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September 3, 2013

Dear MCHA Enrollee:

We have concluded a summer of public outreach meetings and comment periods to gain important input, and the Minnesota Department of Commerce is now releasing a final draft MCHA transition plan, which accompanies this letter and is posted to our website at <http://mn.gov/commerce/insurance>.

The final draft transition plan has been developed, in consultation with MCHA, to help guide all enrollees to understand and implement the phase-out and eventual appropriate termination of coverage provided by MCHA as a result of new health insurance options and laws under the Affordable Care Act.

The development of the final draft transition plan was a collaborative effort, and I would like to take this opportunity to thank enrollees for their thoughtful input provided during our outreach efforts, and the industry and community stakeholder groups and individuals who provided input and insight.

With this critical input, we believe the final draft transition plan will allow for a safe, orderly transition with the least amount of disruption to your healthcare and the insurance marketplace in general.

The plan identifies resources that will be available to your transition and establishes specific goals such as closing MCHA to new enrollment on January 1, 2014. It also provides flexibility to address unique situations through consistent, continual monitoring of the transition and mechanisms such as an appeal process.

Additionally, the Commerce Department will be releasing rate and policy information for MNsure, the new health insurance marketplace, on September 6, 2013, providing additional time for Minnesotans to assess their options for health coverage and facilitate the Open Enrollment Period beginning on October 1, 2013 and ending March 31, 2014. The Commerce Department and MCHA will re-evaluate the remaining enrollee population after the Open Enrollment period closes to determine if the transition plan needs to be updated and modified.

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If you have concerns or questions about your options related to transitioning from MCHA to health insurance purchased either through MNsure or other health plans, please do not hesitate to contact the staff at the Commerce Department, MCHA, MNsure, your insurance agent or broker, or any of the other resources outlined in the final draft transition plan.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Mike Rothman". The signature is written in a cursive, flowing style.

Mike Rothman
Commissioner

MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION

FINAL DRAFT TRANSITION PLAN

Date:

Commissioner of Commerce
State of Minnesota

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Background

The Patient Protection and Affordable Care Act (ACA) passed into law on March 23, 2010, requires health insurance carriers to offer coverage to all individuals, regardless of any medical condition and makes it illegal for health insurance plans to deny coverage due to a pre-existing condition beginning January 1, 2014.

During the 2013 session, the Minnesota Legislature passed House File (HF) 5, the Minnesota Insurance Marketplace Act. Signed into law by Governor Dayton on March 20, the bill established the state's health insurance exchange. Section 15 of the bill provided the Commissioner of Commerce, in consultation with the Minnesota Comprehensive Health Association (MCHA) Board, the authority to, "develop and implement the phase-out and eventual appropriate termination of coverage provided by the Minnesota Comprehensive Health Association under Minnesota Statutes chapter 62E." The phase-out of coverage cannot begin before January 1, 2014 and must, to the extent practicable, ensure the least possible disruption to the enrollees' health care coverage.

In addition, HF 1233, the Health and Human Services Omnibus Budget Bill, contained language requiring the Department of Commerce to study and report to the Legislature regarding whether MCHA can provide coverage options for high-quality, medically necessary, evidence-based treatment of autism spectrum disorders to age 18 through January 1, 2016.

This transition plan was developed to guide and implement the phase-out and eventual appropriate termination of coverage provided by MCHA, as well as allow for a safe, orderly transition with the least amount of disruption to enrollees and the insurance marketplace.

Background on the Minnesota Comprehensive Health Association

MCHA was created by the state legislature in 1976 to make health insurance accessible to Minnesotans with pre-existing health conditions that had been denied coverage in the commercial insurance market. MCHA also provides coverage to: individuals who have lost their group coverage (HIPAA eligibility), individuals who are age 65 or older and not eligible for Medicare, individuals covered through the federal Health and Coverage Tax Credit Program (HCTC), and individuals eligible for coverage through the Healthy Minnesota Contribution Program.

