



Washington State Health Benefit Exchange

Report to the Legislature

January 1, 2017

## WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

### STATUTORY REQUIREMENT

Second Engrossed Senate Bill 6089, Chapter 33, Laws of 2015 directed the Washington Health Benefit Exchange (WAHBE) to report to the Legislature, Governor, and Board with a five-year spending plan that identifies potential reductions in per member per month (PMPM) spending from the 2015-17 biennial appropriation. This plan must identify specific reductions in spending in the call center, information technology costs, and staffing. Every year after submission of the plan, the Exchange is required to provide annual updates on the reductions identified in the spending plan.

The Exchange submitted the initial Five-Year Spending Plan on Dec. 29, 2015. Quarterly legislative reporting on the Exchange's progress toward achieving its benchmarks began in June 2016. The September quarterly report first identified the per member, per month cost attributed to Medicaid versus Qualified Health Plan participant.

This report is the first annual update on the Five-Year Spending Plan. The initial Plan, the subsequent quarterly updates, and this annual update are available online at: <https://www.wahbexchange.org/about-the-exchange/reports-data/presentations-reports/>.

### BACKGROUND

The strategic plan adopted by the WAHBE Board in September 2015 and updated in September 2016, continues to focus on the following core outcomes:

- Define and deliver operational excellence
- Increase the number of insured and access to affordable coverage
- Advance consumer choice and decision-making
- Promote equity across the system

The Exchange currently receives \$5.2 million per year in General-Fund State to provide a portion of the match required to support Medicaid activities, including navigators and the new financial system. The remainder of the match is funded by the 2% premium tax received by the Exchange on QHP enrollees.

The Exchange has requested \$12.8 million in additional expenditure authority for the 2017-19 biennium. No additional General-Fund State funds were requested. The additional expenditure authority would allow the Exchange to;

- 1) Replace outdated IT servers;
- 2) Implement operational enhancements to *Washington Healthplanfinder*; and
- 3) Increase the number of individuals accessing health insurance through targeted marketing and outreach.

The request also adjusts funding sources to reflect updated federal cost allocation and includes additional funding needed to cover a caseload-driven increase in printing and postage costs.

## WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

In the 2015-17 biennium, the Exchange had total funding of \$140,824,000, including grant funds. The requested spending level for the 2017-19 biennium is \$120,900,000. Although the budget requests a higher level of funding in the appropriated budget, the total funds (including the remaining federal establishment grants) are lower.

### CALCULATION OF PER MEMBER PER MONTH VALUES

This report uses the proposed 2017-19 Exchange biennial budget to report progress on the PMPM calculation. The baseline for the five-year spending reduction benchmarks was the 2017-2019 biennial carry-forward level. Enrollment numbers for qualified health plan enrollees are from the November 2016 Wakely enrollment forecast and the November 2016 Caseload Forecast Council (CFC) forecast for Medicaid projections.

The PMPM is calculated by dividing the budgeted expenditures by the total number of enrollees by type of activity. The split of QHP versus Medicaid costs reflect the current Advanced Planning Document (APD) approved by the Centers for Medicare and Medicaid Services (CMS). In November 2016, CMS approved an APD that included receiving Medicaid reimbursement for administrative activities. The Exchange will continue to gather additional data to refine its basis for reimbursement, which should more appropriately capture the costs incurred by the Exchange on behalf of Medicaid clients, who represent 91% of the enrollees served.

