure all is developed on their side. When people call in, they will be prepared to answer questions and to provide the best customer service experience
        - Lucy added that they are focusing on testing their own code in their system, both in development and support of the CIS. They will have additional development this fall for the payment/distribution process. They are working on training this week to open the CIS on the 30th. They will be ready for e-file on September 6th
- Dave asked for more information on the call center
    - Matt explained the call center is funded through service fees built into the exchange. Service fees are allocated to producers who shepherd those into the Exchange. They will be provided with answers to basic questions of what is the Exchange, what is a defined

contribution and what is the process of enrolling for coverage for free. In addition to general services offered to all, there will be additional service to producers and employers for a cost of $7.00. The more robust level is $7.00, the portfolio of services is $3.00

- John Sweeney added the $3.00 level is the concierge level, which provides support to help brokers in getting groups enrolled and understanding concepts and timelines. The $7.00 level is the employee level for brokers without as much support dealing with employee level questions
- Mark asked if these fees are on top of the $37 PEPM commission
    - Matt answered the service fees are split between the broker and the call center
- Mark stated they submit a net premium (net of commission and fees), the commission is $37. He asked again if the $7.00 fee is added on top of the commission
    - Matt answered no. Of the $37 commission, there are three scenarios. The commission can be split up as $30/$7, $34/$3, or $37 with no split. There is no longer a requirement to use a broker. Those without a broker or producer will have $30 of the $37 go into escrow; the remaining $7.00 goes to the groups
        - Norm stated there is no way to save on commission by going without a producer. There is a $37 fee regardless
- Mark stated it was determined last year that OCHS wanted the Board to deal with allocation of the compensation. Commission is being collected this year for the Exchange so the Board should be directing where the money goes
    - Norm replied the Board is involved in risk adjustments, not the commission. The RAB is not an executive board of the Exchange, the Governor is. The Exchange is an agency in the Executive Branch
    - Mark answered the commission and the Exchange determined brokers would be required on all groups during the pilot. The $37 was intended to pay brokers
    - Norm stated this was a decision of the Carriers, not the Board. In other words, the commission was adopted by the Exchange, not the Board
- Korey asked where the money goes if an employer decides not to use the call center or a broker
    - Matt stated $7.00 is collected to fund the call center. $30 goes to the escrow for the benefit of the Exchange
- Jim stated from the July 29, 2009 meeting, the Board adopted broker commission on PEPM across all tiers as approved on 07/14/09 with no overrides or trip incentives. On August 17, 2009 we adopted the $37 level
    - Bob noted the amount was $37 at that time, period. There was no discussion of allocation
    - Matt stated they are allocating funds in an operational manner they saw most effective for the Exchange. They want to ensure a basic level of support for employee and consumer choice
    - Mark stated they should have a say in the intent of the escrow
    - Matt responded with the option to use $3.00 to fund the call center and allow broker commission to be $34, but there will still be a problem

with unassigned accounts. The issue is not necessarily the call center, but the variable amount in the Exchange that there is no control over