MCHA is one of the nation's oldest and largest high-risk insurance pools. Enrollees in MCHA pay premiums between 101 and 125 percent of comparable market rates. Because MCHA covers people with some of the greatest medical needs, premiums cover approximately 43 percent of the health care claims filed by MCHA enrollees. The remaining 57 percent of the claims expense is paid by an assessment on the health insurance industry. The health insurance industry passes this cost on to the individual, small group, and large group insured markets, as well as the stop loss market.

Affordable Care Act Summary

Initial ACA reforms began within six months of passage. Beginning September 23, 2010, the first of these provisions were effective, including limits on annual benefit maximums, prohibition of lifetime benefit limits, and full coverage for preventive care services.

Reforms continue to be phased in, with major market reforms for health plans beginning January 1, 2014. In the individual and small group markets, health plans will need to include a common set of essential health benefits (EHB), and there will be limits on the amount consumers will need to pay for their care.

Most notably, for all plans effective after January 1, 2014, a health carrier can no longer deny an applicant a health plan or limit coverage due to a pre-existing condition, known as “guaranteed issue.” This change eliminates the need for high-risk insurance pools like MCHA as the “safety net” for thousands of individuals who had been denied coverage because of a health-related condition.

Transition Plan Goals and Process

The Commerce Department, in consultation with the MCHA Board, established goals for the transition of MCHA enrollees to new coverage in the private marketplace. These include:

- Review and analyze key financial, operational, enrollee, and other data
- A safe and orderly transition process
- Ensure the least amount of disruption to the enrollees
- Minimal disruption to the health insurance markets
- Regular and accurate communication and outreach to assist enrollees in their transition process
- Minimize MCHA assessment and cost burden on the public and health insurance markets
- Sufficient notice to current enrollees to take advantage of opportunities available in the marketplace in 2014
- Opportunities for public comment and feedback

Demographic Considerations for the Transition Plan

As of June 30, 2013, there were 25,633 individual enrollees in MCHA. Of this number, 21,830 individuals (85.1%) represent the policyholder, with 3,803 dependents (14.9%).

MCHA has multiple health plan options available ranging from a \$500 to a \$10,000 deductible plan option and a Medicare Supplement Plan option. The number of enrollees in these options are:

- 1,469 in the \$500 deductible plan
- 3,236 in the \$1,000 deductible plan
- 7,492 in the \$2,000 deductible plan (most popular plan option)

- 4,863 in the \$3,000 individual/\$6,000 family deductible plan (the Federally Qualified High Deductible Health Plan)
- 4,824 in the \$5,000 deductible plan
- 3,355 in the \$10,000 deductible plan
- 394 individuals are enrolled in the Medicare Basic Supplement Plan
- Just over eleven percent of the population is in a “Tobacco User” plan.

Additionally, as of June 30, 2013, MCHA reported it provides coverage for 760 individuals in the Healthy Minnesota Contribution Program. Individuals in this program are offered the same deductible plan options with the \$2,000 deductible plan as the most popular plan option. Just over 24 percent of this population is in a “Tobacco-User” plan.

The average age of the MCHA population is 48. The population is comprised of 53 percent females and 47 percent males. The largest age group in the population is 60-64. Compared to the private market commercial population, MCHA has a significantly higher proportion in the 50-64 year age group.

MCHA’s enrollee population spans Minnesota, with approximately half of the population residing in the seven-county metropolitan area, and the remaining population spread throughout the state. Population counts vary significantly, ranging from approximately 5,600 enrollees in Hennepin County, 1,800 enrollees in Ramsey County, 35 enrollees in Lake of the Woods County and 25 enrollees in Mahnommen County. The highest concentrations of populations outside of the Metropolitan Twin Cities area include the Rochester (500), St. Cloud (850), and Duluth (800) areas.

ACA Policy Impacts and Financial Considerations

It is important to consider the effect of major ACA reforms to individual health plans and the broader insurance market by looking at the enhanced coverage benefits that may be found in the insurance marketplace and the overall cost to Minnesota’s insurance market.

