



COVERED
CALIFORNIA

PLAN MANAGEMENT ADVISORY GROUP MEETING

October 11, 2018

WELCOME AND AGENDA REVIEW

ROB SPECTOR, CHAIR
PLAN MANAGEMENT ADVISORY GROUP

AGENDA
Plan Management and Delivery System Reform Advisory Group
Meeting and Webinar
Thursday, October 11, 2018, 10:30 a.m. to 12:30 p.m.

October Agenda Items	Suggested Time
I. Welcome and Agenda Review	10:30 - 10:35 (5 min.)
II. Report on Merging Individual and Small Group Markets	10:35 - 11:10 (35 min.)
III. 2019 Dental Benefit Design	11:00 - 11:10 (10 min.)
IV. Quality Rating System Scores for 2019 Open Enrollment	11:10 – 11:45 (25 min.)
V. Certification and Contracting Strategy for 2020 and Beyond	11:45 – 12:10 (25 min.)
VI. 2020 Certification Timeline and CCSB Update	12:10 – 12:20 (10 min.)
VII. Updates and Open Forum	12:20 – 12:30 (10 min.)

REPORT ON MERGING INDIVIDUAL AND SMALL GROUP MARKETS

MARK ST. GEORGE, PRINCIPLE
PETE DAVIDSON, MANAGING DIRECTOR
PWC

Covered California – Impact of Merging Markets

Key Findings

Covered California
October 11, 2018

Plan Management Advisory
Committee

Background & Assumptions

California Legislature requested Covered California to evaluate the issues and considerations related to combining California's individual and small group markets into a single risk pool.

Scope

- The Affordable Care Act provided states with the option to merge the individual and small group markets
- The California Legislature asked Covered California to report on issues and considerations related to combining California's markets into a single risk pool
- PwC was engaged by Covered California to examining the advantages and disadvantages of merging these markets

Merged Market Definition

- For this analysis, the merged market was defined as the merging of the risk pools of the individual and small group markets into a single pool for the purpose of rate setting and risk transfer calculations
- Each market would be subject to its own regulatory and licensing requirements, and can maintain the current product designs, issuer participation, and distribution channels.
- Only ACA compliant plans for both on-exchange and off-exchange were considered as part of the merged market
- These findings are based on the current market environment. Findings in the report should be reevaluated if there are significant changes in market conditions.

Key Findings

1

Market Overview

Current state and comparison of the California individual and small group markets

2

Premium Impacts

Individual premiums expected to decrease, while small group premiums expected to increase

3

Impacts to Consumers

Consumers may see different premiums, issuer choices, and plan designs

4

Lessons from Other States

Massachusetts, Vermont, and District of Columbia

Market Overview

The individual and small group markets in California share many similarities, but differences in key areas would impact a merged market.

Key Similarities

- Large and stable enrollment - approximately 2M members in each market
- Robust health plan participation - although in some counties, Individual market enrollees have limited or no choice of health plans
- Market and rating rules - guaranteed issue/renewability, no pre-existing condition exclusions, no health status rating, standardized rating formulas and age factors, EHB coverage, metal tiers, no annual or lifetime limits, same rating regions

Key Differences

- Enrollee risk characteristics - small group enrollees average 15%-20% lower risk than individual enrollees
- Available benefit and network options - more standardization exists in the individual market compared to the small group
- Product selections - small groups choose more generous benefit plans (average near Gold) compared to individual market enrollees (Silver on average)
- Differences in issuer participation between markets

Metric	Individual	Small group
Population size (member months)	2 Million Members (24.8 Million Member Months)	2 Million Members (24.0 Million Member Months)
Average metal level (actuarial value)	Silver (0.694 ¹)	near Gold (0.769)
Average risk score	1.306	1.115
Average premium PMPM	\$440.39	\$452.25