For State Fiscal Year 2017, the combined average per member per month costs were estimated at \$2.58. The proposed 2017 supplemental and 2017-19 biennial would result in the following per caps by population (QHP v. Medicaid) based on the November 2017 forecasts:

**TABLE 1: CALCULATION OF PER MEMBER PER MONTH FOR TOTAL BUDGET EXPENDITURES**

	State Fiscal Year 2016	State Fiscal Year 2017	State Fiscal Year 2018	State Fiscal Year 2019*	State Fiscal Year 2020	State Fiscal Year 2021
Total Budget	\$56,740,000	\$55,022,000	\$58,855,000	\$61,674,000	\$58,521,000	\$58,521,000
QHP Budget	\$27,348,680	\$16,988,337	\$16,988,337	\$16,988,337	\$16,988,337	\$16,988,337
Average Monthly QHP Enrollment	159,080	166,752	168,313	169,724	171,135	172,504
Average Monthly Medicaid Enrollment*	1,571,095	1,609,246	1,635,594	1,660,961	1,686,720	1,712,879
QHP PMPM	\$14.33	\$8.49	\$8.41	\$8.34	\$8.27	\$8.21
WAH PMPM	\$1.56	\$1.97	\$2.13	\$2.24	\$2.05	\$2.02
Combined PMPM	\$2.73	\$2.58	\$2.72	\$2.81	\$2.62	\$2.59

\*Applied 2% growth to Medicaid forecast beginning FY 2019

Assuming that the Exchange continues to spend conservatively, as the caseload continues to grow, the PMPM costs will decrease.

## WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

The combined increase in caseload and reduction in spending between 2016 and 2017 in the legislatively enacted budget is expected to reduce the combined PMPM cost from \$2.73 to \$2.58.

**TABLE 2: PER MEMBER PER MONTH PROJECTION BY COST DRIVER –BUDGET IN THOUSANDS**

	Projected Wakely and CFC Forecast				*Estimated 1% growth per year		
	SFY2016	SFY2017	SFY2018	SFY2019	SFY2020*	SFY2021*	SFY2022*
<b>Enrollment (QHP+WAH)</b>	1,728,344	1,775,997	1,803,907	1,830,684	1,848,705	1,866,850	1,885,519
	SFY2016	SFY2017	SFY2018	SFY2019	SFY2020	SFY2021	SFY2022
<b>Total Budget</b>	<b>\$56,740,000</b>	<b>\$55,022,000</b>	<b>\$58,855,000</b>	<b>\$61,674,000</b>	<b>\$58,521,000</b>	<b>\$58,521,000</b>	<b>\$58,521,000</b>
<b>Salaries</b>	<b>\$12,620,560</b>	<b>\$12,683,446</b>	<b>\$12,683,446</b>	<b>\$12,580,446</b>	<b>\$12,580,446</b>	<b>\$12,580,446</b>	<b>\$12,580,446</b>
Annual PMPM	\$7.30	\$7.14	\$7.03	\$6.87	\$6.81	\$6.74	\$6.67
Monthly PMPM	\$0.61	\$0.60	\$0.59	\$0.57	\$0.57	\$0.56	\$0.56
<b>IT DDI and M&amp;O</b>	<b>\$11,794,967</b>	<b>\$9,652,728</b>	<b>\$12,759,728</b>	<b>\$14,811,728</b>	<b>\$11,658,728</b>	<b>\$11,658,728</b>	<b>\$11,658,728</b>
Annual PMPM	\$6.82	\$5.44	\$7.07	\$8.09	\$6.31	\$6.25	\$6.18
Monthly PMPM	\$0.57	\$0.45	\$0.59	\$0.67	\$0.53	\$0.52	\$0.52
<b>Call Center</b>	<b>\$11,788,651</b>	<b>\$11,393,844</b>	<b>\$11,393,844</b>	<b>\$10,824,152</b>	<b>\$10,282,944</b>	<b>\$9,768,797</b>	<b>\$9,768,797</b>
Annual PMPM	\$6.82	\$6.42	\$6.32	\$5.91	\$5.56	\$5.23	\$5.18
Monthly PMPM	\$0.57	\$0.53	\$0.53	\$0.49	\$0.46	\$0.44	\$0.43
<b>Estimated PMPM</b>	<b>\$2.74</b>	<b>\$2.58</b>	<b>\$2.72</b>	<b>\$2.81</b>	<b>\$2.64</b>	<b>\$2.61</b>	<b>\$2.59</b>
Annual PMPM Change		(\$0.15)	\$0.14	\$0.09	(\$0.17)	(\$0.03)	(\$0.03)

### PROGRESS ON STRATEGIES TO REDUCE COSTS

In its initial Five-Year Spending Plan for the Legislature, the Exchange identified several strategies to evaluate to reduce costs. Following is a summary of the progress the Exchange has made to-date to reduce or contain costs. The success of some of these cost-reduction strategies will require additional expenditure authority, which was requested in the Exchange's proposed 2017-19 biennial budget.

