

Mike Nunez, Interim Executive Director, New Mexico Health Insurance Exchange  
Jason Sandel, Vice-Chair, New Mexico Health Insurance Exchange Board  
Brent Earnest, Deputy Secretary, New Mexico Human Services Department  
Sean Pearson, Chief Information Officer, New Mexico Human Services Department

## **ISSUES FOR HEARING**

### **Update on Health Insurance Exchange Implementation**

#### **Background and Early Operations**

- The federal Patient Protection and Affordable Care Act (ACA) requires health insurance exchanges to be established in every state by January 1, 2014 to offer insurance plans to individuals and small businesses. Initial enrollment is to begin on October 1, 2013.
- Although all adult citizens can purchase insurance on the exchange, federal premium tax credits are only available to those earning up to 400 percent of federal poverty level (FPL). Small businesses (fewer than 25 employees) that purchase insurance for their employees and cover at least half the cost may qualify for a health care tax credit worth up to 50% of the premium costs, and can deduct from their taxes the rest of the premium costs not covered by the tax credit.
- The New Mexico Health Insurance Exchange (HIX) and 13 member board was created by Laws 2013, Ch. 54 (SB 221). The board first met on April 29<sup>th</sup> and was initially staffed using New Mexico Health Insurance Alliance employees.
- The HIX has approximately \$51 million in federal funding for implementation remaining after \$7.5 million was retained by HSD for IT interfaces and other exchange related costs. Additional federal level one and level two grant awards will be available through October 15, 2014. The exchange must be financially self-sufficient by January 1, 2016 and is authorized by statute to charge assessments or fees to cover reasonable administrative costs of operation.
- Because of information technology schedule concerns, in May 2013 the HIX board decided to request that the federal government handle eligibility and enrollment for the individual market on the federal platform from October 1, 2013 until October 1, 2014 (which the federal government agreed to do). Because New Mexico already has experience in the small employer market with the Health Insurance Alliance, the New Mexico HIX will handle the small employer market. The HIX will begin developing the health exchange information technology infrastructure immediately and intends to fully manage the individual and small employer markets by January 1, 2015.

- In May, the HIX Board selected GetInsured.com as the information technology and systems integrator contractor for the exchange on a contract expected to cost up to \$39.4 million over five years. GetInsured.com is expected to develop a hosted internet-based platform for insurance plans similar to what they have developed in California. In a separate action, Massachusetts based Public Consulting Group (PCG) was selected by the board as the project manager on a contract expected to cost approximately \$2 million.
- In early August, the HIX awarded a \$4 million contract with Wisconsin based BVK for marketing/outreach/public relations for the exchange. Contracts were also awarded with the New Mexico Primary Care Association (NMPCA) and Native American Professional Parenting Resources (NAPPR) to oversee health care guides (assisters/navigators) as well as enrollment and targeted outreach.

### **Outreach and Enrollment for Health Insurance Exchange and Medicaid Expansion**

- The estimated number of uninsured in New Mexico is almost 400,000, about 20 percent of the population. Of this group, over 160,000 with incomes up to 138 percent of federal poverty level, FPL, (about \$15,856 for a single adult) will be newly-eligible for Medicaid in 2014. Another 180 thousand individuals with incomes between 138 percent and 400 percent FPL (up to \$45.9 thousand) will be eligible for federal tax credits for health insurance purchased on the exchange (the balance of individuals are likely undocumented aliens not eligible for coverage).
- The size and scope of outreach for the exchange and for Medicaid expansion has been a major point of contention with advocates, who want a much broader and coordinated effort than what is currently envisioned by the HIX board and the HSD. With projected year one enrollment in 2014 approaching 80,000 for the exchange and over 100,000 newly-eligible adults for Medicaid, outreach and enrollment are critical to maximize the benefits of insurance coverage.
- HSD and the HIX are coordinating on enrollment, but not outreach and advertising. A “single streamlined application” is under development to facilitate the enrollment process, but it does not appear that clients will be able to sign up for Medicaid via the exchange or sign up for the exchange plans at HSD’s Income Support Offices. Current planning is underway on how to best direct potential clients to the proper starting point for in-person enrollment.

