

Funding Option: Individual Participant User Fee

Definition: Assessment on products sold through the Exchange that is charged to enrollees. An add-on to the premium, percentage or flat fee.

		Exchange Benefit Alignment to Payer – Individual/Small business purchasing health insurance via Exchange		
		All Individuals	Specific Individual	Small Business
<p>Pros</p> <ul style="list-style-type: none"> Works in all Governance structures Aligns costs to direct purchasers of insurance through the Exchange Transparent Scalable to enrollment Collection could occur at the Exchange via premium collection process 		<ul style="list-style-type: none"> Provides Navigator/broker services for assistance Provides information to aid in selecting appropriate plan Provides easier transition between markets for public assistance, tax credit and employees of small firms from/into other markets Provides potential for reduced costs with risk pooling 	<ul style="list-style-type: none"> Provides individual eligibility determination for Medical Assistance Provides individual eligibility determination and processing of advance premium tax credit Provides individual eligibility determination and processing of cost sharing reductions Provides potential for reduced costs with risk pooling, eligibility for advance premium tax credit and cost sharing reductions. Provides options for other individuals choosing to purchase through exchange Provides health plan choice and enrollment for employees of small business purchasing through exchange Provides option to pool resources for employees with multiple sources of payment 	<ul style="list-style-type: none"> Provides information to aid in selection appropriate plan(s) Provides options for defined contribution Provides administrative relief in managing health plan choose and enrollment Provides access to Navigator/broker services for assistance Provides information on tax credit eligibility for certain small businesses
<p>Cons</p> <ul style="list-style-type: none"> Does not reflect all of the benefits an Exchange may provide to other consumers, insurers, providers and navigators/brokers May discourage participation in Exchange (dependant on cost level and transparency) Potentially invisible to consumer if rolled into premium and looks like added costs of product (Individual premiums inside the Exchange would be larger than outside) May impact adverse selection Tied to enrollment - Hard to predict first few years Per person costs vary with number of participants and the relation of fixed and variable costs Add-on fee may not be allowed to be part of APTC calculation (answer from HHS pending) 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountability	Sustainability/Flexibility/Predictability	Simplicity
Aligns costs to individuals purchasing through the Exchange. Would not recognize overall benefits of the Exchange, or benefits to other groups (Navigators, brokers, providers, plans, general public).	Potential to create adverse selection. May discourage participation in the Exchange. Would not cost shift Exchange costs to other markets.	Would be transparent if add on to premium, separate line item of invoice. Exchange would be accountable to direct customers.	Revenue dependant on participation. If lower than anticipated participation, higher PMPM costs, disincentive to use Exchange. Amounts could adjust year to year but not within the year. Not predictable in first few years.	Administrative processing issues. Process at point of premium collection if paying via Exchange. If not paying via Exchange, alternative payment processing such as via health plans or separate payment would be necessary.
Work Group Member Comments				
<ul style="list-style-type: none"> Preference on use of this funding source ranged from could cover 100% of the costs to should not be used at all. (2 of 7 members recommended against this source) If combination of resources were used, concerns of having an individual user fee used with a portion of premium fee since the individual is the ultimate payer of both. Questions on if a premium add-on for an individual user fee would be considered part of the premium for purposes of Advance Premium Tax Credit calculations. If premiums are reduced via APTC or other reforms, a PMPM charge may not be a disincentive when considered against savings, administrative easy if collected via website premium collection process. Should not exceed 3% of premium costs. The portion of premium or user fee should offset marketing costs that would be spent outside the Exchange Concerns of charging fee to participate in market. Market product price should include costs as it does currently with administrative costs and other costs (broker) built into premium. These costs not always transparent to purchaser. Perception of fairness to individual who may see user fee as unfair costs of purchasing through the Exchange. 				

