



Proposed 2024 California Enhanced Cost-Sharing Reduction Program

Plan Management Advisory Committee
July 13, 2023

AGENDA

Time	Topic	Presenter
10:00 – 10:05	Welcome and Agenda Review	Rick Krum
10:05 – 11:05	2024 State Enhanced Cost-Sharing Reduction Program	Katie Ravel
11:05 – 12:00	Open Forum	All

DISCUSSION TOPICS

1. Fiscal year 2023-24 state budget appropriations to Covered California
2. Affordability planning background
3. Proposed 2024 state affordability program eligibility and benefits
4. Program payment
5. Affordability crosswalks
6. Consumer impact
7. 2024 California Enhanced Cost-Sharing Reduction Program Design Document

FISCAL YEAR 2023-24 STATE BUDGET APPROPRIATIONS TO COVERED CALIFORNIA

FISCAL YEAR 2023-24 STATE BUDGET ITEMS RELATED TO COVERED CALIFORNIA

The final agreement for Covered California items is in AB 102 (Chapter 38, Statutes of 2023) and AB 118 (Chapter 42, Statutes of 2023). This agreement includes action on the Health Care Affordability Reserve Fund (HCARF) and appropriation for Covered California.

HCARF

- ❑ HCARF will retain \$333.4 million from previous fiscal years.
- ❑ Individual Mandate Penalty revenues will be shifted to HCARF beginning in FY 23-24 and ongoing. The revenue shift for FY 2023-24 is set at \$361 million
- ❑ \$600 million will be loaned from HCARF to the General Fund, which will be repaid in FY 25-26.

FISCAL YEAR 2023-24 STATE BUDGET ITEMS APPROPRIATIONS FOR FINANCIAL ASSISTANCE FOR COVERED CALIFORNIA ENROLLEES

The budget package includes the following appropriations:

- ❑ Appropriation of \$82.5 million of HCARF to Covered California to support a program of financial assistance for coverage year 2024. *This item is the focus of today's presentation.*
 - Agreement to appropriate \$165 million for this purpose for coverage year 2025 and ongoing.
- ❑ Authority to spend up to \$2 million of HCARF to subsidize health insurance coverage for striking workers pursuant to AB 2530 of 2022.
- ❑ Augmentation of \$350,000 annually for the \$1 per member/per month California Premium Credit, bringing the annual total for this program to \$2,350,000 (included in SB 101, Chapter 12, Statutes of 2023).

AFFORDABILITY PLANNING BACKGROUND

HEALTH CARE AFFORDABILITY RESERVE FUND REPORT

- ❑ The 2021-2022 State Budget (AB 128) and Health Omnibus trailer bill (AB 133):
 - Redirected \$333.4 million from the General Fund to the Health Care Affordability Reserve Fund to be used for affordability programs operated by Covered California starting in plan year 2023; and
 - Directed Covered California to produce a report developing options for providing cost-sharing reduction subsidies.

HEALTH CARE AFFORDABILITY RESERVE FUND REPORT

- ❑ In developing the report, Covered California was required to:
 - Consult with stakeholders and the Legislature to develop options for providing cost sharing reduction subsidies to reduce cost sharing for low- and middle-income Californians;
 - Submit options to the Legislature, Governor and the Healthy California for All Commission for consideration for the 2022-23 budget process;
 - Include options for all Covered California enrollees with income up to 400 percent of the federal poverty level to reduce cost sharing, including copays, deductibles, coinsurance, and maximum out-of-pocket costs;
 - Include options to provide zero deductibles for all Covered California enrollees with income under 400 percent of the federal poverty level and upgrading those with income between 200 percent and 400 percent inclusive of the federal poverty level to gold-tier cost sharing; and
 - Address any operational issues that might impede implementation of enhanced cost-sharing reductions for the 2023 calendar year.

