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## **Towards a Successful California Health Insurance Exchange**

White Paper  
submitted by *CHOICE* Administrators®  
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## Executive Summary

A central element of the Patient Protection and Affordable Care Act is the creation of state health insurance Exchanges by 2014.

Initial consumer experience with the new Exchange may be a yardstick by which the success of health care reform is measured. Exchange performance will have a very real impact on the lives and access to health care for millions of Californians.

Full enrollment has proven elusive in past efforts for even heavily subsidized and no-cost coverage programs. Despite the Act's mandate to purchase, and the penalties and tax credit subsidies notwithstanding, many thoughtful commentators anticipate that full-or close to full-enrollment will be a challenge.

California faces the daunting challenge of launching a new California Exchange in less than four years that will be efficient and consumer-friendly.

This White Paper is offered by *CHOICE* Administrators, which operates the *CaliforniaChoice* small group and mid-market private Exchanges and actively manages one of the nation's largest Individual/Family online enrollment systems in America.

We offer our experience, observations and recommendations and hope to be able to contribute to the success of the new state Exchange. The vision we offer includes the following:

- Successfully harnessing California's established, proven enrollment resources.
- Reaching out to as many Californians as possible.
- Ensuring standard, accurate access to information for all Californians.
- Providing a consumer-friendly shopping experience.
- Accelerating the goal of near total enrollment.
- Achieving these goals in the most efficient manner possible and without adding additional cost to the operations of the state Exchange.

## Introduction

California will soon be building one or more Health Insurance Exchanges to serve the Individual/Family and the small group markets. The new state Exchange must be operational by 2014, but could launch sooner. The Exchange will help uninsured and insured Californians access unbiased information on health insurance options, including subsidized options for those who qualify. Californians will be able to enroll in the coverage of their choice and have it administered by the Exchange.

*CHOICE Administrators*®, a Word & Brown Company, operates the *CaliforniaChoice*® Small Group Exchange, which was approved by the state in 1996. Over the past 14 years of continual service, *CaliforniaChoice* has enrolled and administered nearly 20 million member months of Exchange coverage. In addition, our online Individual/Family quoting and online enrollment system processed over 2.5 million Individual proposals in 2009. Based on this experience, we offer these White Paper recommendations for engaging a strong public - private effort to achieve successful Exchange and Health Reform implementation outcomes.

## Assumptions

- Insuring all Californians will be a monumental task.
- All Californians deserve the opportunity to access coverage with fairness, dignity, consistent, prompt, accurate information and customer service support (whether through the state Exchange or the commercial market).
- The state Exchange will be a consumer marketing initiative whose success will hinge on its ability to carry out sophisticated consumer marketing outreaches that can take advantage of multiple modes and channels of contact.
- The state Exchange will design and be the arbiter of its benefit designs, health plan qualification processes, rating and risk adjustment rules, as prescribed in The Patient Protection and Affordable Care Act.
- The state Exchange will be entering a mature health insurance distribution marketplace that features numerous existing enrollment access channels (employers, health plan direct efforts, *CaliforniaChoice*, industry-specific MEWAs, traditional brokers, online brokers, etc).
- The existing enrollment access channels do not go away with health reform and will continue touching millions of California health insurance shoppers, purchasers and currently insured.
- It will be disruptive to the California employer community to be forced to change insurance arrangements needlessly.
- Californians will be better served and the goals of universal coverage better achieved if the state Exchange effectively harnesses existing enrollment channels and commercial marketplace infrastructure in the effort to enroll as many eligible persons as possible, with the least possible disruption to individuals or employers.

With these assumptions in mind, this White Paper outlines how the state Exchange could operate as both a stand-alone entity and as a collaborative partner with existing distribution and enrollment channels in a public-private enrollment partnership designed to reach most Californians.

## Considerations for State Exchange Development

The state Exchange will likely focus on four key populations:

1. Applicants for subsidized coverage or tax credit qualified coverage.
2. Individual/family applicants (commercial).
3. Small group employers (commercial).
4. Employees/dependents of small groups (commercial and subsidized, as qualified).

This paper addresses enrollment and distribution outreach for the state Exchange only.