The previous report identified a 5-year plan to reduce costs. The renegotiated Deloitte maintenance and operations (M&O) contract resulting in a savings of \$1.2 million per year beginning in SFY 2018. One-half of this savings will be achieved in SFY 2017, which was used to match remaining grant funds to make additional system improvements.

1. Renegotiate contracts to lower call center costs and maintenance and operations information technology costs.

*The call center contract was renegotiated for an 18-month period, to align it with the state's fiscal year. The contract amount did not increase in spite of the addition of the dental program (affecting call center volumes) and the establishment of an overflow site in Spokane, Washington. In the past, the Exchange has paid for the infrastructure costs to expand call center capacity. The cost for establishing the new Spokane site (estimated at approximately \$750,000) will be paid for by Faneuil, the call center*

## WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

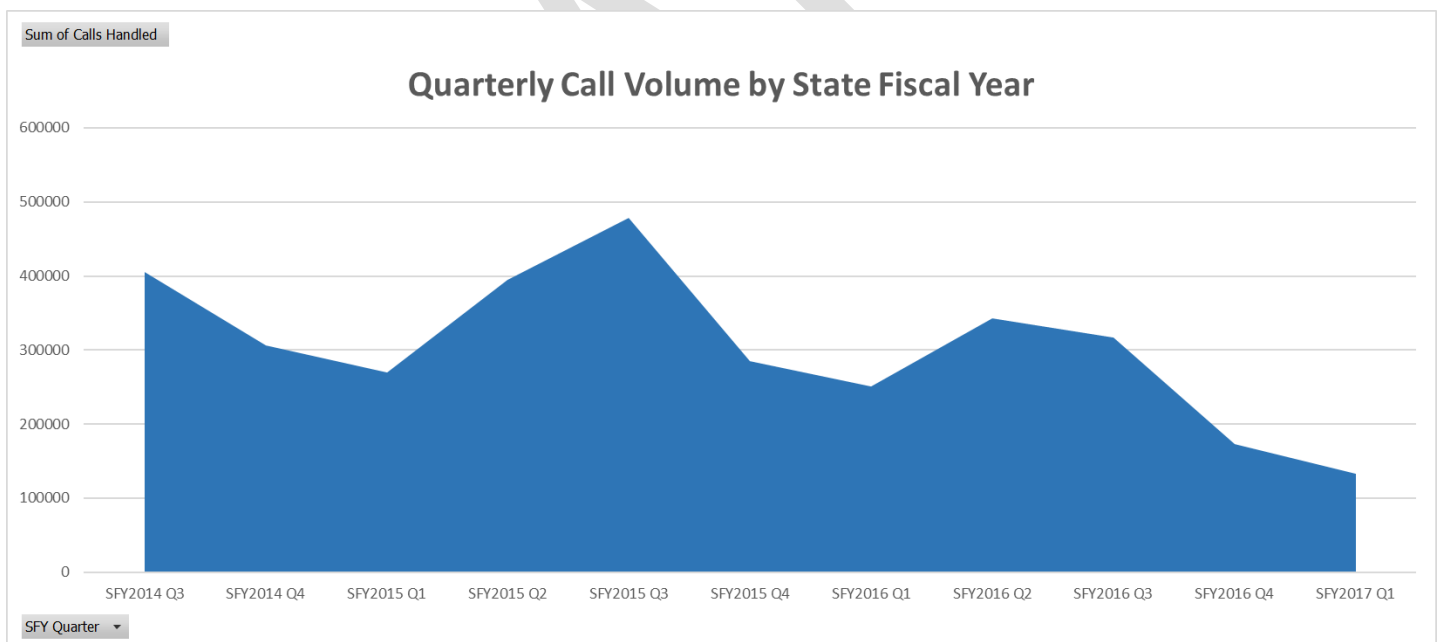
vendor. As part of contract negotiations Faneuil also agreed to establish a joint quality assurance oversight committee to support continued improvements in customer service and performance and improved data reporting.