- ❑ Covered California released [“Bringing Care within Reach: Promoting California Marketplace Affordability and Improving Access to Care in 2023 and Beyond”](#) in January 2022

FEDERAL COST-SHARING REDUCTION PROGRAM

- ❑ The ACA requires health insurance issuers to reduce out-of-pocket maximums and cost-sharing amounts (such as deductibles and copays) for consumers at 250 percent FPL and below.
- ❑ Eligible individuals access these benefits by enrolling in what are known as cost-sharing reduction (CSR) plans built on Silver-level coverage.
- ❑ For the lowest-income enrollees, cost-sharing reduction plans provide coverage at or near the Platinum level for Silver premium prices.
- ❑ Under the ACA, consumers up to 250% FPL are eligible for CSR benefits that increase the value of a Silver plan thereby lowering out-of-pocket costs as follows:
 - Silver 94 for consumers with income between 100 to 150% FPL
 - Silver 87 for consumers with income between 150% to 200% FPL
 - Silver 73 for consumers with income between 200% to 250% FPL

PATIENT-CENTERED BENEFIT DESIGN PRINCIPLES

Covered California incorporates the following benefit design principles to reduce financial barriers to care:

1. Emphasize first-dollar coverage for most outpatient services in the Silver, Gold and Platinum metal tiers. With key primary care benefits not subject to the deductible, patient-centered benefit designs offer greater access to care;
2. Implement cost-sharing caps for expensive Tier 4 specialty drugs (\$250 for Silver, Gold and Platinum; \$500 for Bronze);
3. Use of copays versus coinsurance for several benefit categories and in particular to promote higher value care like primary care visits and generic medications; and
4. Integrate the maximum out-of-pocket limit for health and pediatric dental benefits.

PROPOSED 2024 AFFORDABILITY PROGRAM ELIGIBILITY AND BENEFITS

2024 PLANNING CONSIDERATIONS

Covered California staff considered the following in developing the proposed eligibility and benefits for plan year 2024:

- ❑ Maximize consumer benefit with 2024 appropriation, building a solid foundation for program expansion in plan year 2025
 - Prior benefit modeling and cost estimates were developed using the 2023 actuarial value calculator and enrollment estimates and had to be updated¹
- ❑ Recognize operational constraints in making changes for 2024 plan year:
 - Expansion of eligibility for cost-sharing reduction (CSR) plans would require system changes and significant testing
 - Benefits must be programmed into the eligibility and enrollment system for carrier testing in July and August and renewal beginning in October
 - Carriers must develop and regulators must re-review benefit designs and plan filings in July and August
- ❑ Ensure a fiscally-prudent program design in recognition of the fixed \$82.5 million appropriation

PROPOSED APPROACH TO 2024 ELIGIBILITY AND BENEFIT DESIGNS

In consideration of the planning factors, Covered California proposes the following eligibility and benefit design approach for 2024:

- ❑ Maintain eligibility for cost-sharing reduction benefits at the current levels for individuals with income up to 250% FPL;
- ❑ Eliminate deductibles in all Silver CSR plans;
- ❑ Revert planned cost-sharing increases for generic drugs and maximum out-of-pocket in the Silver 87 CSR plan; and
- ❑ Increase the value of the Silver 73 CSR plan to approximate the Gold level of coverage by reducing copays for primary and emergency care to Gold levels, reducing the copay for specialist visits and lowering the maximum out-of-pocket amount.