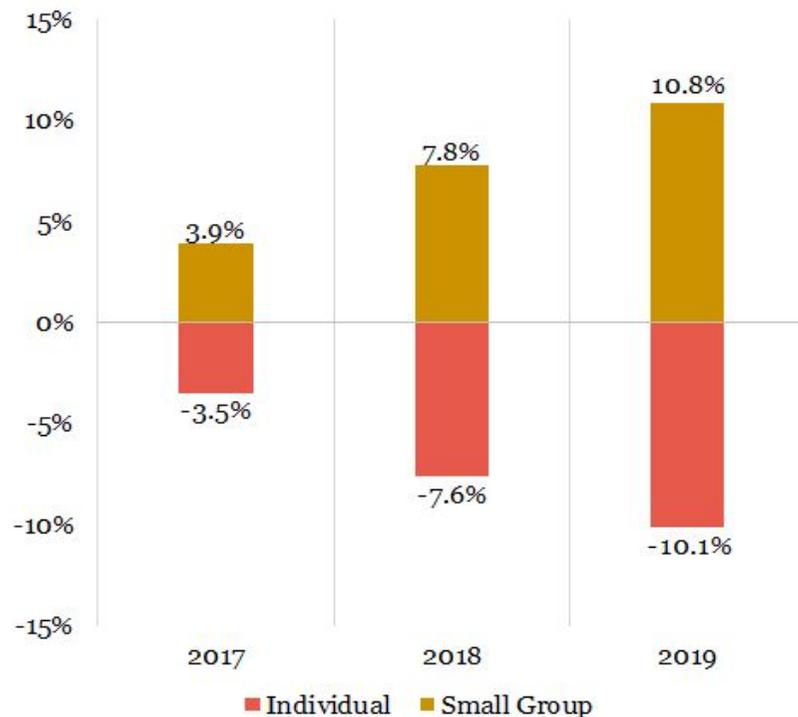
Note 1) The average includes individuals enrolled in subsidized Cost-Sharing Reduction (CSR) plans at the 73, 87, and 94% levels

Source: CA DMHC and CDI 2017 Enrollment Summary Reports; Center for Consumer Information & Insurance Oversight, CMS. Summary Report on Permanent Risk Adjustment Transfers for the 2017 Benefit Year, Released July 9, 2018 <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/>

Premium Impact

Merging the California markets into a single risk pool is estimated to decrease 2019 individual market premiums by an average of 10% and increase small group premiums by an average of 11%.

**Estimated Change in Statewide
Average Premiums
Due to Merging the Markets**



Methodology:

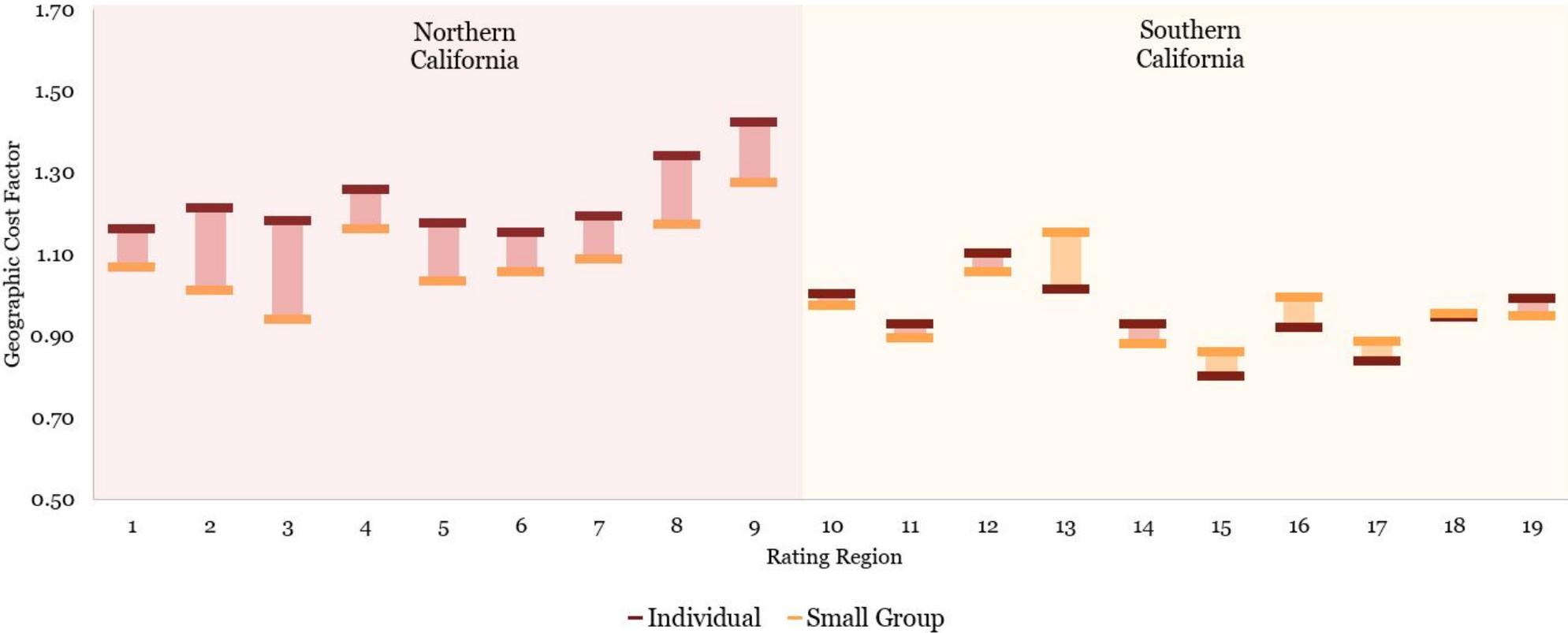
- Merged market premiums calculated using information from publicly available California Individual and Small Group rate filings
- Guidance from Uniform Rate Review Instructions published by CMS