2. Enhance automation to reduce dependencies on call center staff for routine transactions.

*New tools to increase efficiency at the call center were implemented in September 2016. Additional improvements are planned for the Spring 2016 and for system releases proposed for the 2017-19 biennium. The Exchange's ability to continue to make improvements is dependent on funding. The 2017-19 biennial budget proposal includes funding for continue efforts to generate efficiencies and/or avoid costs.*

3. Reconfigure customer tools to allow consumers greater ability to process applications without assistance from the call center.

*The 2017-19 biennial budget proposal includes customer decision-making tools. Changes to the Washington Healthplanfinder and improved communication strategies to date have resulted in a reduction of average calls in Open Enrollment 4.*



4. Explore how partnerships with Department of Social and Health Services and Department of Enterprise Services could enhance the ability to leverage contracts and reduce costs.

*The Exchange uses services from the Department of Enterprise Services and WaTech when found to be cost effective and meet the Exchange's business needs, such as*

## WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

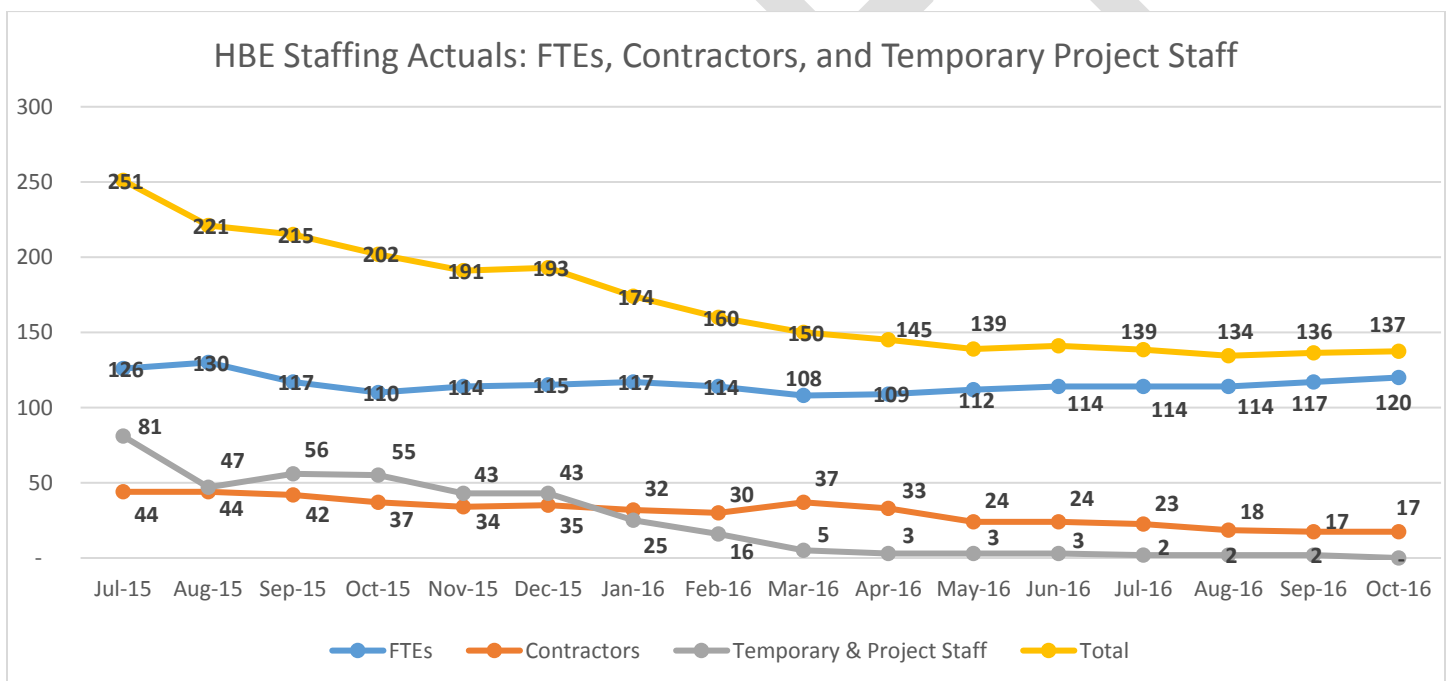
availability outside the normal work week. One of the limitations in using these services is the lack of availability for extended hours and weekends, which is a core need of the Exchange.