Coverage provided through a state high-risk pool, including MCHA, is considered “excepted” from the coverage requirements of the ACA. As a result, changes required under the federal law do not apply to coverage available through MCHA. For example, MCHA is not required to provide full coverage for preventive care or women’s health care, and it is not required to include the Essential Health Benefits set.

Also, the ACA established a transitional reinsurance program to mitigate adverse selection in the individual market. The program is effective beginning in 2014 and continues through 2016. All health plan carriers (in all markets, including self-insured) are required to contribute a flat fee per enrollee to a national pool. At the end of the calendar year, carriers may request reimbursement for individual enrollees in the individual market with high claims costs.

However, high-risk pools like MCHA, where many enrollees have very high claims costs, are not eligible to receive reinsurance payments through this transitional reinsurance program. Health insurance companies in Minnesota will pay both the federal reinsurance assessment as well as the assessment for the MCHA program and may not receive federal reinsurance reimbursement for the claims that may be

associated with MCHA's high-risk pool population. For 2012, the most recent year completed, the final assessment resulting from MCHA losses amounted to a total of \$164.2 million being assessed. This assessment was added to each health policy resulting in a 2.68 percent charge for each premium dollar written by health plan carriers. MCHA estimates that Minnesota carriers could pay up to a total of \$55 million in claim payments during 2014, assuming no MCHA enrollees transition to the private marketplace, which could have otherwise been reduced by the federal reinsurance payments.

Therefore, transitioning more enrollees from MCHA to alternative coverage in 2014 will reduce the potential financial affect on the health market in Minnesota. The Commerce Department remains in discussions with the federal Center for Consumer Information & Insurance Oversight (CCIIO) that administers the ACA's reinsurance program to determine if there might be any alternatives to reduce or eliminate the financial issues of MCHA remaining open after January 1, 2014.

Final Draft Transition Plan

Communications

- Prior to the October 1, 2013, Open Enrollment period, MCHA enrollees will receive communications regarding the MCHA transition plan and the improved coverage in the marketplace and ACA reforms that allow for enrollment in the insurance marketplace, including the following:
 - Communication 1 with as many as possible specifics of the final plan to reach enrollees roughly coincident with release of the final plan – Mail date of September 4, 2013
 - Communication 2 with specifics including a copy of the final plan, or at a minimum, an in depth executive summary of the plan – Mail date of September 17, 2013
 - Healthy Attitudes Newsletter – October 1, 2013
 - MCHA enrollee subgroup letters – October 2013 through January 2014.

Transition Resources

- MCHA will maintain access to registers of licensed agents and brokers that can provide assistance to enrollees in transitioning from MCHA to the marketplace in general.
- MCHA will work with the Agents Coalition for Health Care Reform, utilizing their roster of registered agents and brokers to support MCHA enrollees in their transition.
- MCHA will work with and seek dedicated resources from MNsure to assist with educating MCHA enrollees about opportunities available in the MNsure marketplace regarding coverage options, financial incentives, and assistance with enrollment.
- MCHA will utilize navigators certified by MNsure to assist enrollees with their transition.

- MCHA will work with the customer service personnel of Medica (the current servicing carrier for MCHA) to provide a resource to assist MCHA enrollees in support of their transition needs.

Key Dates

- MCHA will cease accepting new enrollees for an effective date of coverage for January 1, 2014 and beyond to align with guaranteed issue commencing January 1, 2014 as part of the ACA.
- Beginning January 1, 2014, MCHA will implement a formal appeals process to address difficult continuity of care, related medical care management issues and enrollment matters.
- MCHA coverage will close for all enrollees on December 31, 2014. This date may be extended for certain subgroups through the appeals process.

