The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
100 City Hall Plaza
Boston, MA 02108

CHARLES BAKER
Governor

KARYN POLITO
Lieutenant Governor

MARYLOU SUDDERS
Board Chair

LOUIS GUTIERREZ
Executive Director

November 9, 2015

Tim Murphy
Chairman, Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C., 20515-6115

Dear Chairman Murphy,

Thank you to you and your Members' interest in state-based Marketplaces and the transition to the Affordable Care Act. As you know, Massachusetts is committed to making health care accessible to everyone, and we continue to believe than an innovative, vibrant state-based Exchange is a valuable tool in that effort.

This letter is response to your October 26, 2015, letter that included follow-up questions from the Members. In our answers, we note where requested documentation was included in our October 30, 2015, initial response to the Subcommittee, and have included some additional documentation that pertains to Members' questions.

The Honorable Susan W. Brooks

In Indiana we have a significant population below 150% of the federal poverty level (FPL) enrolled in the Indiana Marketplace, the majority of which – those below 138% FPL – should have moved to the Healthy Indiana Plan (HIP) once it became available. The Administration, however, maintains a 'passive' re-enrollment where individuals are kept in the Marketplace even if they don't update their financial information; in many cases individuals are not informed that they may actually qualify for the less costly HIP program. How do you view this omission? Is this a leadership issue? Is it an intentional lack of transparency?

Massachusetts implemented Medicaid expansion January 1, 2014, the first "full year" of the Affordable Care Act. Massachusetts had a pre-existing health insurance exchange in place, the Massachusetts Health Connector, with more than 250,000 individuals purchasing insurance through the exchange. The Health Connector has fewer members now than at the start Affordable Care Act enrollments in 2014, but that reflects the more than 100,000 people who were moved to Medicaid as part of the Medicaid expansion made possible by the Affordable Care Act. In fact, more people get

help affording health care through Medicaid and the Health Connector than before the Affordable Care Act was put in place.

As part of the Medicaid transition, the Health Connector in 2013 identified members who would be newly qualified for Medicaid, and transitioned them to Medicaid coverage starting January 1, 2014. The Health Connector also identified "eligible but unenrolled" people – those who had previous applied for Health Connector coverage but had not picked and paid for a plan – and transitioned those newly eligible into Medicaid. In all, more than 100,000 people were transitioned into Medicaid by this process.

MassHealth and the Health Connector conduct redetermination processes to ensure people are in the appropriate program for which they qualify. Further, when implementing the Affordable Care Act, Massachusetts pursued a single, integrated eligibility system to support both its exchange and its Medicaid programs. As such, when consumers experience eligibility changes that make them newly eligible for Medicaid, they are automatically transitioned into the Medicaid program and their Qualified Health Plan is closed.

The Honorable Susan W. Brooks

In Indiana, initial projections showed that 500,000 Hoosiers were eligible for tax subsidies through the federal marketplace. Instead, recent numbers show that enrollment is less than 150,000. 350,000 is more than a minor calculation error. In your experience, how would you explain this vast discrepancy?

With a health insurance exchange (and individual mandate) in place since 2006 through state-based reform, Massachusetts has worked hard to encourage everyone without health insurance to get into coverage, and has one of the highest insured rates in the country to show for it at 96.3 percent, a level that has remained fairly consistent over the last eight years.

The Commonwealth and other entities have researched the remaining uninsured population in Massachusetts to determine who the remaining uninsured are, and what the best ways to reach them and enroll them in coverage might be. Our research efforts have shown that this population – compared to the average population – is more likely to be young, male and Hispanic. There is also evidence to suggest that many people who are uninsured are lower-income, which means they would qualify for Medicaid or subsidized coverage through the exchange. The Commonwealth is undergoing a very targeted outreach and education campaign this Open Enrollment period, targeting messaging in communities with the highest rate of uninsured residents. At this point in Massachusetts' experience, this is considered to be particularly difficult population to reach, but we are committed to making health care accessible to everyone in Massachusetts. The broad-based outreach efforts being deployed may result in some individuals enrolling with the Health Connector, but it may also prompt action towards enrollment with Medicaid, or for individuals to seek out other sources of coverage.