- As part of the New Mexico Integrated Eligibility computer system project (ASPEN), HSD is implementing the Yes NM on-line portal for on-line Medicaid eligibility determination and enrollment. If clients are not eligible for Medicaid the exchange will be electronically notified by Yes NM for follow-up with the client.
- Using existing staff, HSD's outreach is focusing on Centennial Care, with 180 educational events planned statewide starting this month supported by radio and television spots. LFC staff are concerned that additional outreach is needed and the campaign does not highlight Medicaid expansion to the target audience of uninsured adults.
- The HIX is planning a much more comprehensive outreach approach using an initial federal grant of \$18.7 million. Approximately 65% of the funding is projected to be spent on outreach and education, including advertising and special events statewide. The balance, approximately \$6 million, will be dedicated to the umbrella organizations, NMPCA and NAPPR, which will oversee training and deployment of health care guides to educate individuals on insurance options (including Medicaid) and to facilitate enrollment.
- Because exchange outreach has been delayed due to the late start of the New Mexico HIX, advocates believe more federal funding needs to be requested for additional outreach and health care guides to support in-person enrollment for rural and native populations. Outreach activities are expected to continue until the end of 2015.

### **Health Plans and Tax Credits**

- Health plans offered through exchanges to individuals will provide coverage for "essential health benefits," at minimum; be subject to certain limits on cost-sharing, including out-of-pocket costs; and meet one of four levels of plan generosity based on actuarial value (bronze, silver, gold and platinum). To make exchange coverage more affordable, certain individuals will receive premium assistance in the form of federal tax credits. Also, some recipients of premium credits may also receive subsidies toward cost-sharing expenses.
- Insurers on the exchange must offer silver and gold plans. In New Mexico, the Office of the Superintendent of Insurance (OSI) staff estimates that proposed exchange health plans cost 5% higher than previous rates (taking into account ACA requirements such as no exclusion of coverage for pre-existing conditions and no coverage limits for essential health benefits).

- The average monthly premium for a Silver level plan for a 40 year-old individual earning \$22,980 annually is \$268 per month compared to \$200 a month for single coverage on the state employee insurance plan (HMO). Net monthly cost after employer match for the state employee is \$80; net cost for the individual in the exchange after a 55 percent federal tax credit would be \$121.
- A July 2013 study by the federal Health and Human Services Department looked at proposed exchange insurance silver plan rates for small employers in 11 states including New Mexico and found the lowest cost silver plan was 18% less expensive than initial projections from the Congressional Budget Office. New Mexico's average plan costs compared favorably to other states.

### **Health Exchange Implementation Risks**

- While the NM HIX is working on development of a New Mexico based call center by October 1<sup>st</sup>, progress is slow with the federal call center which is needed for the federal government to run the individual plan offerings for New Mexico in 2014.
- The General Accounting Office reports that work remains to complete and test the federal data hub needed for eligibility verifications by October 1, 2013 and to finalize service level agreements between the federal governments and state exchanges.
- The federal Health and Human Services Inspector General reported on August 5<sup>th</sup> on concerns with completion of data hub security plan for personal information, which could delay implementation of the data hub.
- On July 2, the Obama administration abruptly announced it was delaying for one year (to 2015) the mandate that employers with 50 or more full-time workers provide coverage. There is some concern that delays in implementation of the federal data hub and federally run exchanges in 34 states could lead to a delay in the target opening date of exchanges.

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# LFC HEARING BRIEF

**AGENCY:** New Mexico Health Insurance Exchange, New Mexico Human Services Department

**DATE:** August 22, 2013

**PURPOSE OF HEARING:**  
Provide an development of a health insurance exchange in New Mexico

**WITNESS:** Mike Nunez, Interim Executive Director, New Mexico Health Insurance Exchange, Jason Sandel, Vice-Chair, New Mexico Health Insurance Exchange Board, Brent Earnest, Deputy Secretary, New Mexico Human Services Department  
Sean Pearson, Chief Information Officer, New Mexico Human Services Department

**PREPARED BY:** Greg Geisler, Principal Analyst

**EXPECTED OUTCOME:**  
Legislators will have a better understanding of the implementation timeline for the health insurance exchange and the relationship between the exchange and the Medicaid program.

Individuals must have health insurance in 2014 or face a fee of 1% of yearly income or \$95 per person for the year, whichever is higher. The fee increases every year. In 2016 it is 2.5% of income or \$695 per person, whichever is higher.