Implications:

- Significant increase in small group rates to subsidize the individual market
- Merged market rate changes would vary widely by issuer
- Impacts on risk adjustment transfers and geographic rating factors is difficult to predict
- The magnitude of rate change is enough to destabilize the markets
- The uncertainty that is introduced would likely cause insurers to become more conservative at least in the short term, which would raise premiums and may limit choice

Premium Impact - Regional Variations

Merging the markets would cause additional short-term premium volatility due to issuer recalibration of geographic rating factors for the merged market. Merging the markets is unlikely to significantly impact the relationship between Northern California and Southern California premiums.



Impacts to Consumers

A merged market would impact consumers in the two markets differently as they react to increasing or decreasing premiums and potential changes in coverage availability.

Consideration	Individual	Small Group
Premium Rates	<ul style="list-style-type: none"> • Unsubsidized individuals would benefit the most from premium decreases • Subsidized enrollees are largely insulated from rate changes • Much of the benefit of lower individual premiums accrues to the federal government through lower subsidy payments 	<ul style="list-style-type: none"> • Premium increases may lead employers to rethink benefits offering or exit the market • Employees may experience a reduction in benefits and increases in coverage costs • Changes in enrollment and participation may impact risk score for a merged market
Insurer Choices	<ul style="list-style-type: none"> • Little impact on choice for individuals 	<ul style="list-style-type: none"> • May impact which insurers participate in the market
Benefit Design	<ul style="list-style-type: none"> • Reduced premiums may provide individuals access to more generous benefit plans or expanded networks if offered 	<ul style="list-style-type: none"> • Encourages benefit or network buy downs to keep costs down • More limited network products may reduce access to providers

The impacts of merging the markets would vary widely by issuer and region. While the lower premiums would be beneficial to individual market participants, the significantly higher small group premiums could reduce the number of people with ACA-compliant coverage.

Lessons from Other States

Other states that merged the individual and small group markets are so different from California that not much can be learned from them.

- Three states merged the individual and small group markets.
- A number of states, such as Washington and New Jersey, studied the impact of merging the markets, but did not proceed due to the increases to small group premiums and risk of potential instability in both markets.

State/District	Rationale	Circumstance	Result
 <p>Massachusetts</p>	Reduction to individual premium rates, resulting in more affordable coverage	<ul style="list-style-type: none"> • Small individual market • Pre-existing similarities between markets • Individual mandate in effect • Low morbidity of the uninsured 	Moderate increase in small group rates
 <p>Vermont</p>	Increase options, reduce volatility, and decrease premiums in the individual and small group markets	<ul style="list-style-type: none"> • Small market overall • Guaranteed issue in place • No individual mandate 	Additional options and benefit packages available to consumers including the incorporation of AHP members into Marketplace
 <p>District of Columbia</p>	Administrative efficiency and stability	<ul style="list-style-type: none"> • Very small market • Low uninsured rate 	Financially sustainable market with sufficient flexibility for small groups

Concluding Observations

At this time, individual and small group markets are large and relatively stable. Merging the markets may destabilize both markets.

1

If markets were merged, small group premiums would increase while individual premiums would decrease.

2

Small group employers may look to offer cheaper benefits, limited network products, and/or reduce contribution.

3

Benefit of individual market premium decrease may encourage additional unsubsidized individuals to purchase insurance. However, benefits largely accrue to federal government.

4

In the short term, if markets were merged, consumers and issuers would face a significant amount of uncertainty and instability.

5

Longer term impacts are complex and difficult to predict.

Thank You!