Funding Option: Portion of Premium, Inside the Exchange

Definition: Exchange retains a portion (percent or flat fee) of total product premium

<p>Pros</p> <ul style="list-style-type: none"> • Works in all Governance Structures • Would most closely relate exchange business operations and market relationships. • Premiums same inside and outside Exchange, would not discourage individual participation • Scalable to enrollment • Collection could occur at the Exchange via premiums • 		<p>Exchange Benefit Alignment to Payer – Exchange Carrier</p> <ul style="list-style-type: none"> • Provides apples to apples comparison of products sold on Exchange • Provides a distribution channel to sell products to certain groups (APTC individuals and small business) • Provides member months purchased through Exchange • Provides opportunity to reduce administrative costs • Provides fund aggregation for members with multiple sources of payment 		
<p>Cons</p> <ul style="list-style-type: none"> • Acknowledges some but not all of the benefits an Exchange may provide to other consumers, insurers, providers and navigators/brokers • May discourage carriers from participating in Exchange • Tied to enrollment - Hard to predict first few years • Per person costs vary with number of participants and the relation of fixed and variable costs 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountably	Sustainability/Flexibility/Predictability	Simplicity
Aligns costs to market relationships of Exchange.	Adds costs to the market. Should not impact adverse selection if premiums same inside and outside the Exchange. Costs likely spread out to broader market via rate setting.	Even if fee was part of the premium, amount could be clearly identified on invoices. To extent costs are spread across broader market, not as transparent. Amount on invoice is cost to plan, but payer of costs is broader than Exchange participants.	Revenue dependant on participation. If lower than anticipated participation, need to increase higher PMPM costs, disincentive to use Exchange. Amounts could adjust year to year but not within the year. Not predictable in first few years.	Administrative processing issues. Process at point of premium collection if paying via Exchange. If not paying via Exchange, alternative invoicing process to carriers.
Work Group Member Comments				
<ul style="list-style-type: none"> • Preference on use of this funding source ranged from 100% to 0% (2 members OK with 100%, 4 members a portion of revenue solution and 1 member 0%) • Costs will be excluded from Medical Loss ratio calculation • Belief that Exchange participants should pay some portion of the costs. • Questions on if there are specific carrier costs that can be offset and directly charged versus including all costs in a portion of premium calculation. • Would need to be in place in time for rate setting. • If premiums inside and outside the Exchange the same, the cost to the carriers for the premium retained by the Exchange would likely be spread across the market. • Questions if premiums inside Exchange can be higher than outside the Exchange is a portion is a user fee? Impact on APTC calculations • Questions on if premium retained by the Exchange would be considered a provider tax and if provider tax rules on broad base and maximums would apply. • If there are direct administrative savings to the carrier from the Exchange performing those activities, could create funding mechanism to direct charge carrier for those costs. (i.e. premium processing) 				

Funding Option: Portion of Premium, Fully Insured Market

Definition: Assessment on fully-insured products sold by insurers. Could be similar to the MCHA assessment or insurer premium tax. Could be a percentage of premium or flat fee per policy or enrollee

<p>Pros</p> <ul style="list-style-type: none"> Acknowledges that some services benefit consumers that do not participate in the Exchange (risk adjustment, comparative information) Premiums inside and outside an Exchange the same and thus not discourage Exchange participation (individual or plan). Broader assessment, lower cost per person Predictable (known base, similar to current state revenues) Tied directly to estimated budget (not directly to enrollment) Reduced impact from Supreme Court decision on mandate 		<p>Exchange Benefit Alignment to Payer –Fully Insured Market Participants</p> <ul style="list-style-type: none"> Provides for general provider and plan information, cost and quality information Provides information to aid in selecting appropriate plan Provides easier transition between markets for public assistance, tax credit and employees of small firms from/into other markets Provides potential for reduced costs with risk pooling 		
<p>Cons</p> <ul style="list-style-type: none"> Non-profit lack authority to assess non-participants Require appropriation (statutory or direct) Does not take into account consumers in self-funded plans and other stakeholders such as providers and navigators/brokers may also benefit from an Exchange Further reduces link between exchange business relationship and funding source Not transparent, cost shift Possibly creates competition between Exchange and other product distribution channels (brokers, plans, etc) Not tied to enrollment – fixed revenue may lead to under or over collections, not adjust for unexpected participation changes. 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountably	Sustainability/Flexibility/Predictability	Simplicity
Acknowledges benefit of Exchange to broader market, but does not recognize benefits beyond fully insured market. Does not recognize direct relationship of Exchange to those purchasing through Exchange.	<p>Adds cost to the market</p> <p>Should not impact adverse selection</p>	<p>Reduced transparency. Would need to provide clear information on how Exchange is funded, demonstrate accountability.</p> <p>As an appropriation, would be accountable to the legislature</p>	Sustainable source of funding. If a fixed percent of premiums, amount of funding would increase/decrease with market. Amount would be predictable.	Likely administered through current health care tax/assessment collection processes. Would need to be directly or statutorily appropriated to Exchange.
Work Group Member Comments				
<ul style="list-style-type: none"> Preference on use of this funding source ranged from 100% to 0. (1 member OK with 100%, 1 member OK with significant portion from this source, 2 members OK with small portion from this source, 2 members at 0%) Would be another assessment on top of MCHA and new ACA taxes. Would create additional burden to payers, don't know impacts of future assessments. Concerns about creating disproportionate burden on fully insured market. Will add to current uncertainty of impact of ACA. Benefits of exchange beyond fully insured market. To the extent portion of premium option is used, costs likely spread to broader market in rate setting process, similar to how other administrative functions, broker costs are included in rates today. Could focus funding source on broader benefits of the Exchange such as provider information, plan comparison, outreach efforts. Mechanisms in place to collect, Concerns about increasing current rates and concerns about redirecting current allocations. 				

