

Insight Driven Health

Exchange Sustainability

Arkansas Health Insurance Marketplace
(ARHIM) Board of Directors

1/29/2014



High performance. Delivered.



Arkansas Exchange Revenue *

3.5% Premium assessment = ~\$45M

1.5% Premium assessment = ~\$20M

** Based on enrollment forecasted at 250k and a average monthly premium of \$430*

State Exchange Models



In-House Exchange



Hybrid Exchange



Hosted Exchange



Appendix

How can Arkansas sustainably fund HIX operations?

All states must determine which funding sources will be explored.

- 1. Public Funding** — State appropriations, broad based taxes to health carriers or providers, other tax revenues, grants, etc.
- 2. User Fee - Customer** — Fees assessed to customers that purchase coverage through the Exchange (e.g., % premium, flat rate)
- 3. User Fee - Carrier** — Fees assessed to insurance plans for products sold on or off the Exchange (e.g., % premium, flat rate)
- 4. Value Added Products & Services** — Fees collected from additional products (e.g., ancillary insurance) or services (e.g., advertising) provided by the Exchange

Financial Sustainability Considerations

Consideration

Sample Questions

1. Legal & Policy Fit

- Can Arkansas legally offer/market these products or services?
 - How well do these products and services fit with Arkansas' overall vision and goals?
 - How will external stakeholders (e.g., government, customers, carriers, suppliers) view Arkansas for offering these products and services?
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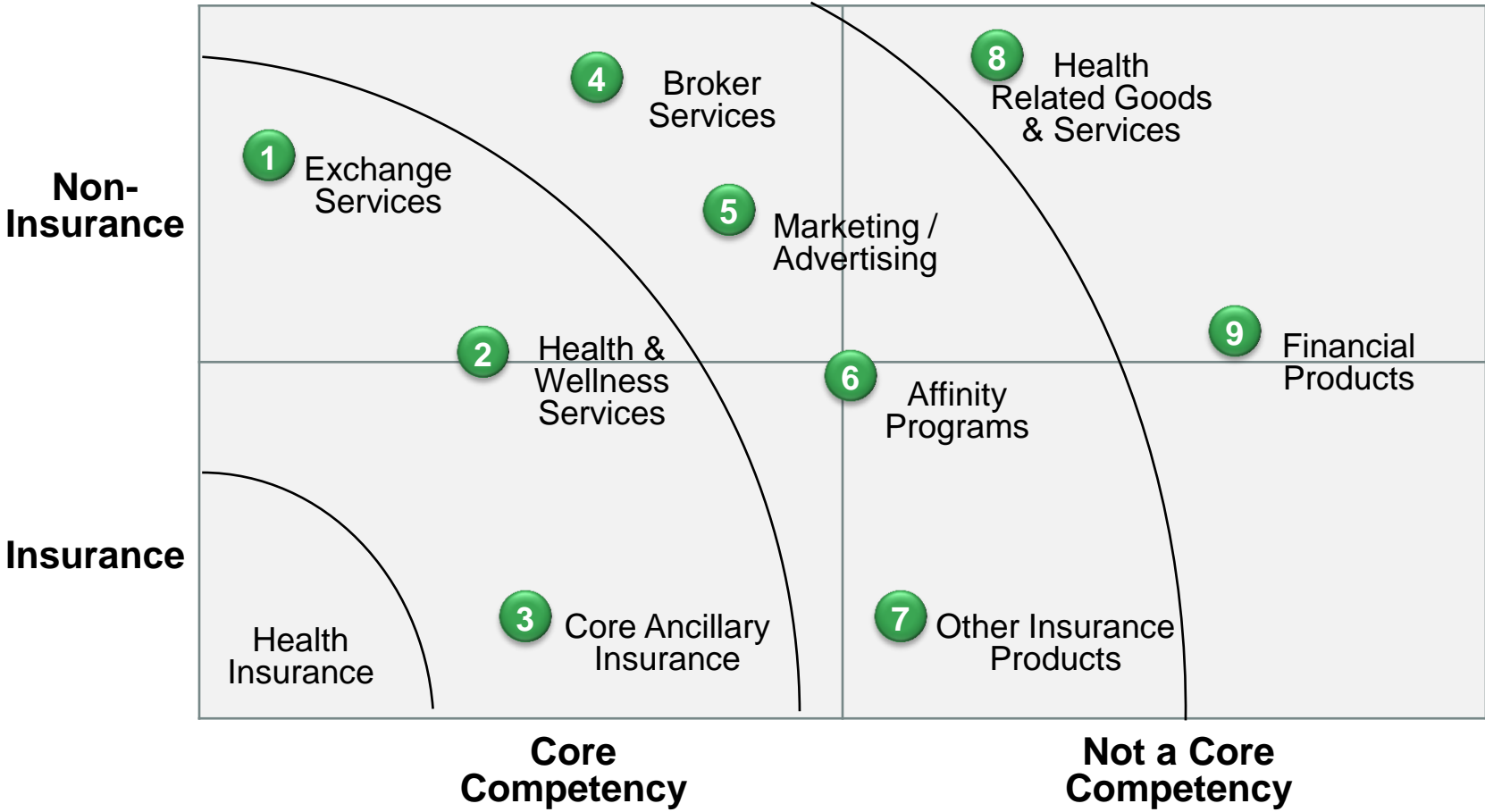
2. Revenue Potential