## BACKGROUND INFORMATION

This hearing brief will provide an update on implementation of the New Mexico Health Exchange and preparation for Medicaid expansion. Availability of health insurance for many of New Mexico's over 400,000 uninsured will improve in 2014 with expansion of Medicaid for low-income adults and the creation of the state health insurance exchange. But there are concerns that the state is not being aggressive enough in its preparation and as a result enrollment will lag in 2014. Eligibility determination and enrollment is supposed to start October 1, 2013 but the New Mexico Health Insurance Exchange (HIX) is just beginning implementation activities. The Human Services Department is preparing for Medicaid expansion for low-income adults, but there are questions about the department's low-key approach to Medicaid enrollment outreach.

## NEW MEXICO HEALTH INSURANCE EXCHANGE IMPLEMENTATION

**Role of Health Insurance Exchanges.** The key purpose of the health insurance exchanges is to serve as a centralized place where individuals and businesses with 50 or fewer employees can comparison shop for health insurance coverage. Plans sold through exchanges will have to provide certain benefits across the board, but various levels of plans are available at different cost ranges.

Although all citizens can purchase individual coverage on the exchange, premium tax credits will be available for those earning up to 400 percent of federal poverty level to make coverage more affordable. This will allow individuals to comply with the ACA "individual mandate" to purchase health insurance. In addition, when individuals who are eligible for Medicaid or other public coverage programs interact with the exchange, they should be directed to the correct program. Small businesses that purchase insurance for their employees may qualify for a health care tax credit worth up to 50% of the premium costs and can deduct from their taxes the rest of the premium costs not covered by the tax credit.

### **Creation of the New Mexico Health Insurance Exchange (HIX).**

The federal Patient Protection and Affordable Care Act (ACA) required health insurance exchanges to be established in every state by 2014 to offer health insurance plans to individuals and small businesses. Enrollment is to begin on October 1, 2013 with coverage effective on January 1, 2014. New Mexico is one of 24 states and the District of Columbia that decided on a state exchange (or state/federal partnership); 27 states have defaulted to an exchange operated by the federal government.

The New Mexico Health Insurance Exchange (HIX) and 13 member board was created by Laws 2013, Ch. 54 (SB 221). During debate on SB 221 there was much concern over the role of the HIX board in overseeing health plan quality and exchange offerings. The final version of SB 221 implements a market based exchange and the

**Within six months of the effective date of the New Mexico Health Insurance Exchange Act (3/28/13) the board shall create and implement a final plan of operation that shall:**

- (1) establish a statewide consumer assistance program, including a navigator program;**
- (2) establish consumer complaint and grievance procedures for issues relating to the exchange;**
- (3) establish procedures for alternative dispute resolution between the exchange and contractors or health insurance issuers;**
- (4) develop and implement policies that:**
  - (a) promote effective communication and collaboration between the exchange and Indian nations, tribes and pueblos, including communicating and collaborating on those nations', tribes' and pueblos' plans for creating or participating in health insurance exchanges; and**
  - (b) promote cultural competency in providing effective services to Native Americans;**
- (5) establish conflict-of-interest policies and procedures; and**
- (6) contain additional provisions necessary and proper for the execution of the powers and duties of the board.**

**Federal Funding Available for New Mexico Exchange Implementation (millions)**

<b>Federal Grant</b>	
Balance of Level 1 Implementation Exchange Grant from HSD	\$24.4
Level 1 Follow-on grant	\$8.5
Level 1 Outreach Grant	\$18.6
<b>Grand Total</b>	<b>\$51.5</b>

powers of the board are limited in terms of its control over the plans that are offered on the exchange. The marketplace model being implemented in New Mexico is in contrast to an active purchaser model, which would have empowered the exchange board to engage in selective contracting with carriers, set criteria beyond the federal standard for participation, and offer fewer choices to consumers.

The board is comprised of the Superintendent of Insurance as well as 6 governor appointees and 6 appointees from the legislature. Appointments were made in early April and the board first met on April 29, 2013. HIX staff support was provided by using New Mexico Health Insurance Alliance (NMHIA) employees and former NMHIA director Mike Nunez was appointed as interim executive director through March 2014.

