



**COLORADO CENTER**  
on LAW & POLICY

Justice and Economic Security for all Coloradans

# Affordable Care Act at 3: How Colorado's insurance exchange is gearing up for 2014

## ISSUE BRIEF

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The Colorado Center on Law and Policy is a nonprofit, nonpartisan research and advocacy organization seeking justice and economic security for all Coloradans.

March 23 marks the third anniversary of President Barack Obama signing the Affordable Care Act (ACA) into law. Among the ACA's sweeping reforms is the requirement that all states establish new marketplaces – or exchanges – that enable Americans to shop for and obtain health insurance coverage. Exchanges are intended to help people fulfill one of the ACA's basic requirements — that everyone have health insurance by 2014. Every state is required to have an exchange, but states are able to choose whether to establish their own or defer that responsibility to the federal government.

Exchanges will offer expanded choices of health coverage, foster competition and make available comparative information about insurance benefits, quality and consumer satisfaction. Exchanges will also help many individuals and families access federal premium tax credits so that they can afford to buy insurance. Colorado has emerged as a leader among states developing and implementing state-based exchanges. The Colorado Health Benefit Exchange (COHBE), which will be doing business under the name “Connect to Health Colorado” later in 2013, is well under development. However, with just over five months until exchanges will go live and begin accepting applications for coverage, there is a lot left to do.

### **What exchanges will do**

Health insurance exchanges are designed to serve as a place where individuals and small businesses can shop for coverage with the help of easily understood and comparable information about all of their options. Some of the most important features of exchanges to consumers include:

- **Easy Comparison-shopping:** Exchanges will foster a competitive environment where health insurance companies compete for customers based on value. The exchange shopping portal, which will be web based, will allow consumers to make choices based on what is important to them, compare plans from multiple insurance companies side-by-side and choose from among those plans that meet their needs.
- **Meaningful information:** Health insurance companies will be required to display their plan information on exchanges using easy-to-understand language. Exchanges will provide consumers with shopping tools, such as premium and cost-sharing calculators, which will help them make informed decisions based on which products are right for them.

- **Help paying for insurance:** Middle- and low-income Americans making up to 400 percent of the Federal Poverty Level (about \$45,960 for an individual and \$94,200 for a family of four) will be eligible for tax subsidies to help them pay for insurance premiums. Some families will also be eligible for help with paying for their copayments and deductibles. Many small businesses will have access to tax credits covering as much as 50 percent of the employer contribution toward premium costs for eligible employers who have low- to moderate-wage workers.
- **Comprehensive coverage:** Every health insurance product sold in an exchange (as well as new plans sold outside of exchanges) must cover a broad array of services, referred to as the essential health benefits package (EHB). The EHB will provide a minimum coverage floor that all plans must meet, ensuring that every plan for sale in exchanges cover basic services that consumers need.
- **Information on quality:** Exchanges must display quality and customer satisfaction information on all plans sold, allowing consumers to make more informed decisions.
- **Enrollment assistance:** Exchanges must provide in-person consumer assistance through a new Navigator program. Navigators will help consumers understand and enroll in coverage that meets their needs.
- **One-stop shopping:** Exchanges must provide a seamless shopping and enrollment experience for consumers, regardless of what type of coverage they are eligible for. The ACA requires a “no wrong door” structure, meaning that individuals and families will be able to fill out a single application for coverage through the exchange, Medicaid or the Children’s Health Insurance Program (CHIP).

### **COHBE establishment and governance**

The Colorado General Assembly established the Colorado Health Benefit Exchange (COHBE) in 2011 through the passage of Senate Bill 11-200. SB-200 created COHBE as a nongovernmental public nonprofit. Even though COHBE is considered an “instrumentality of the state,” it does not have the authority to promulgate rules and regulations, setting it apart from state agencies. It is, however, bound by Colorado’s open meetings and open records laws.

COHBE is governed by a bipartisan board of directors consisting of nine voting members and three non-voting members. The voting members represent various industries and perspectives, including representatives from the health insurance industry, health care providers, and consumers. Five of the voting members are appointed by the governor and the remaining four members are appointed by the majority and minority leaders of each house of the Colorado General Assembly. The three non-voting members include representation from the Colorado Department of Health Care Policy and Financing (which oversees the Medicaid program), the Colorado Division of Insurance, and the Colorado Office of Economic Development and International Trade.

