ACHI
Arkansas Center for Health Improvement

# ISSUE BRIEF

ACHI is a nonpartisan, independent, health policy center that serves as a catalyst to improve the health of Arkansans.

## Arkansas Health Insurance Marketplace • June 2014

*The Arkansas Health Insurance Marketplace Act was signed by the governor on April 23, 2013.[1] The act is intended to provide the state with more control of its Health Insurance Marketplace (HIM), through which Arkansans can purchase health care coverage. The act creates a board that will determine whether it is in the best interest of the state to transition from a federally facilitated marketplace (FFM) state partnership (FFM partnership) to a state-based marketplace (SBM). The decision will have an impact on the insurance market in Arkansas generally, but it will also have an impact on Arkansas's innovative approach to Medicaid expansion—the "Private Option"—whereby low-income Arkansans can select federally subsidized health care coverage through the HIM. (Issue briefs describing Arkansas's current FFM partnership and Arkansas's Private Option are available at www.achi.net.) This issue brief focuses on the history of the formation of the Arkansas Health Insurance Marketplace (AHIM), its board of directors (board), board actions, and the anticipated direction of the AHIM.*

## HISTORY OF THE HEALTH INSURANCE MARKETPLACE IN ARKANSAS

After the passage of the Patient Protection and Affordable Care Act (PPACA) on March 23, 2010, Arkansas began planning for the implementation of an SBM in December of that same year.[2] Arkansas HB 2138 of 2011, which would have enacted the formation of the Arkansas Health Benefits Exchange as an SBM, was recommended for interim study on March 31, 2011 after bipartisan support was unable to be secured.[3] In December of 2011, Governor Mike Beebe instructed Arkansas Insurance Commissioner Jay Bradford to begin planning for an FFM, with the result being that on December 12, 2012, Arkansas elected to implement an FFM partnership.[4] Under the FFM partnership model, Arkansas ceded control over most aspects of the Marketplace to the federal government, with plan management[a] and customer service[b] being the only exceptions.[5]

The Arkansas Health Insurance Marketplace Act will potentially transition the FFM partnership model to an SBM model entitled the Arkansas Health Insurance Marketplace.[1] The law's intent is to establish the private, nonprofit AHIM and to transition authority from the Arkansas Insurance Department (AID) to the AHIM board of directors no earlier than July 1, 2015. The transition requires the US Department of Health and Human Services' approval.[1]

The AHIM board represents a variety of stakeholders, including insurance brokers or agents, consumer representatives, health insurers, small employers, and health related professionals. Members are appointed by the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. Joining the appointed board are two non-voting members—the AID Commissioner and the Arkansas Department of Human Services (DHS)

[a] Plan management consists of qualified health insurance plan certification and reinsurance, and data collection and basic supervision of health insurance plans offered on the Marketplace.
[b] Customer service includes, but is not limited to, managing in-person assisters (IPAs), navigators, and marketing and advertising of Marketplaces.

Director.[c] The AHIM board is overseen by the bipartisan, bicameral AHIM legislative oversight committee.

AHIM duties are as follows:[d]

- Implement procedures and criteria for the certification, recertification, and decertification of health benefit plans as qualified health plans in coordination with the Insurance Commissioner and in compliance with state and federal law.
- Provide for consumer assistance*, including the operation of a toll-free telephone hotline to respond to requests for assistance*.
- *Maintain an internet website through which enrollees and prospective enrollees of qualified health plans may obtain standardized comparative information on such plans.*
- *Assign a rating to each qualified health plan offered through the Marketplace*.
- *Use a standardized format for presenting health benefit options in the Marketplace*.
- *Review compensation rates for licensed brokers and agents.*
- *Establish a calculator to determine the actual cost of coverage after application of a premium tax credit.*
- *Establish a Small Health Options Program (SHOP) Marketplace.*
- *Serve other such functions necessary for the running of the Marketplace*.

In September of 2013, the AHIM board began its work toward establishing an SBM by identifying staffing needs and applying for federal grant funds in cooperation with AID. The board is expected to develop and present a business plan to the legislative oversight committee in late 2014.

## BOARD ACTIONS

To date, the board has adopted bylaws, operating rules, and procurement rules.[e] The board has also hired a consulting group to aid with the planning and implementation of an SBM. The board recently hired an executive director, Cheryl Smith, who formerly led the Utah Exchange. Notably, the Utah Exchange began the process of setting up its insurance Marketplace before PPACA. Cheryl Smith began working as the AHIM executive director on May 19, 2014. The executive director's duties are to:

- Draft policies, procedures, and rules to implement the AHIM;
- Apply for state, federal, or private grant funds to plan, implement, and operate the AHIM;
- Assemble and retain high-performing staff and establish the staff's scope of responsibilities;
- Facilitate cooperation on cross-agency policy and operational initiatives;
- Set strategic priorities for the AHIM in consultation with the board;
- Manage the AHIM to ensure achievement of short and long-term strategic priorities;
- Work with staff to oversee agency finances;

[c] The 11-member board currently consists of: (Governor appointees) Mike Castleberry, Chris Parker, and Annabelle Imber Tuck; (Senate Pro Tempore appointees) Fred Bean, John Denery, and Steve Farris; (Speaker of the House of Representatives appointees) Sherrill Wise, Dr. Jerry Jones, and Greg Hatcher; as well as AID Commissioner Jay Bradford and DHS Director John Selig, or their designees.