Funding Option: Broad Based Health Care Market Assessment

Definition: An assessment like the provider tax or redirection of current health taxes and surcharges

Pros <ul style="list-style-type: none"> Fully acknowledges Exchange may benefit a broad base of consumers and stakeholders. Reflects shift in market as coverage expands (potential for increased revenue from current surcharges and taxes) Premiums the same inside and outside the Exchange Broad base – lower cost per person Predictable (known base - similar to current state surcharges and taxes) Tied directly to estimated budget (not directly to enrollment) 		Exchange Benefit Alignment to Payer - Providers/Health Care Service Users <ul style="list-style-type: none"> Provides for general provider and plan information, cost and quality information Provides for exception process to individual mandate Provides for transition between markets Increased coverage potentially could lead to decreased uncompensated care, improved public health, and reduced health care costs overtime Provides potential for reduced costs with risk pooling 		
Cons <ul style="list-style-type: none"> Non-profit lack authority to assess non-participants Require appropriation of current resources Further reduces link between exchange business relationship and funding source To extent a service is not covered within the Essential benefit set, service may still be included in assessment. Not transparent, cost shift Potential interaction with other processes (reinsurance, rate regulation, etc.) enhances uncertainties. Possibly creates competition between Exchange and other product distribution channels (brokers, plans, etc) Not tied to enrollment – fixed revenue may lead to under or over collections, not adjust for unexpected participation changes. 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountability	Sustainability/Flexibility/Predictability	Simplicity
<p>Recognizes Exchange as public health care good.</p> <p>Does not recognize direct benefits to those purchasing through the Exchange.</p>	Add costs to the market	<p>Reduced transparency. Would need to provide clear information on how Exchange is funded, demonstrate accountability.</p> <p>As an appropriation, would be accountable to the legislature</p>	<p>Sustainable source of funding. If a fixed percent of revenue, amount of funding would increase/decrease with market.</p> <p>Amount would be predictable.</p>	<p>Likely administered through current health care tax/assessment collection processes.</p> <p>Would need to be directly or statutorily appropriated to Exchange.</p>
Work Group Member Comments				
<ul style="list-style-type: none"> Preference on this funding source ranged from small to 0%. (4 members OK with using small portion, 3 members at 0%) Concern that Exchange not match with intended purpose of current health care taxes/surcharges. Concerns on provider tax future/pending changes With Health Care reform, increased health insurance coverage, current state collections could increase. Reduced uncompensated care, increased revenues to providers, etc. Concerns on new taxes would be administered Concerns of additional burden to providers if impose additional tax. Health plans and the insured are primary beneficiaries on Exchange and should bear costs. Could focus funding source on broader benefits of the Exchange such as provider information, plan comparison, outreach efforts. Mechanisms in place to collect, Concerns about increasing current rates and concerns about redirecting current allocations. 				