SB-200 also established a legislative committee tasked with overseeing the activities of COHBE. The committee, referred to as the Legislative Implementation Review Committee, meets no more than five times a year. The committee is required to approve all grant funding requests submitted by COHBE. The Committee is also broadly tasked with overseeing the implementation of the Exchange, make recommendations to the General Assembly when statutory changes are required and generally protect the interests of Coloradans.

## **COHBE operations and activities**

The COHBE Board of Directors held its first meeting in July 2011. The early board meetings centered on the development of governance principles and a conflicts-of-interest policy. These policies set forth the procedures for conducting board meetings, holding votes on board decisions, and determining disclosure and recusal requirements when financial conflicts of interest are present.

The COHBE board and staff acknowledged early on that an effective and successful exchange would depend in large part on the technology infrastructure that supports the online shopping portal. In January 2012, COHBE issued two requests for proposals for an information technology “systems integrator,” which would establish the overall exchange system, and a program management office, to oversee operations. In early 2012, The COHBE board approved contracts with two private firms: CGI as the systems integrator, and North Highland to provide program management office services.

In early 2012, the COHBE Board of Directors began a lengthy process of discussing and voting on major policy decisions that have shaped the development of the exchange. These decisions ranged from high level structural decisions, such as whether to combine the small-group and individual insurance risk pools, to detailed, technical decisions, such as whether to limit plan options within the small group market. Some of these key decisions included:

- **Minimum interoperability with other state systems:** In March 2012, the COHBE Board approved a policy that requires the exchange to maintain “minimum interoperability” with other state systems, including Medicaid systems. While there are federal requirements to ensure that an applicant can seamlessly transition between Medicaid and exchange coverage, this decision means that the Colorado Exchange and Medicaid agency will maintain distinctly separate enrollment and eligibility systems.
- **Separate risk pools:** In February 2012, the COHBE board approved the policy that COHBE would have one administrative structure that operated two separate risk pools – one for the individual exchange and another for the small business exchange.
- **Premium aggregation in the individual exchange:** In April 2012, the COHBE board decided that the individual exchange will not aggregate premiums, which is the practice of accepting payments and conducting billing to facilitate individual and family payments to health insurance issuers. Instead, individuals and families will be required to pay insurance companies directly. Premium aggregation is required in the small business exchange. This means small businesses will have to make only a single monthly payment to the exchange regardless of how many different health plan options their employees choose.
- **Employer and employee choice architecture:** In July 2012, the COHBE board approved a policy granting flexibility for employers to offer increased choice to their employees to pick a health plan that makes sense for them. In today’s market, small employers typically offer one or, sometimes, two options to their employees. This policy decision means that in the small business exchange employers and employees alike will have more choice and control over their health insurance spending.
- **Health plan certification requirements:** In June and again in August 2012, the COHBE board adopted health plan certification requirements, which must be met by health insurance issuers in order to sell products in the exchange. These requirements include, but are not limited to,

accreditation, complaint processes, network adequacy, provider directory, marketing requirements, quality measure reporting and many others.

- **Navigator program:** In August 2012, the COHBE board adopted a set of high-level guiding principles concerning the Navigator Program, which is now called the Consumer Assistance Network. These guiding principles set forth in general terms the scope of navigator activities, selection criteria, a funding model, and training and certification requirements. COHBE began accepting applications for navigator entities in late February 2013. COHBE anticipates awarding grants and beginning training in the summer of 2013. The proposed 2014 budget for the Consumer Assistance Network is approximately \$20 million. This is an exceptional opportunity for interested consumer assistance organizations to help the hundreds of thousands of newly eligible individuals and families in Colorado come into coverage.
- **Customer service center:** In August 2012, the COHBE board adopted a set of high-level guiding principles concerning the establishment of an exchange customer service center. The customer service call center will help balance the roll of navigators, which will provide primarily in person assistance. Customer service center representatives will help consumers understand their options, guide them through the enrollment process and connect applicants with other resources.
- **Supplemental plans:** In May 2012, the COHBE board approved a recommendation that supplemental plans – such as dental and vision coverage – may be offered and sold through the exchange. The decision will allow consumers to compare and select stand-alone plans in a manner similar to comprehensive medical plans. This means individuals and families will have the choice of purchasing supplemental plans without leaving the exchange, furthering the one-stop shopping experience.

### **Stakeholder engagement**

In April 2012, COHBE formed four advisory groups to provide guidance and open forum discussions on the various policy decisions pending before the COHBE Board of Directors. The advisory groups focus on health plan matters, the individual exchange, the small business exchange, and outreach and communications. Each advisory group consists of approximately 25 members and advisory group meetings are open to the public. The advisory groups consist of representatives from provider groups, health plans, businesses, and patient and consumer advocacy organizations.