For more information, please feel free to contact any of our team members listed below



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2019 DENTAL BENEFIT DESIGN

DIANNE EHRKE, SENIOR DENTAL SPECIALST
PLAN MANAGEMENT DIVISION

2019 DENTAL COPAYMENT SCHEDULE

- The 2019 Dental Copayment Schedule was presented in draft at the March Board Meeting. The final 2019 Dental Copayment Schedule is presented today with the updated 2019 CDT codes.
 - D1354 - Interim caries arresting medicament application - per tooth (Pediatric and Adult - No Charge)
 - D4275 - Non-autogenous connective tissue graft procedure (including recipient site and donor material) – first tooth, implant or edentulous tooth position in same graft site (Pediatric – Not Covered, Adult - \$190)
 - D6096 - Remove broken implant retaining screw (Pediatric – \$60, Adult - Not Covered)

QUALITY RATING SYSTEM SCORES FOR FALL 2018

MARGARETA BRANDT, SENIOR QUALITY SPECIALIST
PLAN MANAGEMENT DIVISION

QUALITY RATINGS DISPLAY: FALL 2018

Covered California Quality Rating System (QRS) is comprised of the following elements:

1. Report four ratings: a global quality rating and three summary component ratings
2. The global quality rating is a roll-up of three summary components per following weighting:

Summary Components	Weights
Getting Right Care (HEDIS)	66%
Members' Care Experience (CAHPS)	17%
Plan Services for Members (HEDIS and CAHPS)	17%

3. 1 to 5-star performance classification
4. Scores are displayed in CalHEERS Shop and Compare and will be available on CoveredCA.com starting in October 2018

QRS RATING FORMULA

- Covered California will use the CMS rating methods and differential weighting for the summary components for Open Enrollment 2019
- CMS adopted differential weighting that assigns greater weight to the **Getting the Right Care** (66%) and correspondingly lesser weight to the **Members' Care Experiences** (17%) and **Plan Services for Members** (17%) for Open Enrollment 2019
 - Covered California has used these differential weights since Open Enrollment 2017 and strongly advocated with CMS for this change
 - The differential weighting formula follows the approaches taken by all of the major U.S. healthcare performance rating programs
- CMS replaced the health plan performance nationwide ranking method with a Z-score method to transform all raw measures rates to a standardized set of scores nationwide
 - This change provides more stable results and compresses the distribution of scores, pulling more extreme (high and low) scores toward the middle

FALL 2018 QRS RATINGS

Issuer	Product	Market	2017 Global Rating	2018 Global Rating	Getting the Right Care	Members' Care Experiences	Plan Services for Members
Anthem	EPO	Individual	Quality Rating in Future	★★★	★★★	★★	★★★
Blue Shield*	HMO	Individual and CCSB	Quality Rating in Future	Quality Rating in Future	Quality Rating in Future	Quality Rating in Future	Quality Rating in Future
Blue Shield	PPO	Individual and CCSB	★★	★★★★★	★★★★	★★★★★	★★★★★
CCHP	HMO	Individual and CCSB	★★★	★★★	★★★	★★	★★★★★
Health Net	HMO	Individual	★★★	★★★	★★★	★	★★★
Health Net	EPO	Individual	★★	One Quality Rating Available	★★★	Not Reportable†	Not Reportable†
Health Net	PPO	CCSB	★★	★★★★★	★★★★★	★★	★★★★★
Health Net**	PPO	Individual and CCSB	Quality Rating in Future	Quality Rating in Future	Quality Rating in Future	Quality Rating in Future	Quality Rating in Future
Kaiser	HMO	Individual and CCSB	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
LA Care	HMO	Individual	★★★	★★★	★★★★★	★	★★★★★
Molina	HMO	Individual	★★★	★★★	★★★	★	★★★
Oscar	EPO	Individual	Quality Rating in Future	★★★★★	★★★	★★	★★★★★
Sharp	HMO	Individual and CCSB	★★★★★	★★★★★	★★★★★	★★★	★★★★★
Valley	HMO	Individual	★★★	★★★★★	★★★★★	★★	Not Reportable†
WHA	HMO	Individual	★★★	★★★	★★★	★★★	★★★★★

*Blue Shield's Trio HMO in both the individual and CCSB markets will have a score starting in Fall 2019

**Health Net's Enhanced Care PPO in both the individual and CCSB markets will have a score starting in Fall 2020

† Not Reportable indicates that the issuer had insufficient data to calculate a score according to the QRS rating methodology.

