Washington State Health Care Authority

Washington State Health Benefit Exchange Program

Issue Brief #4: Administering Washington State's Exchange

As Submitted to the Federal Department of Health and Human Services

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Summary

After the design issues for Washington State's Health Benefit Exchange ("Exchange") – its goals, structure, functions, responsibilities, etc. have all been settled, one practical and vital issue remains: How should the design be implemented and administered? Even with an optimal design, if member phone calls are unanswered, premium payments are inefficiently and inaccurately transmitted and tracked, and consumer support is uninformed, Washington State's Exchange is sure to break down. (*see sidebar*)

Addressing how to administer the Exchange involves the following key considerations:

- **Service centers**. What kind of web portal, call center, and other service centers should be established?
- **Transaction processing**. How should the Exchange coordinate with various State, federal, and private entities to administer eligibility, enrollment, premium payments, subsidies, and tax credits?
- **Marketing**. How should the Exchange market its services, and what services should be targeted?
- **Vendors**. Should vendors be engaged?
- **Feedback**. How should the Exchange obtain ongoing feedback about its processes?
- **Transparency**. How can the Exchange carry out its operations transparently?
- **Assessment**. How should the Exchange measure its effectiveness?
- **Cost.** What will be the administrative cost?
- **Timing.** When should administration planning begin?
- **Leverage:** How can existing administrative capabilities be leveraged?

Measure Twice, Cut Once

Making the wrong administrative decisions can be expensive.

The Massachusetts Connector exchange now efficiently handles 40,000 member calls a month, 60,000 member financial transactions (totaling $7 - $9 million per month) that interface with multiple insurance companies and other entities, 80,000 customized member mailings, and enrollments for its 300,000 members. But its operations were not always smooth.

In 2006, when the Connector began, it had to design and implement many complex administrative processes and IT systems under tight timelines.

Unfortunately, within two years, the first Connector system started falling apart. Processes were inefficient and problem-laden. Consumers complained, and the Connector's credibility was damaged.

A second system, completed in 2008, was successful. However, the transition was costly both financially and in terms of consumer trust.

The moral: measure twice, cut once.

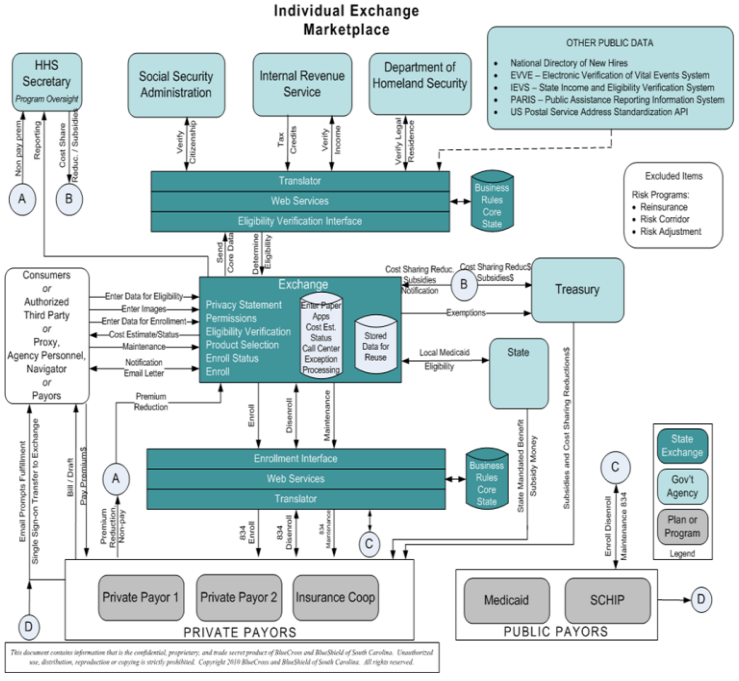
This brief addresses how to administer Washington State's Exchange, including key considerations.

Background

Although Washington State administers ambitious health insurance programs like Medicaid and the new Health Insurance Partnership (HIP) program, it has never undertaken a project with the scope and complexity of a state Exchange. Medicaid deals with low-income individuals and HIP deals with a subset of small employers, but the Exchange must encompass individuals at all income levels, and a much wider range of small employers (and, starting in 2017, potentially also large employers). Medicaid coordinates with other state programs such as Basic Health, CMS and Medicare, and HIP coordinates with producers and insurers, but the Exchange must coordinate with Medicaid and all other state health insurance programs, as well as with the federal Department of Health and Human Services, the federal Department of Treasury, and all health plans participating in the Exchange.

