

Health Insurance Exchanges (HIX)

July 2013

THE ADVENT OF HEALTH INSURANCE EXCHANGES **Executive Summary**

Whatever you think of the Affordable Care Act, but October 1, 2013 is a launching pad for some exciting new business opportunities! While a few Health Insurance companies have declined to participate, most major insurance players are excited and raring to go into this new market place. This adventure comes with its own set of challenges. If you decided to participate then you have been preparing for the "E-Day" (enrollment day) at least for the past year and half.

Unlike many other initiatives, this rollout affects many aspects of your business. With less than 3 months to go, this is a countdown to make sure you are prepared, efficient and organized before the launch. The cost of failure can be high and long lasting because there are penalties for making mistakes: from losing your customers, getting fined and even being prohibited from participating in the future. The effective window to achieve enrollment goals is small. So are you really ready? How can you be sure? Based on these factors we recommend issuers take extra precautions to check operational readiness before October 1, 2013.

- Satish Nagarajan

ASSESSING OPERATIONAL READINESS FOR HIX!

Assessing Operational Readiness requires the understanding that HIX requirements have a broad and deep impact on most issuers business and systems. Health Insurance Exchanges are uncommon today – most health plans do not have deep experience with these kinds of online marketplaces.

- Health Insurance companies that are approved to present QHPs in the health insurance exchanges are experiencing broad and deep impacts to their business processes and systems.
- While most of the regulations are universal there are organization specific factors that can modify the impacts.
- Each organization comes to this with different processes and system capabilities and even different implementation approaches. Also, the progress along their implementation plans will be different. This will result in different levels of operational readiness.

Glossary



Term	Definition
ACA	Affordable Care Act
HHS	Health and Human Services
HIX	Health Insurance Exchange
SHOP	Small Business Health Options Program
FFE	Federally Facilitated Exchange
QHP	Qualified Health Plans
Issuer	Any entity that provides health insurance plans
Metal	Bronze, Silver, Gold and Platinum

News: Federal HIX delays SHOP choice for employers with more than 50 employees until 2015.



HEALTH INSURANCE EXCHANGE REQUIREMENTS

CLASSIFICATION OF HIX REQUIREMENTS

We classify the requirements that participation in the HIX places on the Health Insurers (Issuers) into five categories:

- DEADLINES
- COMMUNICATION REQUIREMENTS
- NEW STANDARDS
- NEW CUSTOMERS
- MARKETPLACE CHALLENGES

DEADLINES

Deadline requirements are imposed by Federal and State mandates and also by organizational operational imperatives. Here are some examples:

- Begin open enrollment on the new insurance marketplaces by October 1, 2013
- Complete open enrollment by December 31, 2013 for the 2014 benefit year
- Get approval from state regulators Qualified Health Plans to be offered on the HIX
- Complete system testing including User Acceptance Testing
- Develop and deliver training to all impacted business processes
- Rollout new systems/updated systems to support open enrollment
- Define and complete contract changes and training for Agents and Brokers

COMMUNICATION REQUIREMENTS

There are multiple communication mandates, standards and requirements involved in this program.

- There are standards for the information that must be provided regarding Qualified Health Plans on the issuer's websites
- There are new standards for the content and format of benefit descriptions and plan documentation
- There are new reports and information flows between the issuer, the HIX and the regulators
- There are new actors involved – the HIX, HHS, Navigators, etc.
- There are likely new operational reporting requirements within the organization to support this new business

NEW STANDARDS

A key component of the Affordable Care Act is a set of standards that apply to health insurance plans and a defined set of products. Health and Human Services has also defined and adopted several new standards for the operations of the HIX and interaction with the HIX and the regulators.

- Minimum standards for covered preventive care benefits
- Standards regarding the actuarial value that is associated with each QHP
- Information provided regarding QHPs have been standardized to improve comparability
- Standards have been specified affecting enrollment processes

HEALTH INSURANCE EXCHANGE REQUIREMENTS



NEW CUSTOMERS

Each issuer has a different business development strategy depending on business goals, geography, customer needs, and the competitive environment. The specific “Go to Market” strategy of each organization will impose unique requirements including:

- Anticipated volume of new business (versus +/- existing membership)
- Mix of new business between small business and individuals
- Specific demographics and needs of the new customers – age, geography, health status, technology savvy, etc.