FALL 2018 QRS RATINGS: DISTRIBUTION OF SCORES

Distribution of Global Quality Ratings by Reportable Products for Individual & CCSB Markets

	# Products with No Global Rating	1 Star ★	2 Star ★★	3 Star ★★★	4 Star ★★★★	5 Star ★★★★★
2018 QRS	3*	0	0	6	4	2
2017 QRS	4*	0	3	6	1	1
2016 QRS	5*	1	7	2	1	1

*No global rating if a newer product and not eligible for reporting or insufficient sample sizes to report results for at least 2 of the 3 summary indicator categories

- Three plans achieved a 1-star gain and all plans are rated 3-stars or higher for the first time
- No plan declined in stars and no plans received a 1-star rating or a 2-star rating
- The quality variation between regions for a plan is not reflected in the scores and the scores may not represent the patient experience or quality of care in a particular service area

QUALIFIED HEALTH PLAN (QHP) CERTIFICATION AND CONTRACTING STRATEGY FOR PLAN YEAR 2020 AND BEYOND

DOUG MCKEEVER, CHIEF DEPUTY EXECUTIVE OFFICER
COVERED CALIFORNIA

MODEL CONTRACT 2017-2019

- Currently in 2nd year of three-year contract period.
- Typical certification cycle: 2019 Certification process would apply to next 3 year contract period (2020-2022)
- Propose extending current contract period for one year:
 - Application during 2019 for 2020 plan year will be a continuation of the current contract cycle.
- Plan Year 2020 Certification Applications will be open to:
 - Individual Marketplace
 - Issuers offering QHPs/QDPs certified for 2017
 - Medi-Cal Managed Care Plans
 - Issuers newly licensed since May 2, 2016
- Certification process in 2020 will apply to a new contract period 2021-2023

RATIONALE FOR EXTENSION

Evaluation of Attachment 7 articles identified the need for more time to analyze data and collect external data; and may result in significant revisions for the new contract period. This will not delay quality improvement strategy (QIS) work by issuers in the current cycle.

Would allow:

- Better engagement and alignment with other large purchasers
- Additional data gathering and analyses (large purchaser engagement, and external benchmark analyses)
- Essential time to summarize and share results with stakeholders, solicit input, and incorporate feedback in new model contracts and attachments

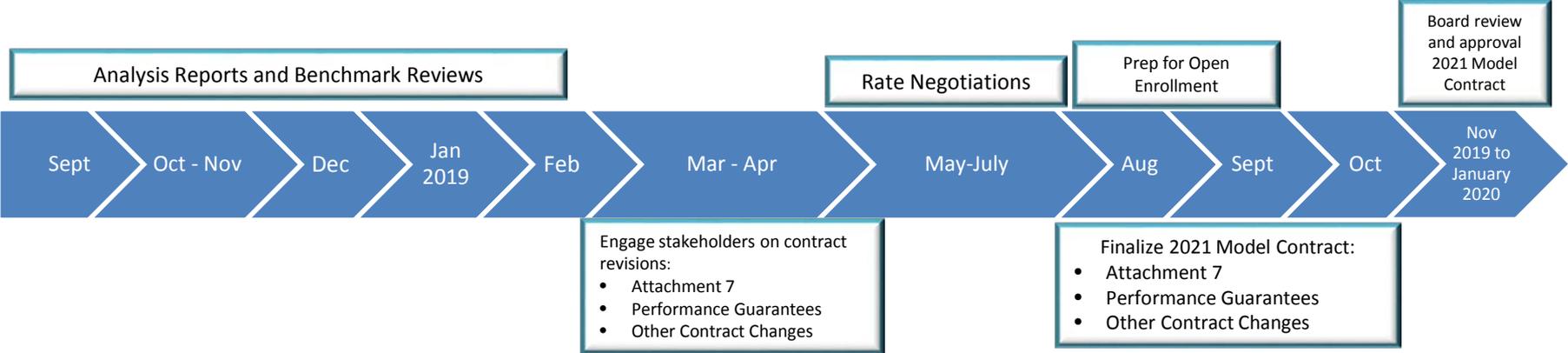
BETTER ENGAGEMENT AND ALIGNMENT WITH OTHER LARGE PURCHASERS

- Increase engagement and alignment with other large purchasers in California: CalPERS, Medi-Cal, and DHCS.
- Review efforts by large national purchasers: e.g., Federal Employees Health Benefits Program, CMS, and representative large employers like Walmart.
- What metrics and areas of service are other larger purchasers focused on and how to increase alignment?