- How well do these products or services fit the target customer profile?
 - How many customers are likely to shop or purchase these products or services through Arkansas?
 - What is the target/likely revenue model for these products and services?
 - What is the magnitude of projected revenue?
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3. Operational Readiness

- What capabilities are required to operate these products or services? What are the capability gaps?
- What are the organizational and operational implications?
- How long will it take to get to scale?
- What is the cost to enable these products or services?
- What are the ongoing costs to manage and support?

Value Added Products & Services: Overview



Accenture's HIX Financial Sustainability Model

Purpose: The *Financial Sustainability Model* is a tool that state exchange agencies use to project HIX operating costs and manage associated revenue streams for strategic planning and administration purposes.

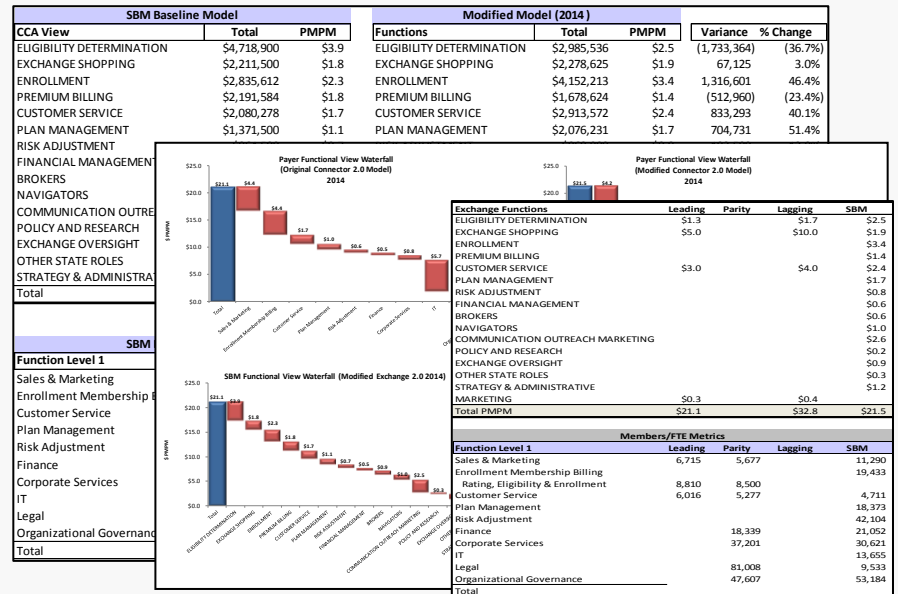
Asset Description/Definition:

- Assess exchange operating costs using a bottom-up methodology
- Define revenue strategies and develop an economic model which enables long term financial sustainability for an exchange.
- Serve as an ongoing tool to monitor the Exchange budget
- Provide summary and detailed budget worksheets and reports
- Enable a flexible, assumption-driven approach that allows cost, enrollment and revenue detail to be updated and modeled across various scenarios

