

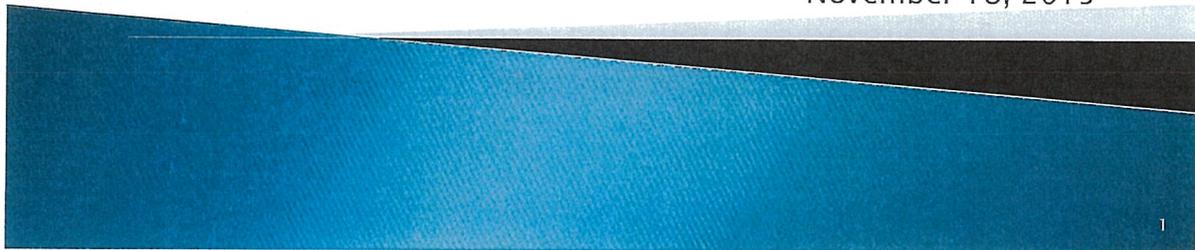
New Mexico Health Insurance Exchange (NMHIX)

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Presentation to the Legislative Health & Human Services Committee

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Overview

- ▶ LFC program evaluation looking at NMHIX performance and outcomes – through 2 enrollment periods
- ▶ Inception – Fieldwork ended June 1, 2015
- ▶ Financial data and uninsured rates updated September 2015

- ▶ Three themes emerged in this evaluation.
 - **External Factors.** A late start, leadership turnover and other factors impacted program implementation.

 - **Cost-effectiveness.** New Mexico has spent \$85 million federal dollars with limited return to taxpayers.
 - Despite high marketing costs, HIX enrollment is low and will likely remain below original estimates.
 - Investments in IT did not result in full implementation of the individual exchange and the costly small business marketplace is underutilized.

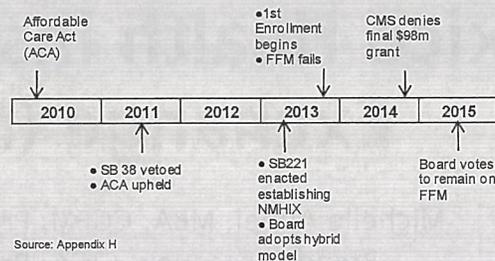
 - **Exchange Uncertainties.** In light of new information, risks associated with remaining on the federal IT platform, and limited state oversight, renewed Legislative assessment of the Exchange function is needed.



External Factors



▶ Timeline – 5 Years



- 3 Years to Laws 2013, Ch 54 gave NMHIX late start
 - Established as public non-profit entity
 - 13 member Board of Directors – all voting

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External Factors



▶ Changing Leadership ▶ Policy Implications ▶ Inconsistent Forward Movement

- **3 Lead Organizations Designated for ACA Implementation**
 - 2010: ACA Leadership Team/Office of Healthcare Reform (OHCR) at HSD
 - 2012: Alliance
 - 2013: NMHIX
- **2 Administrations**
 - Started in 2010 under Richardson
 - 2011: Martinez
- **4 Directors/CEO**
 - September 2011 – Dr. Dan Derksen/OHCR
 - June 2012 – Milton Sanchez/OHCR
 - May 2013 – Mike Nunez (Alliance Director)/Interim Director for NMHIX
 - August 2014 – Amy Dowd/NMHIX

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External Factors



- ▶ **Did not have the opportunity to start from scratch**
 - NMHIX Board met April 28, 2013
 - 1st board meeting – 5 months before 1st Enrollment
- ▶ **Reviewed work that had been done and adopted it as springboard**
 - Voted to start as a hybrid
 - Continue building out SHOP – small business marketplace
 - Use federal marketplace 1st year for individual exchange
 - Be state-based exchange with own platform in 2014



External Factors



- ▶ **Inconsistent Guidance – Center for Medicaid/Medicare Services (CMS)**
 - Minimal documentation regarding IT approvals/gateway process
 - \$98m grant denial
 - Self-sustaining dates – contradicting documents and law
 - Allowable costs – 2015
- ▶ **Lack of data from CMS**