The HIX has approximately \$51 million in federal funding for implementation. Additional federal level one and level two grant awards will be available through October 15, 2014. The exchange must be financially self-sufficient by January 1, 2016, and is authorized by statute to charge assessments or fees to cover reasonable administrative costs of operation.

***HIX Board Decision on Split Exchange Model for 2014.*** Because of concerns that the HIX would not be able to implement the information technology needed to operate the exchange by 2014, in May the HIX board decided to request that the federal government handle eligibility and enrollment on the federal exchange platform (which they agreed to) for the individual market from October 1, 2013 until October 1, 2014. Because New Mexico already has experience in the small employer market with the Health Insurance Alliance (which is being absorbed by the HIX), the New Mexico HIX will handle the small employer market starting in October 2013. The HIX will begin developing the health exchange information technology infrastructure immediately and intends to fully manage the individual and small employer markets by January 1, 2015.

In May, the HIX Board selected GetInsured.com as the information technology and systems integrator contractor for the exchange on a contract expected to cost up to \$39.4 million over five years. GetInsured.com is expected to develop a hosted internet-based platform for insurance plans similar to what they have developed in California. Public Consulting Group (PCG) was selected by the board as the project manager to oversee the IT contract and support exchange implementation on a contract expected to cost approximately \$2 million.

In early August, the HIX awarded a \$4 million contract with for BVK for marketing/outreach/public relations for the exchange. Contracts were also awarded with the New Mexico Primary Care Association (NMPCA) and Native American Professional Parenting Resources (NAPPR) to oversee health care guides (assisters/navigators) as well as enrollment and targeted outreach. A request for proposals for the exchange call center is also expected to be issued this month.

**Medicaid Eligibility for Low-Income Adults Under Affordable Care Act**

Family Size	138% FPL
One	\$15,856
Two	\$21,403
Three	\$26,951
Four	\$32,499

Source: 2013 Federal Poverty Level Table

**Over 160,000 adults with incomes up to 138 percent of federal poverty level, FPL, are estimated to be newly-eligible for Medicaid in 2014.**

**Another 180 thousand individuals with incomes between 138 percent and 400 percent FPL (up to \$44.7 thousand) will be eligible for federal tax credits for health insurance purchased on the exchange.**

**A major question nationwide is how quickly individuals will enroll for Medicaid or for health insurance coverage at the exchange in 2014. The financial implications for state Medicaid programs are high: the federal government only covers 100% of the cost for new enrollees only for the first 3 years (2014 to 2017).**

**LFC staff share the concern of advocates that HSD’s limited Medicaid outreach, with its focus on Centennial Care, may miss adults who are not familiar with Medicaid expansion under the ACA. Specific outreach targeting “uninsured adults” may be needed to boost 2014 enrollment.**

**OUTREACH AND ENROLLMENT FOR THE HEALTH INSURANCE EXCHANGE AND MEDICAID EXPANSION**

The estimated number of uninsured in New Mexico is almost 400,000, about 20 percent of the population. Of this group, over 160,000 with incomes up to 138 percent of federal poverty level, FPL, (about \$15,856 for a single adult) will be newly-eligible for Medicaid in 2014. Another 180 thousand individuals with incomes between 138 percent and 400 percent FPL (up to \$44.7 thousand) will be eligible for federal tax credits for health insurance purchased on the exchange.

The size and scope of outreach for the exchange and for Medicaid expansion has been a major point of contention with advocates, who want a much broader and coordinated effort than what is currently envisioned by the HIX board and the HSD. With projected year one enrollment in 2014 approaching 80,000 for the exchange and over 100,000 newly-eligible adults for Medicaid, outreach and enrollment are critical to maximize the benefits of insurance coverage.

HSD and the HIX are coordinating on enrollment, but not outreach and advertising. A “single streamlined application” is under development to facilitate the enrollment process, but it does not appear that clients will be able to sign up for Medicaid via the exchange or sign up for the exchange plans at HSD’s Income Support Offices. Current planning is underway on how to best direct potential clients to the proper starting point for in-person enrollment.