Funding Option: Other Broad Base Tax or Sin Tax with Evidenced Based Health Benefit

Definition: Use of sin tax or other broad tax/assessment that applies to the population

<p>Pros</p> <ul style="list-style-type: none"> • Broad base – reduced costs per person • Recognizes Exchange as a public good • Spreads costs beyond health industry • May have public health benefit • Premiums not impacted • Predictable – known base • Tied directly to estimated budget (not directly to enrollment) 		<p>Exchange Benefit Alignment to Payer – Individuals/Certain Individuals</p> <ul style="list-style-type: none"> • Provides for general provider and plan information, cost and quality information • Provides for potential state savings • Provides for exception process to individual mandate • Provides for transition between markets • Provides potential for reduced costs with risk pooling 		
<p>Cons</p> <ul style="list-style-type: none"> • Non-profit lack authority to tax • Further reduces link between exchange business relationship and funding source • Amount increased for Exchange may not be large enough to impact behavior • Require appropriation • Raises taxes • Not transparent, cost shift • Not tied to enrollment – fixed revenue may lead to under or over collections, not adjust for unexpected participation changes. 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountably	Sustainability/Flexibility/Predictability	Simplicity
Does not recognize direct benefits to those purchasing through the Exchange, or other entities that benefit from the Exchange such as carriers, providers, and Navigators/brokers.		Reduced transparency. Would need to provide clear information on how Exchange is funded, demonstrate accountability.	Sustainable source of funding. If a fixed percent of premiums, amount of funding would increase/decrease with market. Amount would be predictable.	Likely administered through current health care tax/assessment collection processes. Would need to be directly or statutorily appropriated to Exchange.
Work Group Member Comments				
<ul style="list-style-type: none"> • Preference for funding source ranged from significant portion to 0% (2 members OK with significant portion, 1 member small portion and 3 members 0%) • Concern on raising state revenue when market based alternatives may suffice • Potential to improve public health outcomes • No direct correlation between sin tax and beneficiaries of the services of the Exchange. Should reserve sin taxes for other purposes • Could focus funding source on broader benefits of the Exchange such as provider information, plan comparison, outreach efforts. 				

Funding Option: General Fund

Definition: Appropriation to from the general fund, offset to savings

<p>Pros</p> <ul style="list-style-type: none"> • Broad base – reduced costs per person • Recognizes Exchange as a public good • Spreads costs beyond health industry • Premiums not impacted • Appropriation is predictable • Tied directly to estimated budget (not directly to enrollment) 		<p>Benefit Alignment to Payer – Individual, Businesses</p> <ul style="list-style-type: none"> • Provides for general provider and plan information, cost and quality information • Provides for potential state savings • Provides for exception process to individual mandate • Provides for transition between markets • Provides potential for reduced costs with risk pooling 		
<p>Cons</p> <ul style="list-style-type: none"> • Non-profit lack authority to tax • Require appropriation • Further reduces link between exchange business relationship and funding source • Not transparent, cost shift • Not tied to enrollment – fixed revenue may lead to under or over collections, not adjust for unexpected participation changes. • If tie to savings, savings may be difficult to isolate and recapture 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountability	Sustainability/Flexibility/Predictability	Simplicity
<p>Recognizes Exchange as public good.</p> <p>Does not recognize direct benefits to those purchasing through the Exchange, or other entities that benefit from the Exchange such as carriers, providers, and Navigators/brokers.</p>		<p>Reduced transparency. Would need to provide clear information on how Exchange is funded, demonstrate accountability.</p> <p>As an appropriation, would be accountable to the legislature</p>	<p>Potential GF shortfalls would impact sustainability. Likely to be fixed amount over time and not grow with Exchange participants.</p>	<p>Easy to administer. Direct appropriation.</p>
Work Group Comments				
<ul style="list-style-type: none"> • Preference for funding source ranged from 100% to 0% (1 member OK with 100%, 2 members OK with small portion, 3 members 0%) • Could be used for specific activities • Could be used for amount over any cap on user fee/portion of premium alternatives • Concerns about stability, ability to identify savings • Could focus funding source on broader benefits of the Exchange such as provider information, plan comparison, outreach efforts. • Funding source could be considered for initial start up needs (i.e. Navigator program). Could be paid back over time. 				