MARKETPLACE CHALLENGES

Issuers do not operate in a vacuum. Most health insurers operate in competitive environments in which multiple issuers are likely to offer QHPs at each “metal” level. Many insurers cover large geographic areas with highly varied customer demographics and needs. These will impose additional requirements on the organizations:

- QHPs are meant to be comparable across issuers. New standards and simplified communication formats should make it easier to make direct comparisons.
- There could be a flood of new product and carrier choices, and customers will be able to choose between QHPs and other offerings.
- Issuers are required to provide customer satisfaction survey results once they are completed in 2014 for each QHP.
- There is increased cost transparency both in terms of the cost/benefit of the insurance plans and the out-of-pocket costs for medical services.



Please visit www.apsana.com for more information.

HIX IMPACT ON BUSINESS



HIX IMPACT ON BUSINESS

The impact will be broad and deep. The HIX requirements have varying impacts on different parts of the health insurance enterprise. In order to better characterize the impact we have decomposed the health insurance organizations into several components – *Core Business Processes*, *Support Business Process*, *Actors (Stakeholder Communities)*, *Systems (Systems and Interfaces)*.

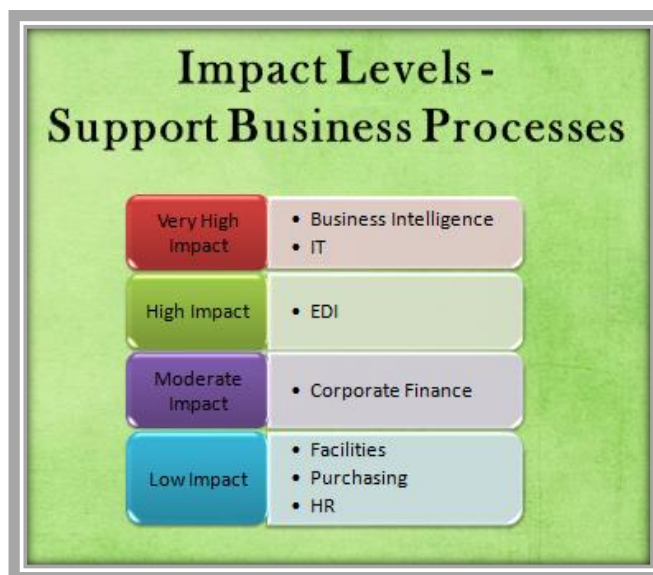
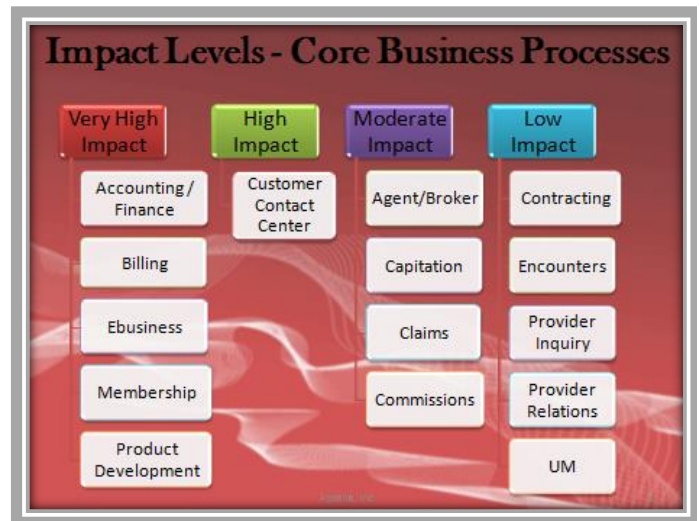
HIX IMPACT ON BUSINESS COMPONENTS

- CORE BUSINESS PROCESSES
- SUPPORT BUSINESS PROCESSES
- ACTORS (STAKEHOLDER COMMUNITIES)
- SYSTEMS

To better illustrate the impact assessment, we will use a model. Our model issuer is a mid-sized, multi-line health insurer who already serves individual and small group customers. The issuer also has multiple web sites, processes EDI transactions, and has implemented a packaged enterprise benefit administration system. The model issuer is expecting that the new business volume in 2014 will represent no more than 20% of the current volume.