- Mark reported on the RA&PA Subcommittee meetings
  - Recommendation to the Board is that the current small employer risk adjustment be modified so that if the risk factor that is determined by the mediator is equally different than the risk factor determined by the primary and secondary underwriters, then the average risk factors of all three carriers should be used. Mark recalled the primary and secondary underwriters are randomly assigned. If the factors differ by more than 0.20 for the group (and 0.40 for the subscriber) then the mediator underwriter comes in
    - Mark provided an example of the primary and secondary underwriting determining the factors to be 1.2 and 1.7, respectively, and the mediator underwriter determines the factor to be 1.45, which is equidistant. The average of all three factors gives 1.45. If, instead, the mediator assigns a factor of 1.4, then this value is closer to the 1.2. An average of the two factors gives 1.3
  - Mark made the motion for small employer risk adjuster, if the risk factor determined by the mediator carrier is equally different, then the risk factor will be determined by averaging the risk factor of all three carriers. Jim seconded the motion. All were in favor
  - The next recommendation is the risk adjusting mechanism for the large employer pilot. They recommend using the “same” rating and risk allocation methodology as that being used on the small employer side of the Exchange. For large employers coming into the Exchange, the employee associated with that employer is required to fill out a health questionnaire. For those with more than 100 employees, the timing of the questionnaire will be when the employee is electing benefit coverage. Each carrier is required to produce rates for each plan offering in the Exchange and to make available to the Exchange to display to the employer group. Groups with 51-99 employees will be treated, timing wise, as employees of a 2-50 group. Even though these groups are different outside the Exchange, this will be more consistent with what is being anticipated in the 2014 Health Reform. Groups now in the pilot are all groups of 100+ employees. There is still a need for groups of 51-99 in the large employer pilot. If groups of 51-99 join the Exchange, they will fill out health applications (in a process similar to small employer) and rates will be determined in the same methodology. Ranges will still be determined by carriers on plans they offer so the risk factor is only offered for individual subscribers, not at the group level. Primary, secondary and mediation only apply to the subscriber risk factor, not the group. For groups of 100+ the same process occurs, but not until employees elect which carrier they want to go with. For 100+ employees, the health information does not affect development of their rate, it is already determined, so prospective rating will be used
    - Dave noted groups of 51-99 will be risk rated and groups of 100+ will be experience rated
    - Bob stated it is important to present to the 100+ level employers that this is a risk factor questionnaire, not an application for insurance
    - Norm confirmed it needs to be clear to those people that the questionnaire will not affect their premiums
    - Mark provided a recap. Groups of 51-99 have a health questionnaire that is required at the time of application of each of the employees. The rates are determined by each carrier for the group. Primary, secondary and mediator underwriters are used for risk factors for risk adjustment mechanism. For groups of 100+ employees, information is not gathered until the time of open

enrollment, at which time the appropriate risk factor is determined. The recommendation is for a retrospective pooling arrangement as the small employer is currently doing. The 51+ groups will be considered a separate pool and will not be mingled with the 2-50 groups

  - Mark made the motion for large employer groups in the Exchange, the health questionnaire is required up front for groups of 51-99 and at enrollment time for 100+. For groups of 51-99, carrier's rates will be determined using the same methodology of having a primary, secondary and mediator carrier randomly assigned in the same manner as the small employer side of the Exchange. This information will be used to determine risk factors in the same methodology for each subscriber. For large employer groups of 100+ employees, rates will be determined by each carrier using information currently submitted and required now. The health questionnaire will not be used in rate determination, but in a manner consistent with the 51-99 groups, where the primary, secondary and mediator carrier assigns a risk factor to each subscriber. The risk adjustment mechanism is consistent with what they currently do for the small employer market. The large employer groups will be separate and experience will not be comingled with the small employer groups. The retrospective pooling method will be the same methodology for small employer, again with no comingling. Kim seconded the motion. Norm abstained from a vote, none opposed
- Jim noted there were a few underwriting concerns that were not covered at the last meeting. This needs to be added to the next agenda, along with an updated plan of operation
- Dave is concerned from the market perspective for the January launch. In the small employer marketplace, 40% renew on January 1, with the remaining 60% spread along the rest of the year. One issue is the final broker certification to sell in the Exchange is September 16, 2010, when the employer option closes so we have brokers selling what they are not certified to sell, or they have to sit out until February 2011. If they are defaulted to February, then if the employer comes off renewal, they come off as a new group without a conversion factor. It is asking a lot to ask the employer to give up the conversion factor. Our 15 day calendar to adopt the Exchange is limiting to the adoption rate of January 1, 2011. If this is strategic, Dave is okay with it. If not, then he does not want to delay when the adoption takes place
  - Sue stated it is not an issue to extend the date, but asked if the Carriers will be able to accommodate the workload. It is up to the Carriers to determine if they can extend the date
  - Dave feels any extension will help to get brokers better prepared
- Meeting adjourned at 3:15 PM