As part of the New Mexico Integrated Eligibility computer system project (ASPEN), HSD is implementing the Yes NM on-line portal for on-line Medicaid eligibility determination and enrollment. If clients are not eligible for Medicaid the exchange will be electronically notified by Yes NM and the client will be notified as well. Using existing staff, HSD’s outreach is focusing on Centennial Care, with 180 educational events planned statewide starting this month supported by radio and television spots. LFC staff are concerned that additional outreach is needed and the campaign does not highlight Medicaid expansion to the target audience of uninsured adults.

The HIX is planning a much more comprehensive outreach approach using an initial federal grant of \$18.7 million. Approximately 65% of the funding is projected to be spent on outreach and education, including advertising and special events statewide. The balance, approximately \$6 million, will be dedicated to the umbrella organizations, NMPCA and NAPPR, who will oversee training and deployment of health care guides to educate individuals on insurance options (including Medicaid) and to facilitate enrollment.

Because exchange outreach has been delayed due to the late start of the New Mexico HIX, advocates believe more federal funding needs to be requested for additional outreach and health care guides to support in-person enrollment for rural and native populations. Outreach activities are expected to continue until the end of 2015.

There are four levels of health plans authorized to be offered on the exchange (bronze, silver, gold, and platinum). The bronze plan, with the least expensive premium, exposes the policyholder to higher levels of out-of pocket cost sharing.

In the individual market on the New Mexico exchange, 57 plans were received and approved from 5 carriers (Presbyterian, BCBS, Molina, Lovelace, and NM Health Connections).

For the small business (SHOP market) on the exchange 57 plans were received and approved from 4 carriers (Presbyterian, BCBS, Lovelace, and NM Health Connections).

Two carriers offered catastrophic plans which offer low premiums but high deductibles. These plans are limited to adults under 30 or adults exempted for the individual mandate because they cannot find affordable insurance. Dental plans were also received from 8 dental plan issuers.

Enrollment window: initial enrollment only runs from October 1, 2013 until March 31, 2014. In subsequent years, open enrollment will run from Oct. 15 to Dec. 7. There are exceptions for qualifying events.

**EXCHANGE HEALTH PLANS**

Health plans offered through exchanges to individuals will provide coverage for “essential health benefits,” at minimum; be subject to certain limits on cost-sharing, including out-of-pocket costs; and meet one of four levels of plan generosity based on actuarial value (bronze, silver, gold and platinum). To make exchange coverage more affordable, certain individuals will receive premium assistance in the form of federal tax credits. Also, some recipients of premium credits may also receive subsidies toward cost-sharing expenses. Eligibility for these credits is only available up to 400 percent of federal poverty level as shown below:

Annual Income by 2013 Federal Poverty Level				
FPL	Family Size			
	1	2	3	4
0%	\$0	\$0	\$0	\$0
50%	\$5,745	\$7,755	\$9,765	\$11,775
100%	\$11,490	\$15,510	\$19,530	\$23,550
133%	\$15,282	\$20,628	\$25,975	\$31,322
150%	\$17,235	\$23,265	\$29,295	\$35,325
200%	\$22,980	\$31,020	\$39,060	\$47,100
250%	\$28,725	\$38,775	\$48,825	\$58,875
300%	\$34,470	\$46,530	\$58,590	\$70,650
350%	\$40,215	\$54,285	\$68,355	\$82,425
400%	\$45,960	\$62,040	\$78,120	\$94,200

Source: Congressional Research Service

**Understanding Federal Premium Assistance for Individually Purchased Coverage.** The premium assistance subsidy reduces the amount that an individual or family pays for health insurance coverage bought at the exchange by providing a federal tax credit. Of note, these subsidies are not available to those offered affordable and comprehensive coverage through their employers – or those on government health programs like Medicaid. Subsidies are determined on a sliding scale, based on income, with lower income individuals getting the most assistance. The subsidy is based on the premium for a “benchmark plan” (the second lowest cost silver plan available on the exchange). An individual or family who wants a more expensive or higher tier plan (i.e., gold) must pay the additional cost.

These subsidies in effect serve to limit the amount of income that has to be spent on insurance. For example, an family of 4 with annual income of \$58,875 (250 percent of FPL) would only have to pay about 8% of income towards a silver-level health plan at the exchange, or about \$395 per month as shown on the next page:

Researchers at the Kaiser Family Foundation estimate 48 percent of adults currently purchasing coverage for themselves will be eligible for a subsidies next year – and those subsidies will average \$5,548 per family.