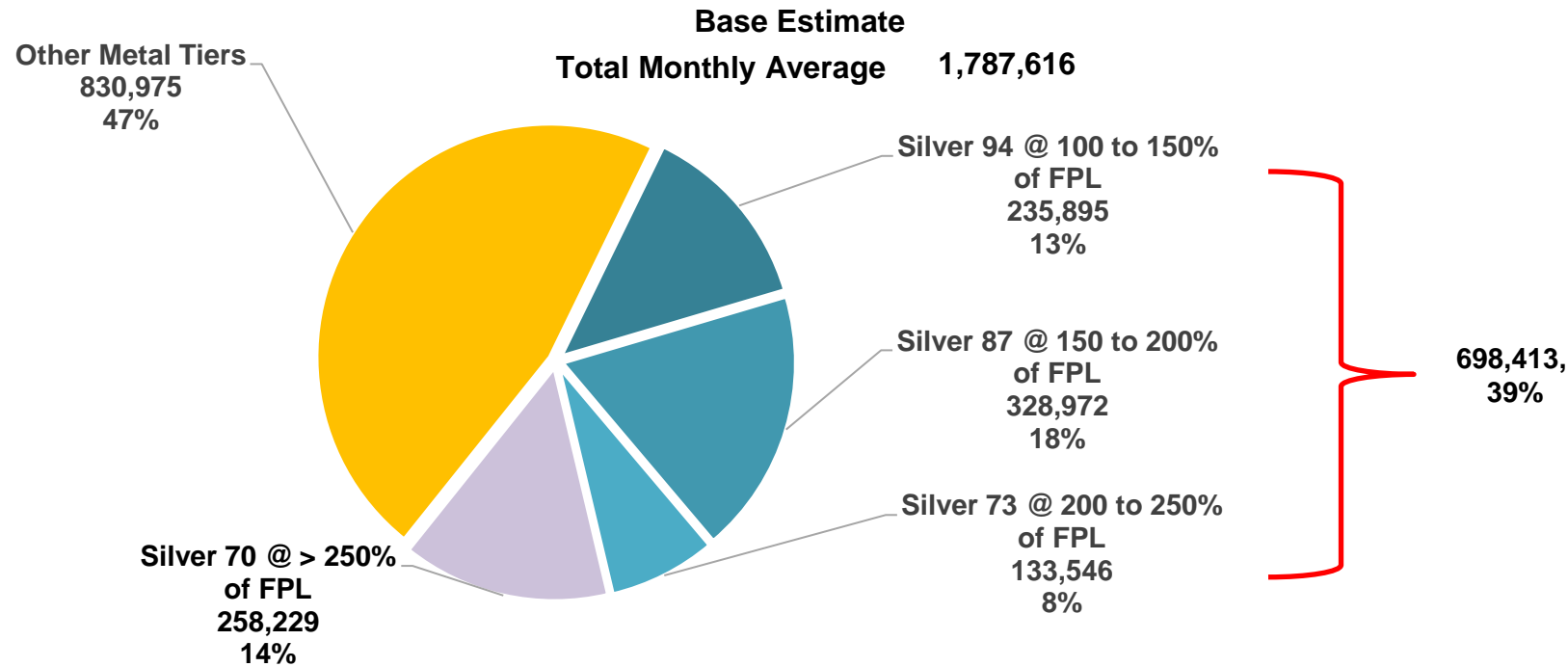
2024 REVISED CSR PATIENT-CENTERED ENHANCED DESIGNS

Benefit	Above 200 up to 250% FPL				Above 150 up to 200% FPL				100% up to 150% FPL			
	2024 Federal Silver 73		California Enhanced CSR Silver 73		2024 Federal Silver 87		California Enhanced CSR Silver 87		2024 Federal Silver 94		California Enhanced CSR Silver 94	
	Ded	Amount	Ded	Amount	Ded	Amount	Ded	Amount	Ded	Amount	Ded	Amount
Deductible												
Medical Deductible		\$5,400		\$0		\$800		\$0		\$75		\$0
Drug Deductible		\$150		\$0		\$50		\$0		\$0		\$0
Coinsurance (Member)		30%		30%		20%		20%		10%		10%
MOOP		\$7,550		\$6,100		\$3,150		\$3,000		\$1,150		\$1,150
ED Facility Fee		\$450		\$350		\$150		\$150		\$50		\$50
Inpatient Facility Fee	X	30%		30%	X	20%		20%	X	10%		10%
Inpatient Physician Fee		30%		30%		20%		20%		10%		10%
Primary Care Visit		\$50		\$35		\$15		\$15		\$5		\$5
Specialist Visit		\$90		\$85		\$25		\$25		\$8		\$8
MH/SU Outpatient Services		\$50		\$35		\$15		\$15		\$5		\$5
Imaging (CT/PET Scans, MRIs)		\$325		\$325		\$100		\$100		\$50		\$50
Speech Therapy		\$50		\$35		\$15		\$15		\$5		\$5
Occupational and Physical Therapy		\$50		\$35		\$15		\$15		\$5		\$5
Laboratory Services		\$50		\$50		\$20		\$20		\$8		\$8
X-rays and Diagnostic Imaging		\$95		\$95		\$40		\$40		\$8		\$8
Skilled Nursing Facility	X	30%		30%	X	20%		20%	X	10%		10%
Outpatient Facility Fee		30%		30%		20%		20%		10%		10%
Outpatient Physician Fee		30%		30%		20%		20%		10%		10%
Tier 1 (Generics)		\$19		\$15		\$6		\$5		\$3		\$3
Tier 2 (Preferred Brand)	X	\$55		\$55	X	\$25		\$25		\$10		\$10
Tier 3 (Nonpreferred Brand)	X	\$85		\$85	X	\$45		\$45		\$15		\$15
Tier 4 (Specialty)	X	20%		20%	X	15%		15%		10%		10%
Tier 4 Maximum Coinsurance		\$250		\$250		\$150		\$150		\$150		\$150
2024 AV (Final 2024 AVC)		73.95		79.52		87.86		88.76		94.93		94.74
Enrollment as of July 2023				128,845				318,258				221,763