We recommend that the state Exchange be founded on the following core principles:

- The Exchange should be a single enrollment portal with integrated member services.
- Individual and group coverage should be accessible through a single website, but rated in separate risk pools.
- Online and paper-based enrollment services need to be offered, both for group and individual.
- Subsidized care calculators plus other tools (forms, worksheets etc) need to be developed to help screen and qualify candidates for subsidized care.
- Online, multi-lingual telephonic Member Service (sensitive to individuals with disabilities) must be carefully developed, implemented and managed on a 24/7 basis.
- Competent and efficient administration is critical, including the following:
  1. Billing, collections, premium remittance to health plans or subsidized programs.
  2. Processing eligibility changes (adds and deletes as families change composition, particularly off-renewal changes, such as births, marriages, change in income, etc.)
  3. Electronic eligibility updates to plans.
  4. Electronic eligibility updates to government agencies, as appropriate.
  5. Commission or fee payments to navigators and brokers.
  6. Renewal processing.
  7. Subsidy re-qualification at renewal, or as appropriate.
- A website that is informative and easy to navigate is essential. Web features should include:
  1. Subsidy calculators.
  2. Consumer decision-making support tools including comparative provider look-ups, RX formulary look ups and special health plan disease management programs.
  3. Links to general health care and wellness information and community support.
  4. Online plan selection tools and Proposal system.
  5. Text and Click to Chat enrollment guidance.
- Enrollment outreach and marketing must be comprehensive and include outreach to the media, community organizations and advocacy groups as well as the training and management of Navigators, Brokers and other external enrollment partners.

## Enrollment Network: Navigators, Brokers and Private Exchange Partners (PEPs)

In addition to the state Exchange's direct marketing efforts, a broad-based, public-private membership feeder network should be established to aggregate and attract enrollment from established channels and new enrollment channels.

Navigators, Brokers and Private Exchange Partners (PEPs) can sometimes overlap, but generally perform distinct services and require specific strategies. Here is a suggested basic definition and strategy for harnessing enrollment from each:

- **Navigators** are likely to be community-based enrollment guides and resources. They may or may not be licensed to transact insurance business or carry Errors & Omissions (E&O) coverage. Compensation, if any, could be on a one-time, per enrollment fee basis. The state Exchange will wish to train, test and certify Navigators both initially and again at open enrollment to ensure that accurate information is being transmitted and to guard against inappropriate activity. The Navigator role is likely to focus on the enrollment process with little ongoing member service and no administration.
- **Brokers** are licensed insurance professionals regulated by the California Department of Insurance. Brokers are experienced at helping consumers consider all options, both in and out of the Exchange. In addition to DOI licensure, the state Exchange should also train and certify brokers before appointing them to sell into the Exchange and require brokers to carry E&O coverage. Brokers prefer a commission-based compensation, but this can also be converted into a fee system. Broker activity can be both managed internally by the Exchange and through an external General Agency system. The Broker role will be informational, consultative and transactional in terms of supporting the purchase, enrollment and renewal cycle, but not administrative. Brokers also contribute an additional level of ombudsman member service.
- **Private Exchange Partners (PEPs)** is a proposed new category limited to select organizations that have a demonstrated capacity for administrative excellence, technical precision and technological capability, as well as a strong California health insurance marketing footprint. PEPs must have approval from a California regulatory agency (DMHC or DOI) to enroll, service and administer health coverage. PEPs would interface with the state Exchange on behalf of their members and applicants who meet the qualifications for subsidized coverage. PEPs would perform both an enrollment and an administrative role on behalf of the state Exchange to help more Californians become insured, seamlessly and with dignity (see next page for a detailed outline of service capabilities). PEPs would handle eligibility updates, re-certifications and billing and remit both eligibility and collected premium per state Exchange standards. PEP applicants who do not meet subsidized care eligibility criteria would be returned to the PEP to be enrolled in commercial coverage.

## Harnessing Private Exchange Partners (PEPs) to Expand Enrollment

The following provides a conceptual outline that demonstrates ways in which a Private Exchange Partner (PEP) can be harnessed to enroll qualified applicants into tax credit subsidized care while preserving state control over the process:

- Each approved PEP would be assigned a coded link to the approved state subsidy calculators, Health-e-App and other qualifying forms and tools.
- Applicants coming through a PEP portal would be screened directly by the approved state calculators, Health-e-App and other qualifying forms and tools. All means testing or other confidential information would be processed on the state sites and hidden from PEP view.
- Applicants who qualify for Medi-Cal or HFP would be enrolled, per Medi-Cal or HFP procedures. Notification would go directly to the applicant, copying the PEP.
- Applicants who successfully qualify for a subsidized program that features a tax credit would be informed of their approved status, with notices going to the applicant and PEP. The PEP would enroll the individual or group in tax credit subsidy qualified health plan coverage and administer the coverage on behalf of state Exchange, per state Exchange criteria.
- Any PEP-directed subsidized enrollee who loses qualification in the middle of the plan year or at re-qualification would be processed back through the PEP for commercial enrollment.