Kaiser Family Foundation researchers estimate the annual premium for an individual 40-year-old will average \$3,857 nationally. The average plan in cost in New Mexico is \$3,223.

Estimated Monthly Health Insurance Contribution by Family Size (Reflect Federal Credits)					
FPL	Maximum Premium Contribution as a % of Income	Required Monthly Contribution Towards Health Insurance by Family Size			
		1	2	3	4
110%	2.0%	\$19	\$26	\$33	\$39
133%	2.0%	\$25	\$34	\$43	\$52
150%	4.0%	\$57	\$78	\$98	\$118
200%	6.3%	\$121	\$163	\$205	\$247
250%	8.1%	\$193	\$260	\$328	\$395
300%	9.5%	\$273	\$368	\$464	\$559
350%	9.5%	\$318	\$430	\$541	\$653
400%	9.5%	\$364	\$491	\$618	\$746

Source: Congressional Research Service

**Affordability of New Mexico Exchange Plans.** Insurers on the exchange must offer silver and gold plans. In New Mexico, the Office of the Superintendent of Insurance (OSI) staff estimates that proposed health plans for the New Mexico exchange cost 5% higher than previous rates (taking into account ACA requirements such as no exclusion of coverage for pre-existing conditions and no coverage limits for essential health benefits).

Using New Mexico data, the average monthly premium for a Silver level plan for a 40 year-old individual earning \$22,980 annually (200% FPL) is \$268 per month compared to \$200 a month for single coverage on the state employee insurance plan (HMO).

Net monthly premium cost after employer match for the state employee is \$80; net cost for the individual in the exchange after a 55 percent federal tax credit would be \$121.

A July 2013 study by the federal Health and Human Services Department looked at proposed exchange insurance silver plan rates for small employers in 11 states including New Mexico and found the lowest cost silver plan was 18% less expensive than initial projections from the Congressional Budget Office. New Mexico’s average plan costs compared favorably to other states.

**Cost-sharing Assistance Subsidies.** All people who buy coverage through the exchange will have a cap on their total out-of-pocket spending, including deductibles, co-pays and co-insurance. There has been national press about an Obama Administration decision to delay implementation of these limits until 2015 because of insurer concerns about coordinating a total limit when they used separate contractors for medical and prescription drugs. However, exchange plans have already been approved in New Mexico by the Superintendent of Insurance and no insurer requested a waiver on the requirement to limit out-of-pocket costs.

Industry experts advise that in order for enrollment outreach to be successful:

- An effective media and marketing campaign will be needed to get New Mexicans to enrollment sites (in-person or on-line)
- A highly trained staff of Certified Health Care Guides is needed with strong ongoing support from a parent organization
- An efficient and well designed enrollment system and educational materials that will facilitate smooth enrollment of clients into the health plans

Some experts believe that initial exchange enrollment is will be lower than projected. Even with federal premium tax credits reducing the premium cost to less than 10% of total income, many consumers still may not be able to afford the coverage. Most of target population is not currently paying for insurance and the young may not believe they need insurance. Penalties are relatively low and media reports are questioning the government's ability to assess and collect the penalty

Annual Out-of-Pocket Cost Sharing-Limits by Household Income Tier		
Household Income Tier by FPL	Single Coverage	Family Coverage
Up to 200%	\$ 2,117	\$ 4,223
201% to 300%	\$ 3,175	\$ 6,350
301% to 400%	\$ 4,191	\$ 8,510

Source: Congressional Research Service

### HEALTH EXCHANGE IMPLEMENTATION RISKS

While the NM HIX is working on development of a New Mexico based call center by October 1st, progress is slow with the federal call center which is needed for the federal government to run the individual plan offerings for New Mexico in 2014.

Also, the General Accounting Office reports that work remains to complete and test the federal data hub needed for eligibility verifications by October 1, 2013 and to finalize service level agreements between the federal governments and state exchanges. The federal Health and Human Services Inspector General reported on August 5th on concerns with completion of data hub security plan for personal information, which could delay implementation of the data hub.

On July 2, the Obama administration abruptly announced it was delaying for one year (to 2015) the mandate that employers with 50 or more full-time workers provide coverage. There is some concern that delays in implementation of the federal data hub and federally run exchanges in 34 states could lead to a delay in the target opening date of exchanges.

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