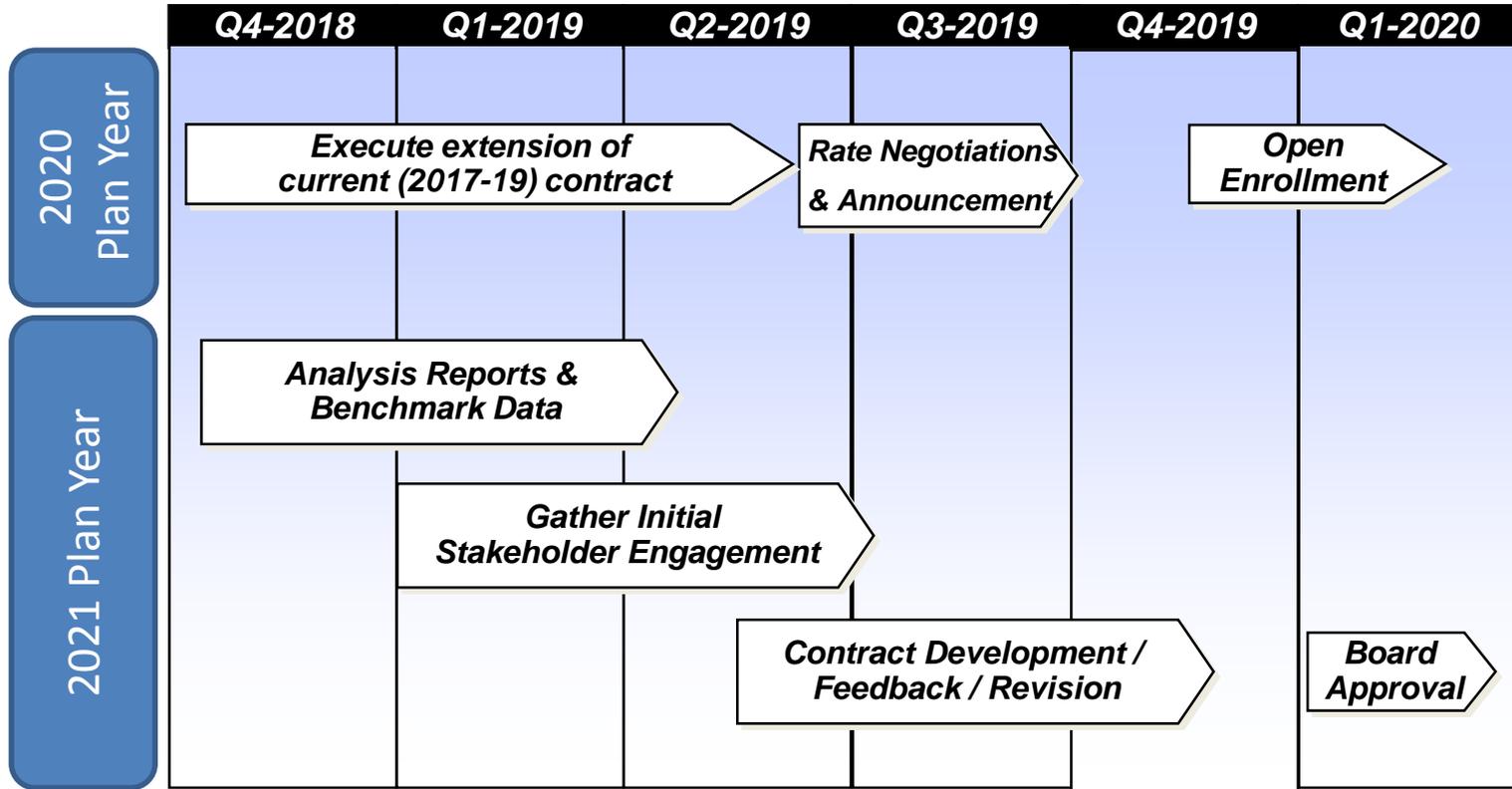
EXTENSION ALLOWS TIME TO REVIEW RELEVANT ANALYSES AND INCREASE STAKEHOLDER ENGAGEMENT

- March 2019 – Share outcomes (as appropriate) with carriers, advocates and other stakeholders
- March/April 2019 - Obtain feedback
- May – July 2019 – Staff time dedicated to annual rate negotiation
- Aug/Sept 2019 – Integrate stakeholder feedback with development of new model contracts and engage with stakeholders for review and feedback
- October 2019 – Final draft of New Model Contract
- November 2019 – Board presentation of 2021 New Model Contract
- January 2020 – Board approval of 2021 Model Contract