CORE BUSINESS PROCESSES

We applied Apsana's Business Impact Analysis toolkit to the core business processes of the model issuer (see picture). Notice that the highest impact on the core business processes are focused on the customer facing processes.



SUPPORT BUSINESS PROCESSES

Applying the Apsana's Business Impact Analysis toolkit, to the Support Business Process indicates that processes that support customer facing core processes are also deeply impacted.

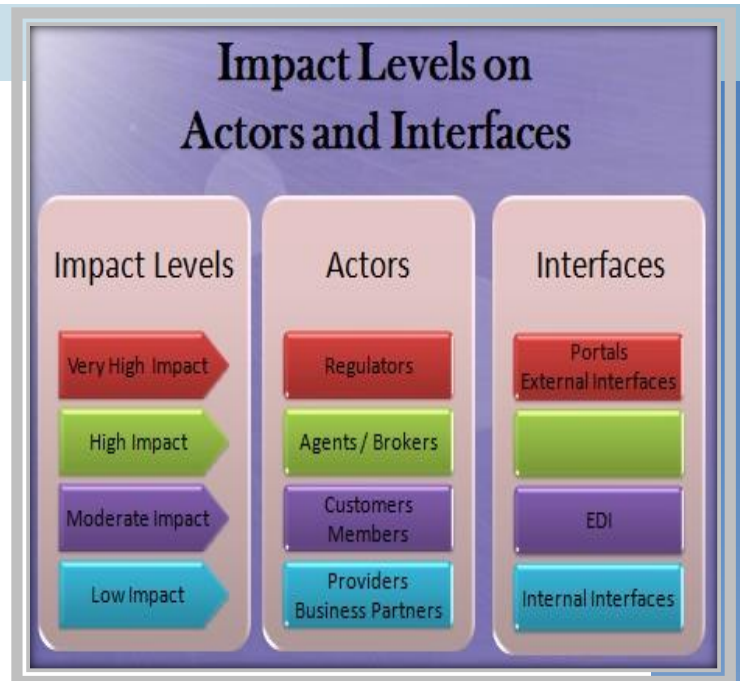
HIX IMPACT ON BUSINESS

ACTORS (STAKEHOLDERS)

HIX requirements are particularly impactful to various stakeholder communities outside of the health insurance organization.

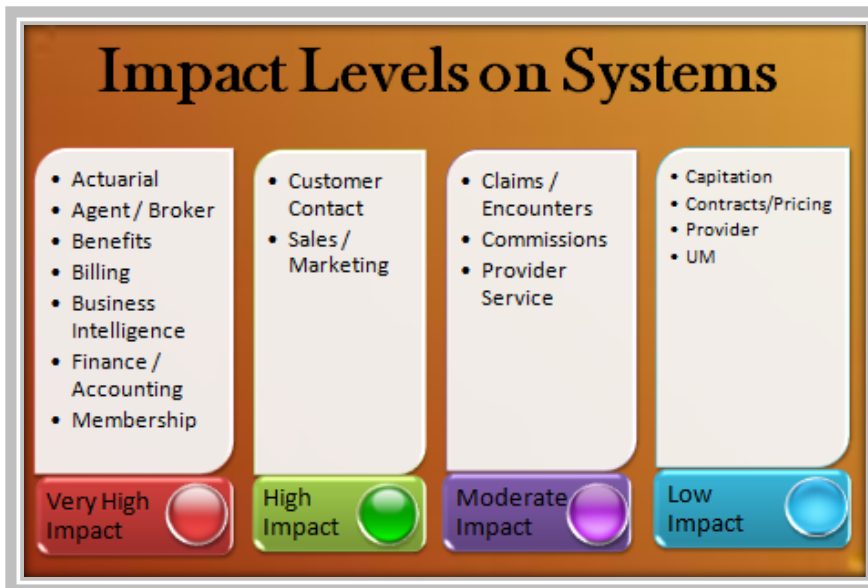
INTERFACES

HIX requirements directly impact the functionality and content of most issuers' consumer and customer oriented web portals. There is also some impact to web portals for brokers and agents. New interfaces and data flows are mandated to exchange information with regulators. Internal interfaces are impacted to the extent required by changes in business processes and their supporting systems.