Cost Effectiveness



- ▶ New Mexico received \$123 million, recently reduced by \$16 million

Table 2. Federal 1311 NMHIX Grant Funding 2010-2015

Grant	Year	Amount Awarded	Amount Expended HSD	Amount Expended NMHIX 3/31/2015	CMS Grant Reduction 8/2015	Amount Remaining
Planning Grant	2010	\$1,000,000	(\$880,753)	N/A		\$0
1st Level One Establishment Grant	2011	\$34,279,483	(\$6,685,513)	(\$27,593,970) [*]		\$0
2nd Level One Establishment Grant	2013	\$18,600,000	N/A	(\$18,600,000)		\$0
3rd Level One Establishment Grant	2014	\$69,402,117	N/A	(\$31,052,270)	(\$15,601,358)	\$22,748,489
Total		\$123,281,600	(\$7,566,266)	(\$77,246,240)		\$22,748,489

Sources: Grant Notices of Award; HSD Final Federal Report and grant transfer memo; NMHIX
^{*}Includes \$11.4 million initially awarded to HSD and transferred from HSD to the Alliance, the precursor to the NMHIX, and then to NMHIX

- ▶ And has spent \$85 million



Cost Effectiveness



- ▶ NMHIX has spent \$77.5 million, or 91%
 - Biggest cost: IT
 - Second biggest cost: Marketing and consumer assistance

Expenses	Amount	%
Salaries/Benefits	\$2,516,961	3%
Board	\$780,860	1%
Operations	\$884,771	1%
IT	\$47,477,169	61%
Marketing/Consumer Assistance	\$25,556,822	33%
Plan Mgmt (OSI)	\$275,000	-
Other	\$15,000	-
Total		

Source: NMHIX



Cost Effectiveness \$77.5 Million



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Two major goals:

1. Enroll people in the Exchange, particularly the uninsured and those eligible for cost subsidies
2. Build own IT solutions for both SHOP and individual marketplaces

What were the results?



Cost Effectiveness: Enrollment



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- ▶ **Marketing:** \$11.3 million (About 50%)
- ▶ **Outreach:** \$3.2 million
- ▶ **Enrollment:** \$8.5 million

Table 18. New Mexico Health Insurance Exchange Expenditures
Marketing, Outreach, and Enrollment - Inception through 3.31.15

Marketing, Media	\$11,297,903	48.8%
Call Center	\$1,239,381	5.4%
Enrollment - NPPR	\$3,903,857	16.9%
Enrollment - NMPCA	\$3,447,146	14.9%
Outreach	\$1,841,993	8%
Communications & Outreach Mgmt	\$1,406,302	6.1%
Total - Consumer Assistance	\$23,136,582	100.0%

Source: NMHIX

FINDING

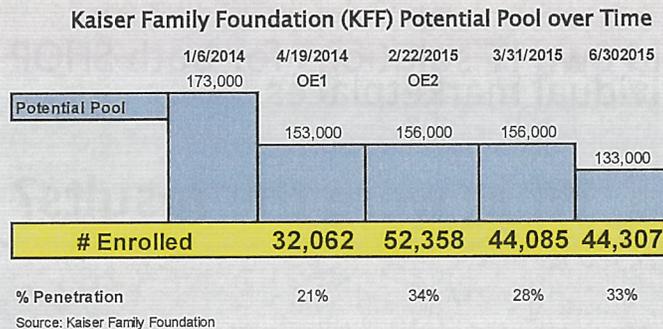
- ▶ **PAGE 24: EXTENSIVE MARKETING AND OUTREACH EFFORTS WERE COSTLY WITH MIXED RESULTS**
 - *The NMHIX spent over \$6 million for a marketing campaign in the first enrollment period that was later found to be largely ineffective.*
 - *The NMHIX emphasized expensive marketing and advertising strategies despite their uncertain value through the second enrollment period but now signals a shift to increased outreach.*



Cost Effectiveness: Enrollment



- ▶ Original enrollment pool estimates for the Exchange ranged from 162 thousand (Urban Institute) to 223 thousand (Hilltop Institute)
- ▶ Most conservative estimates based on Current Population Survey (CPS)
 - Uses different measure of uninsured than American Community Survey (ACS)



Cost Effectiveness: Enrollment



- ▶ **Current Number Enrolled?**
 - 44,307? (CMS Effectuated – 6/30/2015);
 - 44,302? (NMHIX – Memo dated 10/22/2015)
 - 37,178? (OSI – 11/2015)
 - Open Enrollment 3 – added enrollees???
- ▶ **KFF Potential Pool Breakdown 133k**
 - 31,000 eligible for subsidies
 - 34,000 ineligible due to income
 - 25,000 ineligible due to employer offer
 - 44,000 enrolled
- ▶ Supports report conclusion: Exchange enrollment low and likely to remain low