### **Next steps: key considerations as 2014 approaches**

As COHBE gears up for open enrollment, which will begin on October 1, 2013, potentially hundreds of thousands of Coloradans will be able to sign up for coverage through the Exchange. In fact, COHBE projects that at least 300,000 Coloradans (nearly 6 percent of the state's population) will be enrolled in coverage through the Exchange by 2016. The success that these individuals and families will have navigating the new enrollment and eligibility systems will depend largely on the outreach efforts and systems testing that will take place later this summer. In addition to these efforts, a number of key decisions must still be made, including the following:

**Interoperability between COHBE and the Medicaid Agency:** Beginning in 2014, health coverage systems in Colorado must implement a so-called “no wrong door” approach, which means that regardless of whether an individual or family applies for coverage through COHBE or Medicaid, they will be directed to the program that is appropriate for them. This approach also requires directing individuals and families to the appropriate coverage when they experience a change in income, family size or some other eligibility factor. In order to accomplish this, the no wrong door approach requires a

certain amount of integration between COHBE and Medicaid enrollment and eligibility systems. Because these systems are required to be independent from each other in large part, it still remains a question exactly how and to what extent these systems will interface. It will be essential to ensure individuals and families can transition seamlessly between these systems to ensure that they do not experience disruptions in coverage or any undue delays.

**Financial sustainability of COHBE:** COHBE currently receives federal funding as part of the ACA to support its development and implementation work. However, federal funding will expire on December 31, 2014. Colorado Senate Bill 11-200, COHBE's enabling legislation, prohibits state General Fund money from being used to support the Exchange. COHBE's annual operating budget is expected to total \$22-26 million annually between 2015 and 2018. The operating budget consists of licensure and maintenance expenses associated with the Exchange IT system, customer service, marketing and outreach, and general overhead and payroll expenses, to name a few.

COHBE proposes multiple funding sources to support its operation, some of which provide stable funding during the early days of the Exchange and others are expected to grow over time. First, COHBE proposes assessing enrollment fees on participants (both carriers and individuals) in the Exchange. Second, COHBE proposes to redirect funds that currently support Cover Colorado, which is Colorado's state-based high-risk insurance plan for people with pre-existing conditions. These funds, which are set to expire at the end of 2016, would support the Exchange in its early days while other funding sources, such as enrollment fees, grow along with increased participation in the Exchange. Finally, COHBE proposes a number of options to generate revenue in the future, including website advertising, selling supplemental insurance products on the Exchange (such as vision and dental products), and foundational grants.

It will be essential that these options are carefully considered as COHBE goes live and enrollment numbers become more apparent. As the exchange approaches its first and second years of operation, enrollment fees should be minimized to the extent possible to ensure that the exchange is not put at a competitive disadvantage to the non-exchange market.

**Outreach and Education:** The success of COHBE, particularly in its early years, will depend largely on participation. It is critical that COHBE develop an aggressive statewide public awareness and marketing campaign in order to successfully reach the hundreds of thousands of individuals, families and small businesses eligible for coverage. A statewide marketing and outreach campaign in Colorado will face a number of significant challenges. Colorado is a very diverse state, including its linguistic and cultural diversity and its unique urban and rural makeup. Moreover, many Coloradans – particularly those who are currently uninsured – have low health care literacy. They will need special assistance to understand how health care coverage works and what it means for their family. Collaborating with and leveraging existing resources will be essential, including the following: community organizations, paid media outlets, social media markets, health care providers, consumer assistance programs, and others. COHBE, working with its marketing vendor CCT, will need to make strategic and dynamic decisions in order to maximize the impact and scope of its outreach and marketing efforts.

### **Fulfilling COHBE's role as a public good**

As the Colorado exchange prepares to open its doors in late 2013 and build its operations throughout 2014 and beyond, it is crucial that future decisions and modifications are made with the public's best interests in mind. COHBE was established to serve as a public good and all Coloradans stand to benefit from its success. COHBE provides a value to the small business community by providing new options for covering Colorado employers and employees. COHBE provides a value to the health care sector by reducing the costs of providing uncompensated care. Perhaps most importantly, COHBE provides a

value to the public as a whole, by reducing the number of uninsured and reducing increases in premiums due to covering uncompensated care. Because of COHBE, potentially hundreds of thousands of Coloradans will be able to lead healthier lives and be better able to contribute to the economy and their communities.