2021 MODEL CONTRACT TIMELINE



2021 MODEL CONTRACT DEVELOPMENT TIMEFRAME WILL OVERLAP WITH 2020 QHP CERTIFICATION CYCLE

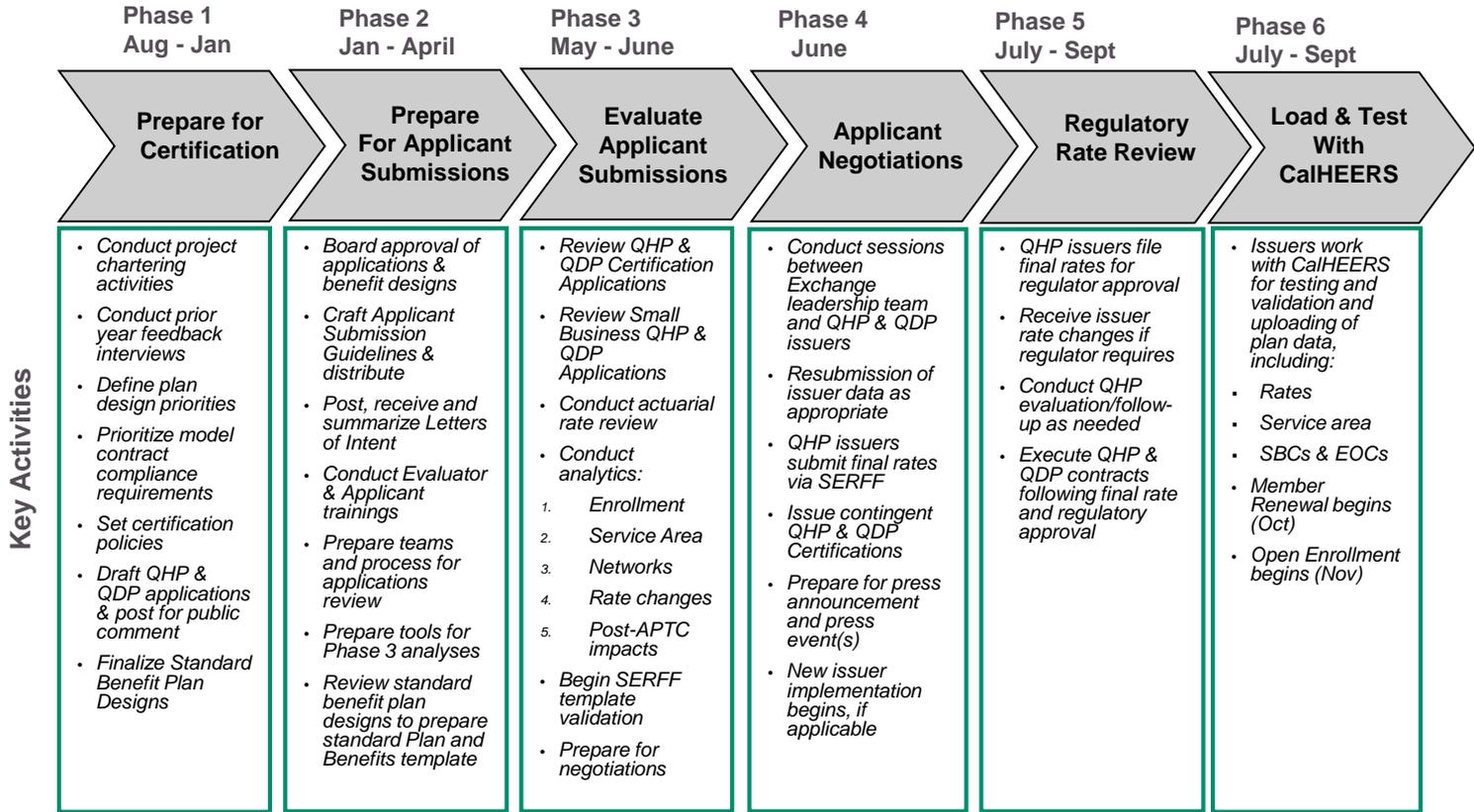


2020 QUALIFIED HEALTH PLAN (QHP) CERTIFICATION AND CCSB UPDATE

TARA DI PONTI, CERTIFICATION SPECIALIST
PLAN MANAGEMENT

CHRIS NOVAK, HEALTH PROGRAM SPECIALIST
OUTREACH AND SALES

QUALIFIED HEALTH PLAN CERTIFICATION: SIX CORE PHASES



2020 CERTIFICATION PRINCIPLES

Qualified Health and Dental Plan (QHP) Contract Extension

Because the 2017 – 2019 QHP Contract period will be extended by one year, health and dental plan issuers contracted in 2017 will continue to be contracted through 2020, if certified.