- ❑ State enhanced CSR plans are built on the three existing income-based CSR plans specified by the ACA.
- ❑ Previously-adopted 2024 CSR designs are displayed for reference.
- ❑ Covered California staff will request approval of these CSR benefit designs as part of the 2024 Patient Centered Benefit Designs at the July 20th Board meeting.

KEY:	X	Subject to deductible
		Decreased member cost from 2024 SBD

ESTIMATED TOTAL CSR ENHANCEMENT COSTS



Covered California anticipated average monthly enrollment of 1,787,618 for its base-budget and 1,718,477 for its low-budget.

It is expected that the proposed state enhancements will impact about 39% (i.e., individuals with FPL levels at 250% or below picking eligible silver plans) of total average monthly enrollment across the low and base budget scenarios.

Total annual cost of enhancements are \$80.6 million under the high-budget, \$77.5 under the base-budget and \$74.5 million under the low-budget. The differences derive from enrollment volume estimate variations across budget scenarios.

Most of enrollment volume variations across budget scenarios derive from anticipated Medi-Cal Unwind inflows from July 2023 to June 2024.

Total Costs for 2024 State Enhanced CSR by Enrollment Forecast

Item	High Budget Enrollment Projection	Base Budget Enrollment Projection	Low Budget Enrollment Projection
Av. Monthly Enrollment	726,454	698,413	672,152
Total Composite Monthly Costs	\$6,713,739.67	\$6,454,585.00	\$6,211,890.73
Total Composite Annual Costs	\$80,564,876.00	\$77,455,020.02	\$74,542,688.79

PROGRAM PAYMENT

PROGRAM PAYMENT PARAMETERS

- ❑ Covered California will pay for program benefits through a statewide per member per month (PMPM) payment rate for each of the three CSR plan variants (i.e., Silver 94, 87, and 73 will each have a PMPM rate based on the value of the enhanced benefits).
- ❑ Covered California will make an interim payment (e.g., X% of the PMPM on a monthly basis) throughout the benefit year based on carrier's CSR enrollment.
- ❑ Covered California will conduct a final reconciliation following the close of the benefit year.
- ❑ If a carrier's total cost for program benefits exceeds the carrier's total PMPM payment, Covered California will consider claims for additional payment up to but not in excess of the plan year appropriation of \$82.5 million. Covered California will specify reconciliation timing and process.

AFFORDABILITY CROSSWALKS

PROPOSAL AUTOMATICALLY MOVE CSR-ELIGIBLE ENROLLEES INTO SILVER PLANS FOR PLAN YEAR 2024

- ❑ Marketplace enrollees forego cost-sharing reduction benefits when they do not enroll in Silver plans.
- ❑ Since the 2022 plan year, Covered California has automatically moved Bronze enrollees eligible for \$0 Silver 94 to take advantage of richer benefits with the same carrier and product.
- ❑ To maximize the consumer value of the new state enhanced cost-sharing reduction benefit, Covered California proposes to expand its affordability crosswalk procedure to automatically move enrollees into CSR Silver plans during the upcoming renewal if:
 - Their income is under 250% FPL.
 - They can get a Silver cost-sharing reduction plan at the same or higher actuarial value and the same or lower premium with the same carrier in the same product.
- ❑ Covered California plans to present draft program regulations for discussion in August and adoption in September.

PROPOSED AUTOMATIC AFFORDABILITY CROSSWALKS

These initiatives will help connect consumers to the maximum amount of financial assistance available, potentially saving thousands of households hundreds of dollars in monthly premiums and out of pocket costs.