The diagram (Figure 1) below gives an idea of the complexities involved in administering Washington State's Exchange. [1] It shows potential information and financial flows among the many entities with which the Exchange must coordinate. To be viable, the Exchange must administer these flows efficiently, accurately and cost-effectively — a major challenge.

Figure 1. Individual Exchange Market - Information and Financial Flows



[1] Used with permission from BlueCross and BlueShield of South Carolina.

Key Considerations

The following are key considerations in determining how to administer a Washington State Exchange:

- **Service centers**. How the Exchange relates to Washington State consumers, individuals, and small employers – will be key to its success. Interfaces for this relationship will be a web portal, a call center and potentially person-to-person service centers, like the state's current centers for obtaining a driver's license. Ideally, each interface would be easy to use, accessible to the disabled, multilingual, culturally-diverse, confidential, and able to seamlessly link to customer service centers of insurers. To enhance its service centers, the Massachusetts Connector implemented:
  - a consumer-friendly automated voice response system, and
  - an automated customer relationship management system.

  Of course, the extent and sophistication of the Washington State Exchange's service centers will depend on their cost, and whether such cost is sustainable.
- **Transaction processing**. Enormous volume of complex financial and enrollment transactions will flow through the Exchange, requiring it to coordinate effectively with various state, federal and private entities. Should such coordination provide comprehensive or piecemeal information or a combination of the two? Should the frequency be daily, hourly, or at each consumer transaction time? How should the information be transmitted, protected, and verified? Should the Exchange require fixed data formats, or allow flexibility? What should be done in the event of system outages or cyber attacks? What computer systems and software will be required to handle the processing volume? What business contingency plans are called for? These and many other similar operational questions need to be addressed.
- **Marketing**. Effective marketing of Exchange services will be vital to establish and maintain adequate participation levels. When should the marketing campaign begin? What is the target audience? How should it be carried out? For example, the Massachusetts Connector found that it was effective to market its services on buses and trains in Boston's mass transit system. What services are most important to the target markets? How long should the marketing campaign continue, and at what intensity? Having answers to these and other marketing questions will help the Exchange to be successful.
- **Vendors**. It is often more time- and cost-effective to buy rather than build. Vendors offer packaged solutions for Exchange call centers, web portals, and financial transaction systems that the Exchange might consider. For example, the Massachusetts Connector engaged a vendor to establish and run its web portal, call center, and financial transaction system. Vendors are also available to market Exchange services and to perform the actuarial analyses necessary to carry out Exchange functions.

Key Considerations continued

- **Feedback**. To continually improve its processes, the Exchange will need feedback from its constituents (consumers, health plans, Medicaid, federal agencies, etc.). How should the Exchange obtain ongoing feedback and advice? Should it hold regular meetings with constituents; solicit feedback through surveys; have a feedback facility on the Exchange website; or something else?
- **Transparency**. As other issue briefs argue, transparency is key to empowering consumers and gaining the trust and participation of health plans. How can the Exchange carry out its operations transparently? Is it enough to simply have information available on the Exchange website? Or is more active and focused education needed? For example, as the Exchange implements its risk adjustment methods, it may be a good idea to hold educational seminars for affected health plans.
- **Assessment**. An important, but often overlooked, component of administration is ongoing assessment of process effectiveness. Ideally, the Exchange would frequently measure how well it is doing: whether it is meeting its goals, whether it is cost-effective, whether its processes are efficient. But how the Exchange will measure its success, and how frequently, will depend on the associated costs and potential benefits.
- **Cost.** For the Exchange to be sustainable, its administrative costs should be reasonable, continually monitored, and transparent. Even more, ideally the Exchange should add significant net value to Washington State's health care system: it should reduce the aggregate administrative expenses of health plans and providers by more than its own administrative expenses.
- **Timing.** Because implementation of the Exchange's administrative infrastructure and processes can take a long time – perhaps as long as two years for implementing the IT infrastructure – planning should start as soon as possible.
- **Leverage.** Washington State already has much administrative capacity in place, such as for its Health Insurance Partnership and other public programs. Ideally, the Exchange will leverage these existing administrative capabilities.

Contact

Molly Voris, Project Manager, Health Benefits Exchange Program
Washington State Health Care Authority
molly.voris@hca.wa.gov
360.923.2740