Even aside from enrollment in subsidized insurance, it is additionally important to note that the Affordable Care Act includes policies that encourage access to coverage through employers, and individuals reminded via outreach campaigns to enroll in coverage may also seek out coverage in the private market through employer offers. The Health Connector's outreach goals are to promote awareness about the value of and availability of various types of coverage. Our goal is to maximize coverage of residents, regardless of the segment of the market where coverage is ultimately obtained, and our outreach efforts for this Open Enrollment period and beyond reflect that broad based perspective.

The Honorable Tim Murphy

Please provide the committee with a detailed breakdown of the establishment and operational costs for the exchange that you represent.

In response to this request, the Health Connector has provided the State-Based Health Insurance Marketplace Budget Template Form ("SBM 2014-2018 Revised Budget Template Round 2_10.21.2014 MA Health Connector 8-28-15"), submitted by the Health Connector to CMS in August 2015, as part of its October 30, 2015, response to the Subcommittee. The budget is on a calendar year basis and reflects revenue and expenditures from 2014 through 2018. In addition, the budget reflects the annual federal revenue needed to support ACA establishment costs ("Federal Revenue to Offset ACA One-time Transition Costs").

For additional details on projected establishment versus operational costs, please refer to the document enclosed and entitled "MA Health Connector FY15 FY16 Administrative Finance Update," presented to our Board of Directors on July 9, 2015.

The Honorable Tim Murphy

Is the exchange which you represent required to perform an audit examining how grant money was spent, either at the state or federal level? If so, please provide the committee with copies of any and all applicable audits.

Yes, state exchanges are required to conduct independent audit reports and submit other documentation as requested by CMS or as required by federal regulation or law. State-based marketplaces are required by CMS to conduct an independent programmatic audit per 45 CFR §155.1200(c). Entities that spend more than $500,000 in federal grant funds in one year are required to conduct an independent A-133 audit per Single Audit Act Amendments of 1996, Pub. L. No. 104-156, 110 Stat. 1396. Independent validation and verification reports are also a CMS requirement. These audit documents are part of our October 30, 2015, response to the Subcommittee's October 14, 2015, letter to the Health Connector.

Section 14 of chapter 176Q of the Massachusetts General Laws requires the Health Connector to conduct an annual, independent audit, as well as a biannual state audit. The biannual state audit is included as part of this follow-up response, enclosed and entitled as "FY10 STATE Audit FINAL". All other audit documents were included in the previous response.

The Honorable Tim Murphy

What does the exchange you represent anticipate future costs to be? How will your state absorb those costs?

The Health Connector has been in existence since 2006 and has statutory authority (section 12A of chapter 176Q of the Massachusetts General Laws) to apply surcharges to insurance carriers for operations and administrative costs. In addition, the Health Connector's administrative and programmatic costs are supported by dedicated revenues via the Commonwealth Care Trust Fund per section 2OOO of chapter 29 of the Massachusetts General Laws.

Please refer to the "SBM 2014-2018 Revised Budget Template Round 2_10.21.2014 MA Health Connector 8-28-15" document, previously provided in our October 30, 2015, response to the Subcommittee, that reflects estimated costs on a calendar year basis through 2018.

The Honorable Bill Flores

What has been the impact on premiums in the state of Massachusetts from the plan assessments?

The Health Connector assesses carriers a 2.5-3 percent administrative fee on premiums to support exchange operations. The assessment charged depends on the type of plan offered (e.g., qualified health plan vs. qualified dental plan). The Health Connector assessed administrative fees on plans sold through its exchange prior to the Affordable Care Act as well, but provided Issuers an administrative fee holiday for plan year 2014, so that Issuers could use the funds that would otherwise support exchange operations to implement any system changes on their end needed to connect to the new exchange interfaces.

In addition, in the years since passage of the Affordable Care Act, premium rates in Massachusetts have experienced modest growth. From 2010-2015, average premium increases in the state's merged insurance market for individuals and small groups hovered around 3 percent year over year. For 2016, the average increase in the merged market is 6.3 percent.

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Thank you again for interest in our work, and the support of your staff as we provide you with the information you seek. Please let me know if you have any additional questions or require additional information.

[redacted]

Louis Gutierrez
Executive Director
Massachusetts Health Connector

Cc: Diana DeGette, Ranking Member, Subcommittee on Oversight and Investigations
Encl.