- Examine software licenses, including purchasing through State contracts, to reduce costs.

*The Exchange has been able to reduce the number of licenses it uses, as well as renegotiate lower costs for some. When cost effective, the Exchange has purchased its software through the Department of Enterprise Services. Generally, the Exchange has been able to get the same or lower software rates as DES.*

- As the Exchange continues to stabilize, examine staffing levels in all areas.

*The Exchange has significantly reduced its dependency on contractors and temporary employees. In some areas, additional Exchange staff have been added to improve compliance and/or continue an essential function formerly provided by a contractor.*



- Expand inter-agency work teams and staff cross-training to improve efficiency and effectiveness.

*The Exchange and its partners have improved its inter-agency decision-making processes. For example, the Chief Information Officer workgroup has added finance representatives from each of the agencies (Exchange, Health Care Authority, and Department of Social and Health Services). The addition of the finance teams has*

## WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

*ensured that IT budget expenditures are within appropriation levels and aligned the advanced planning documents to reflect which budget expenditures are paid from.*

8. Continue to examine business processes to prevent duplication and increase efficiency.

*Multiple departments within the Exchange have been involved in developing improved business process flows. For example, the implementation of the new financial system has resulted in changing the work flows for core financial processes. Additional training in Lean and business process re-design is planned. The Exchange is identifying resources that can be used to advance these efforts more broadly in calendar year 2017.*

9. Leverage outreach efforts by state agencies and partner organizations.

*The Exchange continues to actively engage with state agencies and partner organizations. Efforts include the following:*

- **Employment Security Department:** *Updated online guide for new unemployment claimants; monthly recorded call and email messages delivered to claimants about insurance options; Washington Healthplanfinder link on ESD website*
- **Department of Licensing:** *posters for the high volume DOL walk-in service centers.*
- **DSHS-HCA:** *Cross-agency group engaged to coordinate and align communications and information among all departments.*
- **Public Employees Benefit Board:** *Information included in handbook provided to retirees as well as link to Healthplanfinder on their website.*

10. Better utilize navigators/brokers for outreach.

*The Exchange is piloting two temporary Exchange health insurance storefront enrollment centers (Spokane and Vancouver) during open enrollment to provide consumer assistance by way of knowledgeable, experienced health insurance brokers or navigators who are registered or certified by the Exchange. This was an initiative that was supported by both Navigators and brokers' technical advisory committees. The Exchange is also introducing a broker affiliate program that supports highly organized broker locations with signage and collateral to raise awareness during open enrollment. The affiliate program is an extension of the existing supporting efforts provided some of the navigator organizations.*

11. Enhance member communication channels with carriers to leverage customer touch points for key messages to maintain enrollment.

*With new content management and email client capabilities, the Exchange is able to supplement online digital advertising and social media message with direct-to-consumer communications related to enrollment information, cost-sharing opportunities and filing deadlines not available in previous years.*

## WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

The Exchange has significantly reduced the combined Medicaid and QHP per member per month costs from FY 2016 to FY 2017. This reduction is largely due to increases in Medicaid and QHP enrollees without additional increases in expenditures. In addition, the Exchange has implemented strategies to contain costs, which are described above.

DRAFT