Cost Effectiveness: IT \$48 million



The IT investment did not result in full implementation of the individual exchange and small business enrollment remains low

- ▶ \$9 million for partial implementation of the individual state-based has limited long term benefits to taxpayers.
 - IV&V assessment noted scope and schedule management concerns
 - Exchange website provides individuals access to the federal platform – healthcare.gov

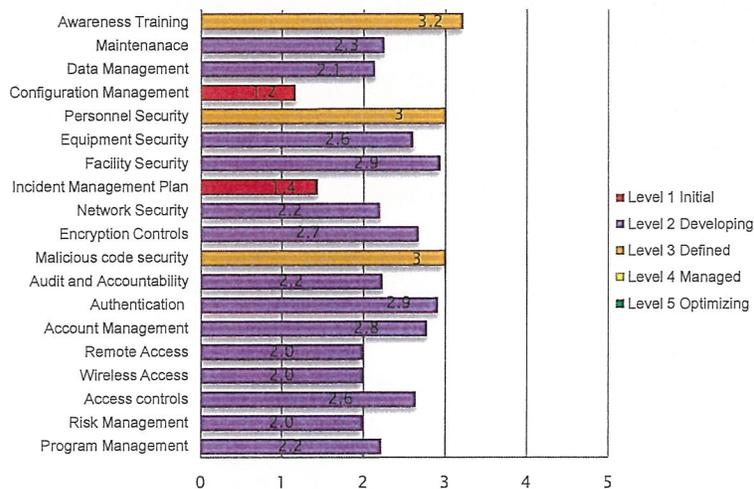
- ▶ The Exchange spent \$18 million to enroll 877 people in SHOP, at a high cost of \$21 thousand per enrollee.
 - November 2014 GAO audit reported nationally SHOP enrollment is lower than expected
 - Small business tax credit is the primary incentive to use SHOP
 - Need to increase future shop enrollment to improve ROI



IT Security



NMHIX Security Zone Maturity Level



Information security processes need improvement to ensure system security and compliance with federal requirements and industry best practices.



Exchange Uncertainties



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- ▶ Enrollment Period 3
 - Slow down nationally
 - \$6 million for outreach approved by CMS – up from \$1.5 million requested
- ▶ Costs
 - Lease costs for FFM are unknown: estimated \$5 million (reduced rate) starting 2017
 - Sustainability Plan assess issuers
 - Reduces risk to Exchange (not based on enrollment uncertainty) BUT
 - What will be the impact to citizens?
 - How will it impact exchange premiums?
- ▶ Will OIG or other Congressional parties push for repayment of federal grants?
 - Using grants beyond the January 1, 2015 self-sustaining date for operations
 - Unsuccessful IT projects
- ▶ Remaining on FFM: How will this impact state autonomy?
- ▶ When will data availability and management be adequate?
- ▶ Minimal legislative or executive oversight

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Summary

- ▶ Complicating the already challenging effort to establish the state exchange within federal timelines, New Mexico faced a succession of ACA leadership spanning five years, two administrations, three lead organizations, and four Executive Directors that impacted the Exchange implementation.
- ▶ Answers to questions asked when debating forming the NMHIX have changed.
 - Resulting enrollment for both the individual and business marketplaces are low and will most likely remain below original estimates.
 - The Exchange will not implement its own individual platform and IT security needs improvement.
 - Risks associated with staying on the FFM include:
 - Unknown cost
 - Reduced autonomy
 - Uncertain data package and management

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Two Questions with Policy Implications



1. Given a significantly reduced role/functions for the Exchange:

- Lowered projected pool of participants to reach, educate, enroll, and retain
- Reduced role of the Exchange functions by staying on FFM:
 - No Eligibility Determination
 - No full service call center to oversee
 - No IT system to develop and maintain for the individual marketplace
 - No payment/collection system for individual exchange
 - No Plan Management (OSI)
 - Leaves marketing and consumer assistance as major role, and
- The Exchange costs are passed on to the consumer,

What is the “right-sized” and structured exchange?

2. Given minimal state oversight of the NMHIX, should the NMHIX be subject to the State Audit Act?



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LFC Website

- ▶ <http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx>
- ▶ Program Evaluations
- ▶ View ALL Program Evaluation Reports
- ▶ New Mexico Health Insurance Exchange:
Status of New Mexico Health Insurance Exchange Performance and Operations
October 28, 2015
Report #15-11



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