Plan Year 2020 Certification Applications will be open to:

Individual Marketplace

- Issuers offering QHPs/QDPs certified for 2017
- Medi-Cal Managed Care Plans
- Issuers newly licensed since May 2, 2016

Covered California for Small Business

- Issuers offering QHPs/QDPs certified for 2017
- Currently licensed health issuers

PROPOSED 2020 QHP CERTIFICATION MILESTONES

Release draft 2020 QHP & QDP Certification Applications	December 2018
Draft application comment periods end	December 2018
Plan Management Advisory: Benefit Design & Certification Policy recommendation	January 2019
January Board Meeting: Discussion of Benefit Design & Certification Policy recommendation	January 2019
Letters of Intent Accepted	February 2019
Final AV Calculator Released*	February 2019
Applicant Trainings (electronic submission software, SERFF submission and templates*)	February 2019
March Board Meeting: Anticipated approval of 2020 Patient-Centered Benefit Plan Designs & Certification Policy	March 2019
QHP & QDP Applications Open	March 1, 2019
QHP Application Responses (Individual and CCSB) Due	May 1, 2019
Evaluation of QHP Responses & Negotiation Prep	May - June 2019
QHP Negotiations	June 2019
QHP Preliminary Rates Announcement	July 2019
Regulatory Rate Review Begins (QHP Individual Marketplace)	July 2019
QDP Application Responses (Individual and CCSB) Due	June 1, 2019
Evaluation of QDP Responses & Negotiation Prep	June – July 2019
QDP Negotiations	July 2019
CCSB QHP Rates Due	TBD
QDP Rates Announcement (no regulatory rate review)	August 2019
Public posting of proposed rates	July 2019
Public posting of final rates	September – October 2019

*Final AV Calculator and final SERFF Templates availability dependent on CMS release

TBD = dependent on CCIIO rate filing timeline requirements

QHP CERTIFICATION SOLICITATIONS PAGE

Plan Management has created a dedicated solicitations page for the Certification of Qualified Health Plans. The new Covered California Certification of Qualified Health Plans Solicitations Page can be found on the right hand side of the Covered California Health Benefit Exchange website.

The screenshot shows the top navigation bar of the Covered California website. The header includes the text "COVERED CALIFORNIA" and "THE CALIFORNIA HEALTH BENEFIT EXCHANGE". Below this is a dark blue navigation menu with links for HOME, ABOUT, BOARD, PROGRAMS, STAKEHOLDERS, AGENTS, SOLICITATIONS, GRANTS, RESOURCES, and CAREERS. The "SOLICITATIONS" link is highlighted. Below the navigation menu is a blue banner with the word "Solicitations" and a white outline of the state of California. Below the banner, the page content is divided into two columns. The left column has a heading "Solicitations" and a sub-heading "RFP 2018-05 Audit Services Management Software". Below this is a paragraph of text. The right column has a heading "Additional Links" and a list of three links: "Solicitations Archive", "Covered California Procurement and Contracting Manual", and "Covered California Certification of Qualified Health Plans". A blue arrow points from the "Solicitations" heading to the "Additional Links" section.

The new Covered California Certification of Qualified Health Plans Solicitations Page will provide all certification documents (current and past) in a centralized location.

<https://hbex.coveredca.com/stakeholders/plan-management/qhp-certification/>

COVERED CALIFORNIA FOR SMALL BUSINESS (CCSB) QUARTERLY APPLICATION FOR QHP CERTIFICATION

- Covered California for Small Business (CCSB) is now offering a Quarterly Application
 - New Issuers
 - Currently contracted CCSB issuers proposing new product
 - Simplified application and timeline
 - Note: currently contracted CCSB issuers submitting quarterly rate changes do not require complete application submitted due to contractual requirements
 - Currently contracted with Covered California through the Individual Exchange, but as a new CCSB entrant
- The application is available on the Solicitation Page of the Covered California HBEX website
- Key Action Dates are available within the Certification Application for CCSB under section 1.7

UPDATES, OPEN FORUM, AND NEXT STEPS

ROB SPECTOR, CHAIR
PLAN MANAGEMENT ADVISORY GROUP

SUBCOMMITTEE REMINDERS

- **2020 Benefit Design Workgroup**

- First meeting to be held on October 17, 2018 from 10:00 a.m. – 12:00 p.m. in Berryessa Conf. Rm.
- If you would like to join or have questions please contact Allie Mangiaracino at: allie.mangiaracino@covered.ca.gov

- **AB 1810 Affordability Workgroup**

- First workgroup meeting will be held on October 22, 2018 from 10:00 a.m. – 12:00 p.m. In Tahoe Conf. Rm.
- For information on AB 1810 Affordability Workgroup Meetings go to their dedicated web page at: https://hbex.coveredca.com/stakeholders/AB_1810_Affordability_Workgroup/
- Contact information: policy@covered.ca.gov