State calculator and other qualifying processes have not been built, so the necessary operational interfaces cannot be fully detailed at this point. However, here are two directional approaches which show how such a process could work in a secure, seamless fashion by utilizing existing technologies:

1. **Through a Web Service.** Web Services are typically Application Programming Interfaces (API) or Web APIs that are accessed via Hypertext Transfer Protocol (http) and executed on a remote system hosting the requested services. Depending on the technology employed by the state, this can be accomplished by utilizing XML (Extensible Markup Language) and SOAP (Simple Object Access Protocol) or WSDL (Web Service Description Language) through UDDI.
2. **Background Automation.** This second approach involves accessing the state's calculator site through background automation and screen-scraping the results back to the PEP's site. This would require updates when the state updates their site, with costs to be borne by the PEP.

**The PEPs would follow all state rules, meet all state reporting requirements and be subject to audit for their performance in working with the state programs.**

PEP activity should be revenue neutral to the state beyond the minimal resource required for the initial set-up process. No special compensation will be paid to PEPs beyond standard enrollment fees as may be established by the state programs. Administrative cost savings to the state, or the state's administrators, derived from the services of PEP could be re-directed to the PEP on a revenue neutral basis.

## The Role of Private Exchange Partners (PEPs)

PEP status would be limited to organizations with established, state-approved status to both enroll and administer health coverage. Examples of PEPS may include CaliforniaChoice – the private sector Exchange—and possibly the five state-approved MEWAs. Health plans could also be considered for a modified-PEP status to help facilitate meeting the needs of their members and applicants. Each of these organizations currently has within its membership individuals who qualify for a subsidized care program. Certifying PEPs to coordinate enrollment and administration with the state Exchange and state subsidized programs would provide an access point for qualified California individuals and groups without forcing employers to switch health plans or benefit arrangements, without separating individuals from their employer group coverage or truncating individual choice.

Individual/Family applicants who access a PEP site for a proposal, should be accorded the same opportunity to ascertain their qualifications for subsidized coverage as would a similar applicant accessing a proposal from the Exchange.

**The authorization to support the subsidized enrollment process needs to be limited to ‘pass through’ secure, online channels that assure applicants of privacy, confidentiality and a consistent application process, and only PEPs that can provide this level of security should be approved to participate.** In essence, the state Exchange would delegate to PEPs who would serve the role of a sub-Administrator for the state Exchange for subsidized or tax credit qualified coverage.

PEPs would use the standard, state-administered subsidy calculators, means-testing programs, Health-e-App, etc. to ensure a single marketplace standard and prevent fraudulent or incorrect applications. Confidential means testing will be performed on the State Exchange system and hidden from the PEP.

To qualify as a PEP, an organization should have to demonstrate the following:

- An established pool of administered members.
- Approval to operate both as an administrator and enrollment company by either DMHC or DOI.
- Technical competency to link to the state Exchange, Healthy Families, Medi-Cal and other state programs as specified.
- Demonstrated technical ability to send eligibility data in approved and secure file formats.
- Agreement to adhere to all standards and rules regarding enrollment into subsidized care programs.
- Agreement to use state developed calculators, Health-e-App or other qualifying tools for subsidy programs.
- PEPs would be required to meet all disclosure requirements.

## About **CHOICE** Administrators

About **CHOICE** Administrators: Based in Orange, California., **CHOICE** Administrators operates California**Choice**, which is America's longest standing and most successful Health Insurance Exchange. Since its approval by the state in 1996, California**Choice** has administered over 20 million member months of coverage within its Exchange. **CHOICE** Administrators' QUOTIT unit focuses on Individual and Family coverage and generated over 2.5 million Individual health quotes in 2009. For more information please visit [www.choiceadmin.com](http://www.choiceadmin.com) or contact David Duker, Executive Vice President, at 714.567.4587, [dduker@choiceadmin.com](mailto:dduker@choiceadmin.com)