MCHA Plan Updates & Changes

- The Commerce Department and MCHA will consider continuity of coverage alternatives to alleviate the concerns enrollees have to transitioning.
 - MCHA will work with the medical management staffs at Minnesota health plans to ensure continuity of care for enrollees who change plans from MCHA to a new plan.
 - The Commerce Department will evaluate Minnesota Statute section 62Q.56 Subd. 2 to require the statute's continuity of care provisions apply for individual plan and group plan enrollees in the standard marketplace.
- MCHA premium rates for 2014 will be carefully evaluated to encourage enrollees to seek alternative coverage in the standard marketplace.
- The Commerce Department and MCHA will evaluate potential administrative efficiencies regarding the number of products offered in 2014 in relation to the expected dwindling population, including.
 - Amending plans with a \$10,000 deductible to eliminate the \$10,000 deductible option and set \$5,000 as the maximum deductible.
 - Supporting repeal to certain provisions of Minnesota Statute section 62E, e.g., repeal of the enrollment provisions.

Transition Plan Reevaluation & Modification

- The Commerce Department and MCHA will re-evaluate the remaining enrollee population after the first open enrollment period closes (March 31, 2014), to determine whether the transition plan needs to be updated and modified to address the transition needs of the remaining MCHA enrollees.
- MCHA will evaluate occurrence of transition disruptions and address appropriately.
- If disruptions are identified causing the plan to fail for an individual or a group, MCHA will address the issues appropriately and immediately.
- MCHA will create and maintain a log of issues related to enrollee transition, the issue, the cause, and the resolution.

Unique Enrollee Populations Within MCHA

Within MCHA's enrollment, there are numerous subgroups with unique concerns. As these enrollees transition out of MCHA, assistance may be needed to reduce the possibility of interruption to coverage or care. These unique populations include:

- MCHA's Low Income Subsidy recipients
- Enrollees age 63-65 with Medicare eligibility in less than 2 years
- Individuals over age 65 but not eligible for Medicare
- Children only plan enrollees
- Individuals with autism spectrum disorders
- Ryan White Program recipients
- Multiple Sclerosis patients
- Dialysis patients
- Accordant Care program (17 rare diseases – approximately 700 individuals)
- Federal Health Coverage Tax Credit recipients
- Healthy Minnesota Contribution Program participants
- Undocumented enrollees
- Medicare Supplement plan recipients
- Enrollees who have high claim costs of over \$1 million cumulatively during coverage in MCHA
- Mayo Clinic as provider for enrollees
- Enrollees currently receiving on-going chemotherapy, surgery, home care, etc.
- Enrollees on an organ transplant list

Unique Population Plan

In addition to the transition plan steps identified above for all enrollees, specific assistance for the unique population subsets with their particular needs and requirements related to transitioning, are recognized and include the following:

Communications

- A series of targeted communications specific to each subgroup in format, content and delivery to assist enrollees in transitioning.
- Particularly vulnerable enrollees with limited abilities and resources will be communicated with and assisted on an individual basis by MCHA.

Transition Resources

- Assistance from advocacy groups associated with unique populations will be requested to aid in communicating and implementing the transition.
- MNsure will be notified of special subgroups, and where appropriate, special navigators/assisters will be provided to assist the unique populations with their transition.

- In-person meetings of MCHA staff with subgroup leadership in order to arrange a plan of action specific to the subgroup.
- MCHA will add staff/engage consultants to perform this communication and outreach at MCHA's direction.
- MCHA staff and/or consultants will engage medical personnel at the health plan the enrollee has chosen to transition to for coordination of care and to ensure a smooth, acceptable transition for the enrollee.
- MCHA will engage the MN Community Agent Participants (MNCAA's) to assist with transition of enrollees eligible for public programs.
- MCHA will reach out through internal personnel, MNsure personnel, licensed agent's and broker's, MNCAA's and other available resources to ensure plan enrollees can properly evaluate new coverage options and provider networks.