Crosswalk Type	Estimated Count of Members Impacted	Average Premium Savings Over Twelve Months	Average Out of Pocket Savings Over Twelve Months*
Gold/Platinum to Silver 94 plans	6,400	\$1,210	\$30-\$180
Gold to Silver 87 plans	19,500	\$910	\$90
Bronze to \$0 Silver 94 plans**	4,400	N/A	\$400
Bronze to \$0 Silver 87 plans	4,000	N/A	\$320
Bronze to \$0 Silver 73 plans***	1,000	N/A	\$240



*Calculated using the average out-of-pocket costs for the original plan times the change in actuarial value.

Note that we have had this crosswalk in place since plan year 2022. *Assumes benefit level of enhanced CSR plan.

CONSUMER IMPACT

INITIAL ASSESSMENT OF CONSUMER BENEFIT

- ❑ New benefits for approximately 650,000 low- and middle-income enrollees with income up to \$33,975 for single members and \$69,375 for families of four currently enrolled in Silver CSR plans. And 35,000 will be automatically transitioned from Platinum, Gold, and Bronze plans to take advantage of the new benefits in 2024. Many more will be able to shop and switch to take advantage of the new benefits.
- ❑ Elimination of deductibles in cost-sharing reduction products, removing a barrier to accessing care and simplifying the plan shopping experience.
- ❑ An average annual increase of \$500 in cost-sharing support for middle-income households enrolled in Silver 73 products reflecting the increase in the actuarial value of the product from 73.95 to 79.52.
- ❑ The policy will assist consumers losing Medi-Cal as the continuous coverage requirements end. Historically, more than 75% of individuals determined eligible for subsidies after losing Medi-Cal were eligible for cost-sharing reduction plans.
- ❑ Combined with federal support for premiums under the Inflation Reduction Act, this is the most affordability support that has ever been available to Covered California enrollees.

PROPOSED 2024 CALIFORNIA ENHANCED COST-SHARING REDUCTION PROGRAM DESIGN

OVERVIEW OF THE PROGRAM DESIGN PROVISIONS FOR CALIFORNIA ENHANCED COST-SHARING REDUCTION PROGRAM

- ❑ The 2024 California Enhanced Cost-Sharing Reduction Program Design Document specifies the following elements for the proposed California enhanced CSR program:
 1. Establishes income eligibility for the California enhanced CSR program.
 2. Specifies the qualified health plan (QHP) features of the California enhanced CSR variants.
 3. Establishes per member per month payment rates, payable to the QHP issuers, for each plan design that will be offered through the California enhanced CSR program and a QHP issuer payment reconciliation process.
 4. Defines key terms related to the California enhanced CSR program.
- ❑ Covered California staff will finalize payment methodology needed for Program Design Document and request approval at the August Board meeting.

2024 PROGRAM DESIGN APPROVAL STEPS

- ❑ State budget appropriation
- ❑ Covered California Board adopts 2024 California Enhanced CSR Program Design Document
- ❑ Covered California provides notification of the program design to the Joint Legislative Budget Committee (JLBC)
- ❑ Program is effective 10 days after notification to JLBC

KEY MILESTONES FOR LAUNCHING THE 2024 STATE ENHANCED COST-SHARING REDUCTION PROGRAM

Milestone	Estimated Timeframe
Discuss Draft 2024 Program Design Document and Revised 2024 Patient-Centered Benefit Designs – July Plan Management Advisory Committee	July 13, 2023
Discuss Draft 2024 Program Design Document – July Board Meeting	July 20, 2023
Adopt 2024 Revised Patient-Centered Benefit Designs – July Board Meeting	July 20, 2023
Plan Load and System Testing for the 2024 Plan Year	July – August 2023
Adopt 2024 Program Design Document – August Board Meeting	August 17, 2023
Discuss Draft Affordability Crosswalk Regulations – August Board Meeting	August 17, 2023
Provide Notification of Adopted 2024 Program Design to Joint Legislative Budget Committee	Following August Board Meeting
Adopt Draft Affordability Crosswalk Regulations – September Board Meeting	September 21, 2023
CalHEERS Update for the 2024 Plan Year	September 2023
2024 Renewals Begin	October 2023
Beginning planning discussion for 2025	Fall 2023

OPEN FORUM