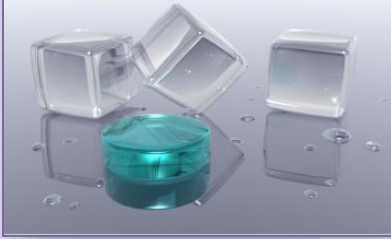
SYSTEMS

By applying Apsana Systems Impact toolkit, the level of likely system impact can be estimated for the business processes they support. We have assumed that our model issuer has one primary enterprise benefit administration system to support most core business process. We also assumed that the issuer uses multiple departmental systems. To estimate the impact on system capacity we have assumed new transaction volume is within current peak capacity limits.



Please contact Apsana for more information.

In the example presented, various high level assumptions have been made. The Apsana HIX Impact Assessment Model allow for numerous levels of specifications for each item in a business component to identify the actual impact levels for each item.



Thus far we have evaluated the impacts of HIX requirements on a model organization. However, we recognize the real life impacts on individual organizations will be different. Impact levels are not the same for everyone. Some of the HIX impacts are similar for all issuers while some are very specific to issuer, even those that serve the same markets.

ORGANIZATION SPECIFIC HIX IMPACTS

- UNIVERSAL REQUIREMENTS
- ORGANIZATION SPECIFIC FACTORS
- GO TO MARKET STRATEGY
- IMPLEMENTATION APPROACH

UNIVERSAL REQUIREMENTS

We have divided the HIX requirements into two categories: those that are universal (or state specific) and those that are unique to each organization. Universal requirements are those that are promulgated by regulatory bodies or the statewide HIX. Organization specific factors are derived from the specific business goals and business conditions of each issuer.

ORGANIZATION SPECIFIC REQUIREMENTS

There are two primary factors that make the HIX impact unique to each organization:

- The Go To Market Strategy
- The Implementation Approach

GO TO MARKET STRATEGY

Each issuer has a potentially different set of business goals for participating in the new health insurance marketplaces. Some key differences are:

- How much new business volume is expected? How does this new volume compare to existing business?
- What customer segments are being targeted? What services and support will they require?
- What is the current orientation of the issuer? How will it change orientation from B2B to B2C, if that is required? Selling to business customers can be very different from selling to individual customers/consumers.
- What is the competition going to do? What does the issuer think the competition going to do?

Answers to these questions are relevant to Business Impact, because these business decisions determine the implementation approach to attaining the issuer's business goals.



ORGANIZATION SPECIFIC HIX IMPACTS



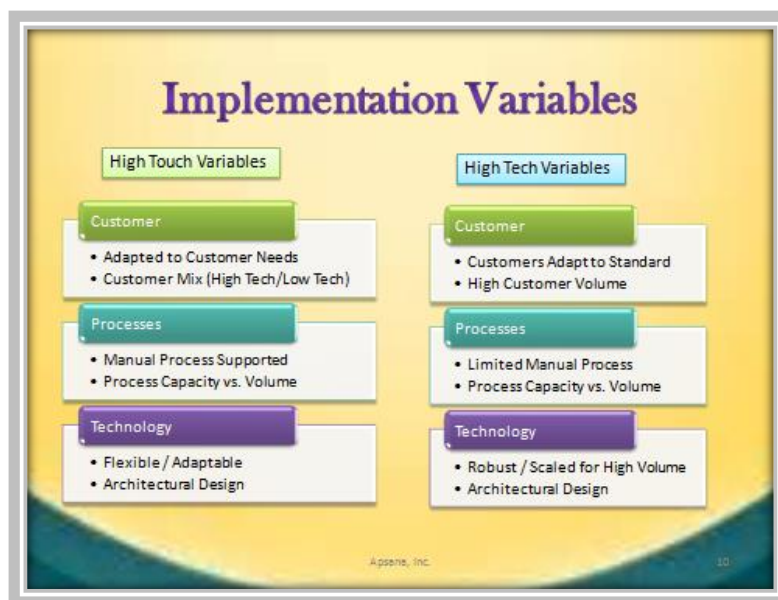
IMPLEMENTATION APPROACH

Every issuer has a different business strategy for addressing the needs of the marketplace and an equally different approach to the implementation of those strategies. Each issuer has come to this initiative with different processes and system capabilities. Each issuer has chosen to respond to these requirements using a different combination of tactics and even strategies.