Value to Clients/ Benefits:

- Helps identify the most impactful exchange financial scenarios that can be used to unlock and enhance sustainability
- Determines which aspects of growth and performance are driving exchange viability
- Monitors exchange performance to ensure consistency with overall strategic direction, forecasted financial performance and expected outcomes

Visual Representation:



Client Experience

Massachusetts Commonwealth Health Connector

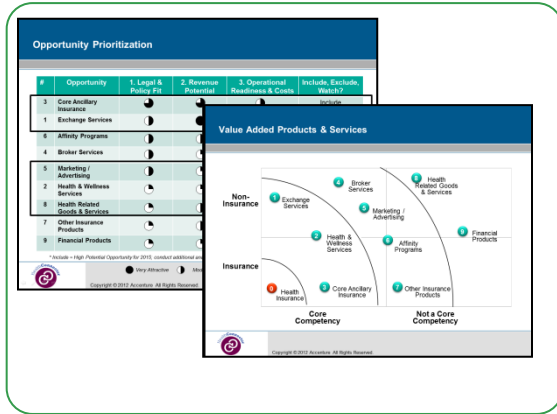
- Supported the Health Connector's long term planning by performing a financial sustainability analysis. Financial support also included development of forecasting models providing detailed cost projections through 2020 and revenue strategies to meet those costs.

Office of the Kentucky Health Benefits Exchange (KHBE)

- Accenture developed a financial model from project conception through 2019 to support federal funding and to determine ongoing operational costs and the revenue strategies to meet those costs

Financial Sustainability – Sample Deliverables

Five-Year Sustainability Strategy



This deliverable will evaluate the various revenue options available to Arkansas, and the expected cost implications of each option; will include an assessment of commercial revenue strategies to reduce dependence on assessments and state appropriations

Dynamic Integrated Financial Model

The figure shows two spreadsheets. The top one is a 'Summary' sheet with columns for years 2014-2018 and CAGR. It lists various revenue and expense categories. The bottom one is a 'PMPM Values' sheet, also with columns for years 2014-2018 and CAGR, detailing PMPM values for different categories like Exchange Services, Broker Services, and Marketing/Advertising.

This deliverable will link potential high-value revenue opportunities with expense forecasts, to support:

- Financial Budgeting, Forecasting, and Reporting
- Cost allocation between agencies
- Modeling of revenue and performance improvement opportunities

Exchange Operations Benchmark Analysis

The figure is a benchmark analysis table with columns for 'Metric', 'Leading', 'Peer', 'Lagging', and 'CAGR'. It compares various metrics across different sections: Sales & Marketing, Rating Eligibility, Customer Service, Corporate Services, and IT. Each row includes a metric description, numerical values for leading, peer, and lagging, and a CAGR percentage. Some rows also include a brief description of the metric.

This deliverable will use proprietary benchmark data to compare current operations with best-in-class metrics from both commercial payers and other state-based exchanges

Accenture's HIX Footprint

1. CALIFORNIA

- Complete Exchange Solution
- Service Center build out

3. IDAHO

- Exchange Phase 1 Solution analysis and design support

5. MASSACHUSETTS

- Operating Model Assessment
- Financial sustainability strategy
- Customer service operations advising
- Financial Management

7. DC

- Complete HIX Op Model
- Business and technical requirements
- Level 1 Grant assistance
- Policy Analysis
- IV&V and program design
- Federal Government**
- IRS ACA strategy

2. HAWAII

- Functional Design
- Operational Readiness
- Change Management

4. NORTH CAROLINA

- Strategic Advisor
- Systems Implementation

6. KENTUCKY

- Complete HIX
- Operational model
- Business and technical requirements and RFP
- Level 1 Grant
- BPR Transformation of field offices
- SHOP analysis and PMO
- HIX Standard Operation Procedures