MCHA Plan Updates & Changes

- MCHA's appeal mechanism will be available to address concerns regarding inconsistencies in coverage of critical medications, continued treatment plans, and network availability, and requests from former MCHA enrollees who want to return to MCHA coverage. Commerce is unable to estimate the cost of remaining open beyond 2014. This is variable depending upon the type of coverage(s) and the remaining enrollee population after the first open enrollment period closes on March 31, 2014.

Autism Key Dates

- MCHA will remain open for enrollees receiving autism spectrum disorder treatment during 2014. The Commerce Department will produce a report regarding the availability of comprehensive coverage for treatment of autism spectrum disorders, including the capability of MCHA remaining open to continue providing this coverage.
 - MCHA will remain open through December 31, 2014 for currently eligible enrollees who choose to stay on MCHA, thus, ensuring that each current enrollees' Applied Behavior Analysis coverage and care will not be interrupted by the transition.
 - Any changes required to the transition plan as a result of the Autism Report will be incorporated in the transition plan as soon as practical.

Transition Team Organization

To facilitate the process for developing an orderly and prudent transition plan, Deputy Commerce Commissioner for Insurance, Tim Vande Hey, and Chief Financial Examiner, Rick Theisen, have been designated to oversee the Commerce staff and consult with MCHA on the development and implementation of a MCHA transition plan.

A transition planning and implementation work group will be formed with the following representatives:

- Department of Commerce staff

- MCHA management
- Writing carrier staff leads in member services, medical management (case management and health coaching staff), billing and enrollment, data analyst, etc.
- Specialists as needed – legal, pharmacy, finance, media relations, legislative affairs, and others as needed.

Schedule/Timeline

May 1, 2013 – June 15, 2013	Gather general public comment on the transition
June 1, 2013 – June 30, 2013	Prepare Draft Transition Plan
July 1, 2013	Issue Draft Transition Plan
July 1, 2013 – July 31, 2013	Gather public comment on Draft Transition Plan*
August 1, 2013 – August 31, 2013	Develop Final Draft Transition Plan
August 31, 2013	Issue Final Draft Transition Plan
Sept. 1, 2013	Start providing information to MCHA enrollees
October 1, 2013 – December 15, 2013	Initial open enrollment period for MNsure and the private market for coverage effective 1/1/2014
November 2013	MCHA rates effective January 1, 2014 – December 31, 2014, will be communicated to enrollees
December 16, 2013 – December 31, 2013	Open enrollment period for MNsure and the private market for coverage effective 2/1/2014
January 1, 2014 – March 31, 2014	Open enrollment period for MNsure and the private market for coverage effective after 2/1/2014
January 1, 2014	MCHA closes to new enrollees
October 15, 2014 – December 7, 2014	Next open enrollment period for MNsure and the private market
December 31, 2014	For current enrollees, MCHA remains open throughout 2014
January 1, 2015	MCHA closes

* See Commerce’s website for more details, www.mn.gov/commerce/insurance.

Resource Requirements

Department of Commerce

Commerce currently provides resources for the development, implementation and monitoring

of the MCHA transition plan. These resources are provided from a number of areas, including, communications, government relations, legal, and insurance. Based upon this transition plan, Commerce will need to add staff resources for coordination of the plan resources, monitoring and reporting on the plan's progress and success, and assistance with revisions as necessary.

MCHA

MCHA currently provides both personnel and budget to assist in planning for the enrollee transition. Personnel include 2.5 full time staff and employment of outside resources as needed. Budget is primarily to cover the cost of communication activities, print, mailing, emails, public meetings, etc. Based upon the final transition plan, MCHA will need to add staff, primarily in member services and through the navigator and broker resources to work with enrollees in effecting an appropriate transition.

Medica

Medica, the current servicing carrier for MCHA, will continue to provide member services, medical management, billing and enrollment, pharmacy, communications, legal affairs, and other member services as needed. The pace of transition will determine resource requirements.

Additional Outside/Specialist Resource Needs

Commerce currently anticipates additional resources may be needed to assist with implementation and monitoring of the MCHA transition plan. Additional expenditures for oversight and monitoring will be reimbursed by MCHA.