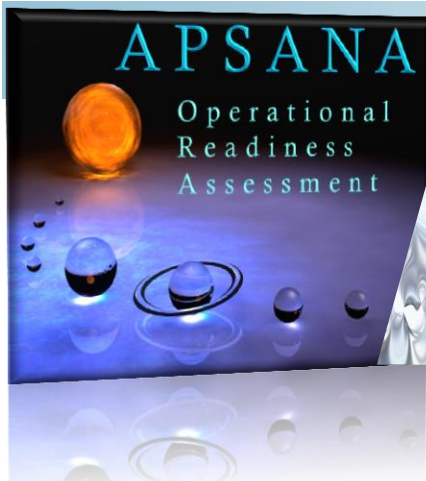
The Implementation Approaches can be plotted along a continuum from “High Touch” to “High Tech”. “High Touch” strategies are intended to be customer intimate and highly responsive to customer needs. “High Tech” strategies are intended to be high volume, low cost and are ideal for customers who can self-serve and can best be served using standard automatable methods.

High Touch strategies normally involve a number of manual process steps supported by very flexible and adaptable technologies.

High Tech strategies are typically supported by robust and scalable processes with limited manual intervention.



As noted, HIX requirements have a broad and deep impact on most issuers business, systems, and operations. While Health Insurance Exchanges are uncommon today, the cost of failure can be high and the long lasting. The effective window to execute the “Go To Market” strategy is small. Given the potentially high stakes of the health insurance marketplaces and the upcoming deadlines, it is important to evaluate the readiness of your organization to operate in this new environment.



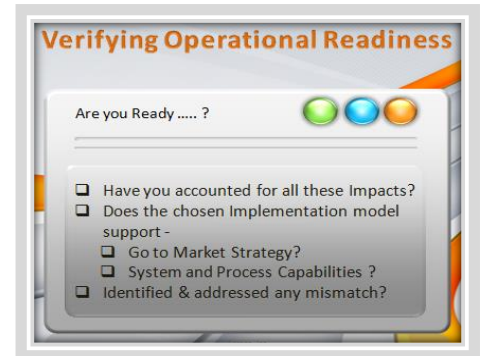
ARE YOU READY ?

As we have seen, the impact of HIX requirements is comprehensive and extensive. With less than 3 months to open enrollment, how can you know if you are ready? You cannot afford to fail. Unlike other projects, if there is a problem, in this case there is not enough time to react and fix it. The window closes and business is lost. Also, any mistakes in regulations may result in fines and lost opportunity to participate again in 2014.

APSANA HIX OPERATIONAL READINESS ASSESSMENT

The Apsana HIX Operational Readiness Assessment Service has been developed to verify the organization's readiness. It addresses the following questions:

- Have all the impacts been accounted for?
- Does the chosen implementation model support the "Go To Market " Strategy?
- Are the System and Process capabilities sufficient to support the impacts?
- Have all the weaknesses been identified and addressed?



A verification protocol is necessary, but incorporating additional demands on a team already under tight schedules will be difficult. That is why the Apsana Assessment process has been specifically designed to get answers to these questions in a quick and efficient manner.

In just a few weeks, Apsana can help determine the readiness by conducting a scaled simulation of the new systems and processes being readied to handle open enrollment. The Apsana team will plan, setup and execute a simulation based on the project documentation and "Go To Market" strategy. Planning and preparation will include creating specific test cases and other necessary documentation need for each "Actor" in the simulation to play their role. Apsana will conduct the simulation utilizing the organizations own people, equipment and systems. Thereby ensuring that the simulation truly reflects the organization readiness. The results will be captured and an assessment of the simulation will be presented.

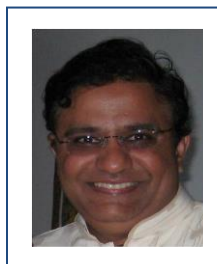
Conducting an HIX Operational Readiness Assessment will better prepare you for "E-Day" this new era of Health Insurance Exchanges.

If you would like to learn more about Apsana HIX Operational Readiness Assessment, please contact us.

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