HIX Payer Clients

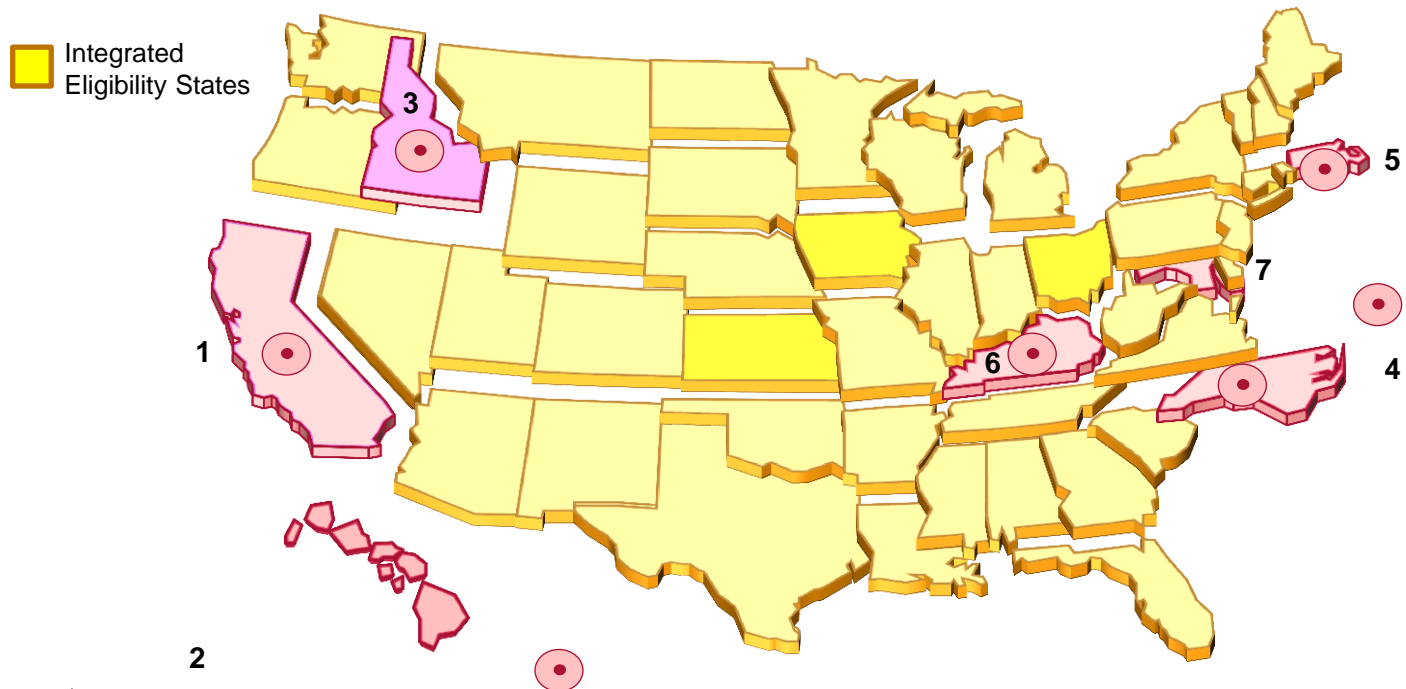
- Aetna
- BCBS Michigan
- CIGNA
- HCSC
- Health Alliance Plan
- Highmark
- Horizon
- Wellmark
- WellPoint

