



Covered California

California's Health Benefit Exchange

The federal Patient Protection and Affordable Care Act (ACA) included provisions for states to establish health insurance marketplaces where individuals may purchase competitively priced health plans that qualify for federal tax credits and cost-sharing reductions beginning in 2014. Small businesses with up to 50 full-time employees will be able to purchase small group coverage through a different component of the marketplace, known as the Small Business Health Options Program (SHOP).

California was the first state to elect to create its own such marketplace under the ACA, naming it Covered California. Covered California is overseen by a five-member board appointed by the Governor and Legislature. Behaving as an active purchaser of coverage, Covered California has negotiated much of the terms and rates of coverage with the health plans participating in the marketplace.

Potential Impact

Individuals with incomes between 133 and 400 percent of the federal poverty level (\$25,975 to \$78,120 for a family of three) will be eligible for advance premium tax credits, and those below 250 percent (\$48,825 for a family of three) will receive cost-sharing reductions to assist with out-of-pocket costs.

Conversely, most individuals will face a tax penalty in 2014 if they fail to obtain sufficient coverage. The individual penalty in 2014 is the greater of \$95 or 1 percent of income, rising to the greater of \$695 or 2.5 percent of income in 2016.

Penalties on employers for failing to offer or offering inadequate coverage to employees have been delayed until 2015.

Covered California has set a target of enrolling 1.4 million Californians by 2015 and 2.3 million by 2017. It is set to spend \$250 million on a two-year statewide marketing

campaign to reach these targets. Individuals and small employers may initially purchase coverage during the first open enrollment period, which runs from Oct. 1, 2013, to March 31, 2014.

Health Plans on the Exchange

Five categories of plans will be available through Covered California, consisting of four metal tiers (bronze, silver, gold, and platinum) and a catastrophic plan. If offering a metal-tier health plan in Covered California, issuers also must offer the same plan at the same premium outside of the marketplace.

All plans must, at a minimum, provide coverage of a standard scope of covered services (i.e., essential health benefits), but differ as to the extent of patient cost-sharing – with cost-sharing going down as one moves up the metal tiers to platinum. The cost-sharing within each product category, however, must adhere to Covered California's standard benefit designs.

Twelve health plans signed contracts with Covered California to offer products in the marketplace:

- Alameda Alliance for Health
- Anthem Blue Cross
- Blue Shield
- Chinese Community Health Plan
- Contra Costa Health Plan
- Health Net
- Kaiser Permanente
- L.A. Care
- Molina Healthcare
- Sharp Health Plan
- Valley Health Plan
- Western Health Advantage

Statewide Average Unsubsidized Premium Rates for Covered California Health Plans

Metal Tier	Lowest	Second-lowest	Third-lowest
Bronze	\$219	\$234	\$236
Silver	\$304	\$325	\$335

Covered California's Standard Cost-Sharing in Silver and Bronze Health Plans

Service Category	Patient Co-Pay	
	Standard Silver	Standard Bronze
Hospital Stay	\$900 per day, 3-day limit	\$1200 per day, 3-day limit
ER Services	\$250	\$300
Prenatal and Postnatal Care	\$45	\$80
Delivery and Related Inpatient Services	\$900 per day, 3-day limit	\$1200 per day, 3-day limit
Inpatient Mental and Behavioral Health	\$900 per day, 3-day limit	\$1200 per day, 3-day limit
Skilled Nursing Care	\$250	\$300
Deductibles	Facility-related (institutional and ER) = \$1,400; brand drugs = \$250; 70% coinsurance after	Medical and drug integrated (inpatient, ER, drugs) = \$4,500; 60% coinsurance after

Grace Period

Under the ACA, subsidized enrollees have 3 months before they are terminated for non-payment of premiums. Federal law further permits health plans to suspend payment of providers' claims submitted in the second and third months of the grace period, denying those claims if the patient is terminated after the 3-month period. California regulators, however, have maintained that state laws requiring payment of clean claims and prohibiting retroactive termination of coverage still apply. Thus, California is developing guidance that would result in coverage being suspended during months two and three of the grace period, meaning a patient would not show up as having active coverage at the point of service.

Network Adequacy

Covered California will have the ability to go beyond state network adequacy requirements in monitoring and enforcement due to its contractual relationship with participating health plans. Federal law requires that an exchange ensure each plan "offers a sufficient choice of providers for enrollees," leaving much of the standards up to state exchanges. Plan networks must also contain a sufficient number and type of "essential community providers," which includes private practice physicians with an approved application for the Medi-Cal electronic health records (EHR) incentive program. Covered California will make a central provider database available and will require that plans indicate which providers are not accepting new patients.

Narrow and tiered networks will likely be commonplace in Covered California. For instance, Blue Shield has already stated that its Covered California product will have 36 percent of its commercial network.

Moving Forward

All eyes will be on the readiness of Covered California's electronic screening and enrollment system, as the October 1 open enrollment date draws near. Attention will then shift to enrollment numbers and whether sufficient numbers of the young and healthy are signing up to maintain a sustainable risk pool. California will also continue implementation of its plan to ease the transition of individuals between Medi-Cal and Covered California, which will add all Medi-Cal managed care plans into the marketplace.

For more information on the exchange see CMA's [Got You Covered: A physician's guide to Covered California](#), the state's health benefit exchange at www.cmanet.org/exchange.