Funding Option: Health Care Access Fund

Definition: Appropriation from the Health Care Access Fund

<p>Pros</p> <ul style="list-style-type: none"> Broad base – reduced costs per person Recognizes Exchange as a tool to increase health care coverage Premiums not impacted Appropriation is predictable Tied directly to estimated budget (not directly to enrollment) 		<p>Benefit Alignment to Payer – Provider/Individuals</p> <ul style="list-style-type: none"> Provides for general provider and plan information, cost and quality information Provides for exception process to individual mandate Provides for transition between markets Increased coverage potentially could lead to decreased uncompensated care, improved public health, and reduced health care costs overtime Provides potential for reduced costs with risk pooling 		
<p>Cons</p> <ul style="list-style-type: none"> Non-profit lack authority to tax Require appropriation Further reduces link between exchange business relationship and funding source Not transparent, cost shift Compete with other health care access needs Primary funding source of health care access fund expires in 2019 Not tied to enrollment – fixed revenue may lead to under or over collections, not adjust for unexpected participation changes. If tie to savings, savings may be difficult to isolate and recapture 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountably	Sustainability/Flexibility/Predictability	Simplicity
Aligns costs with broad health care good. Does not recognize direct benefits to those purchasing through the Exchange, or other entities that benefit from the Exchange such as carriers, providers, and Navigators/brokers.		Reduced transparency. Would need to provide clear information on how Exchange is funded, demonstrate accountability. As an appropriation, would be accountable to the legislature	Potential HCAF shortfalls and future revenue issues would impact sustainability. Likely to be fixed amount over time and not grow with Exchange participants.	Easy to administer. Direct appropriation.
Work Group Comments				
<ul style="list-style-type: none"> Preference for funding source ranged from significant source to 0% (1 members OK with significant source, 2 members OK with small portion, 4 members 0%) Funds currently allocated to other programs. Would increase revenues be required? Do we need to raise revenues when other market based alternatives may suffice? Concerns on impact to the HCAF structural balance and impact of current use of funds. HCAF should be reserved for BHP or wrap around services for current MnCare population Concerns of additional burden to providers if impose additional tax. Health plans and the insured are primary beneficiaries on Exchange and should bear costs. Could focus funding source on broader benefits of the Exchange such as provider information, plan comparison, outreach efforts. Funding source could be considered for initial start up needs (i.e. Navigator program). Could be paid back over time. 				

Funding Option: Other

Definition: Raise revenue through mechanism such as naming rights, website advertisement, grants, etc.

Pros		Benefit Alignment to Payer – Advertiser/Grantor		
<ul style="list-style-type: none"> • Non-profit would be able to raise revenue • Reduce or eliminate the need for fees and assessments on consumers and stakeholders. • Exchange could directly collect revenues • Supreme court decision on mandate not impact revenue source. 		<ul style="list-style-type: none"> • Ability to partner with Exchange on shared goals of Exchange/Health Care Reform 		
Cons				
<ul style="list-style-type: none"> • Funding may not be predictable or stable. • Questions on who could advertise, conflict of interest concerns. • Exchange would need to compete and show value to attract funding. • Could potentially harm the independent nature of an Exchange. • Not tied to enrollment –not adjust for unexpected participation changes. 				
Alignment with Principles				
Equity	Market Impacts	Transparency/Accountability	Sustainability/Flexibility/Predictability	Simplicity
			Sustainability will depend on value of Exchange/participation. Not predictable	May be administrative burdensome for limited revenue initially
Work Group Comments				
<ul style="list-style-type: none"> • Preference for funding source ranged from 100% significant source to 0% (2 members OK with 100%, 2 members OK with small portion, 3 members 0%) • Lack of information available for work group analysis. Minimal work by other states. • Current grants exists that align with Exchange mission • Likely major foundations will support Exchange • Show consumers value if demonstrate advertisers view Exchange as valuable conduit to consumers • Concern about predictability, hard to estimate • Concern if generation of revenue would be outweighed by administrative costs to generate it. • Outside grants may be good source for Navigator grants • Recommend option as a future consideration once the exchange is more established, pending further consideration of the impression of bias or conflict of interest/etc. versus benefits of revenue 				