Private Exchanges

- Bloom Health
- Mercer Marketplace
- Fidelity
- Highmark
- VSP

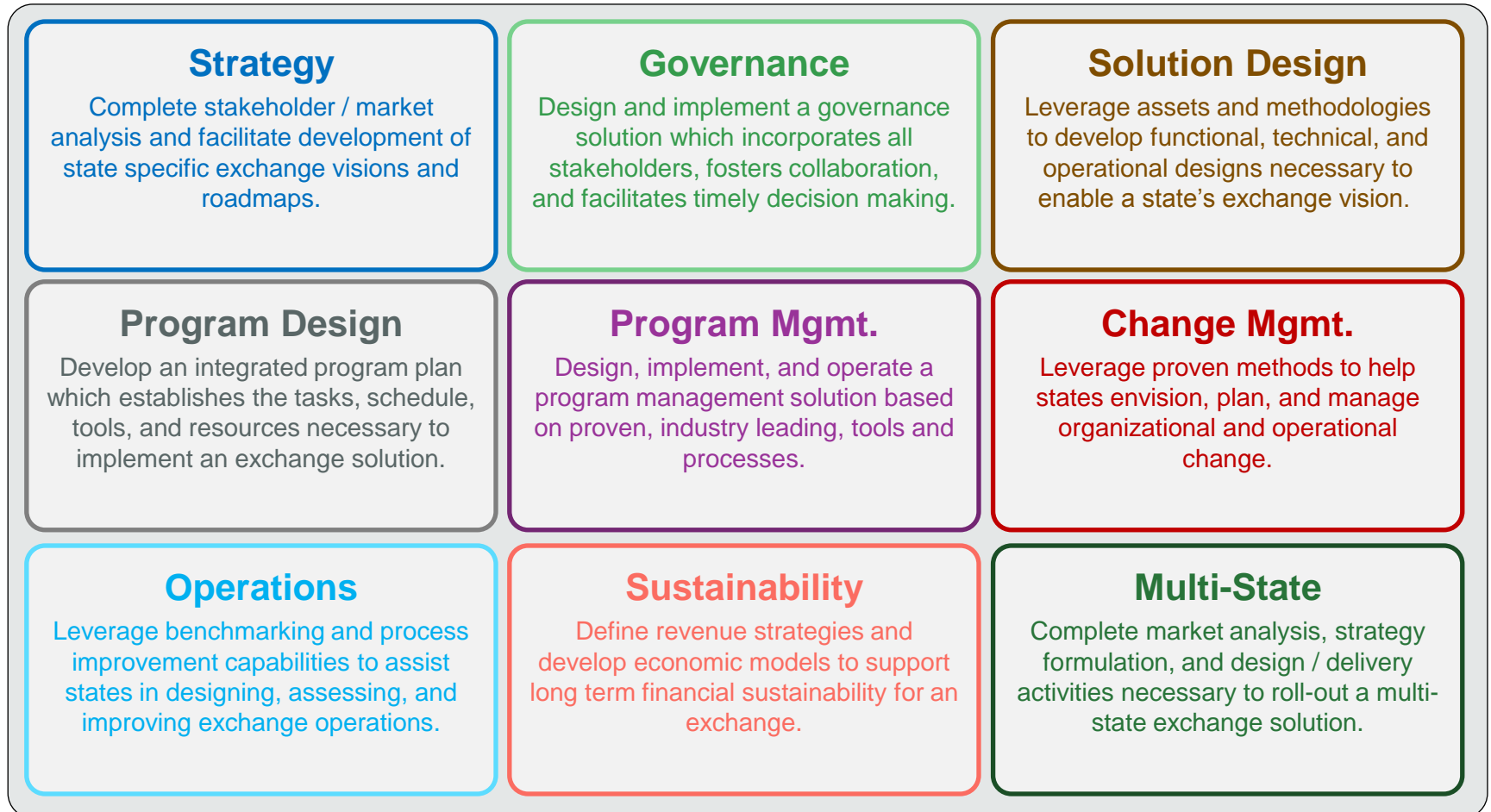
Retailers

- Walgreens
- Ross Stores



Accenture HIX Consulting – Service Offerings

Based on market research and Accenture’s successful HIX experience the team developed nine HIX Consulting Service Offerings to bring to market.



What does an SBE cost to operate?

Select State Financial Estimates:

State	Estimated Exchange Users (# in thousands)	Estimated 2015 Operating Costs (\$ in millions)	Estimated \$ PMPM Range
CA	1,600	\$315.3	\$ 15.90 – 19.40
KY	425	\$ 39.5	\$ 7.00 – 8.50
MA	130	\$ 30.3	\$ 17.00 – 21.50
MD	Unknown	Unknown	\$ 21.00 – 33.00
OR	280	\$ 35.7	\$ 9.25 – 11.30
WA	345	\$54.3	\$ 11.85 – 14.50
Estimated \$ PMPM Range:			\$ 7.00 – \$33.00