[d] *Italicized* are duties for which the federal government currently has responsibility that will be transferred to the AHIM.

[e] To read the Marketplace's bylaws, operating rules, and procurement rules, go to http://arhim.arkansas.gov.

- Build and manage external relationships essential to the success of the AHIM to include high-level state and federal government officials, health insurance industry leaders, and key vendors;
- Highlight the AHIM's accomplishments and participate in discussion and debate of health insurance policy;
- Seek opportunities to educate policymakers and the public about AHIM and promote health care reform;
- Create fundamental systems and procedures to execute AHIM's obligations under applicable law; and
- Conduct other activities as required under applicable law.

### *Funding*

In January 2014, AHIM was awarded an Establishment Grant of $3.5 million from the federal Center for Consumer Information and Insurance Oversight (CCIIO) to enable the state's transition to an SBM model for plan year 2016.[6] AID has received Establishment Grant and State Planning Grant awards totaling $49.4 million to plan, set-up, and implement an FFM partnership.[6] Establishment grant award provide for one year of funding support, and can be applied for as often as each application cycle, so long as the use of funds is properly allocated and tracked. The AHIM intends to apply for a second grant in August 2014 after consultation with the executive director.[7] The purpose of this funding is to plan how to carry out the functions of the SBM and to assess whether current state-performed functions in the FFM partnership model can seamlessly transition to an SBM model. After the AHIM begins the SBM implementation phase, it will be able to apply for a one-time-only, three-year grant available to states implementing their own SBM.

### *Marketplace Enrollment*

As of April 19, 2014, more than eight million people had enrolled in health plans through SBMs or FFM partnerships.[8] Nine of the 17 SBMs—VT, DC, CA, RI, CT, ID, NY, WA, and KY—exceeded projected 2014 enrollment figures, while 17 of the 34 FFMs had met 2014 enrollment projections by April 19, 2014.[9] SBMs and FFM partnerships were more successful in enrolling people than were FFMs. A recent report suggests that this might be because SBMs and FFM partnerships availed themselves of more funding available for outreach and enrollment purposes than did FFMs.[10] By April 19, 2014, Arkansas had enrolled 43,446 people out of a projected 61,000 (71.5 percent).[f,9]

### *Direction of the Board*

Over the course of the next year, the AHIM will be facing similar decisions as did AID when it began to develop its functions for the FFM (e.g., whether it will be an active or passive purchaser of insurance plans and implementing strategies for outreach and enrollment). An SBM that acts as a passive purchaser would simply evaluate health plans for compliance with minimum federal standards for issuers and the products to be offered rather than attempting to exert additional influence over the Marketplace.[11] Conversely, an SBM that is an active purchaser will pursue a wide range of strategies it perceives as being in the interest of its citizens—e.g., certifying only those plans with the lowest price or making available only those

[f] This does not include Private Option eligible individuals that enrolled in coverage through the Marketplace.

plans that meet certain provider accessibility or clinical quality standards.[11] At this time, the AHIM board is considering becoming an active purchaser. Decisions that AID did not have to consider, such as those pertaining to information technology capability, will be at the forefront of discussions, especially given the recent failure of two SBMs—Oregon and Massachusetts—in this functionality. The AHIM will also have to consider whether it should contract with or defer to AID to be responsible for plan certification, marketing standards, network adequacy, and other requirements.[11]

## CONCLUSION

Due to the unique health care environment in the state, the AHIM will be expected to manage several relationships internally and externally. Internally, the AHIM executive director will be forging a new working relationship with the board to staff, set policy, and finance the AHIM. Externally, the AHIM board will work with AID and CCIIO to garner funding and regulatory guidance during the process of moving from an FFM partnership to an SBM. Because of AID's status as the overarching regulatory entity for insurance in the state, the AHIM will need to ensure that its policies align with AID's regulatory framework and complement the role of AID to protect consumers. Because of Arkansas's innovative premium assistance approach to Medicaid expansion through the Private Option, the AHIM will also need to work with DHS to ensure that those eligible for the Private Option have access to plans that meet the requirements of the program and, more importantly, the needs of low-income Arkansans.

## REFERENCES


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[4]Governor Beebe Letter to Secretary Sebelius. December 12, 2012.

[5]Fisher N. "State-Federal Partnership Health Insurance Exchanges: The Great Unknown." *Forbes*. December 17, 2012. Accessed at http://www.forbes.com/sites/aroy/2012/12/17/state-federal-partnership-health-insurance-exchanges-the-great-unknown/ on April 9, 2014.

[6]Centers for Medicare & Medicaid Services: Center for Consumer Information and Insurance Oversight. "Arkansas Health Insurance Marketplace Grants Awards List." Baltimore, MD: CMS.gov; Accessed at http://www.cms.gov/cciio/Resources/Marketplace-Grants/ar.html on April 15, 2014.

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