

# Health Insurance Exchanges: Key Policy Issues



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Maine Joint Select Committee on Health Reform  
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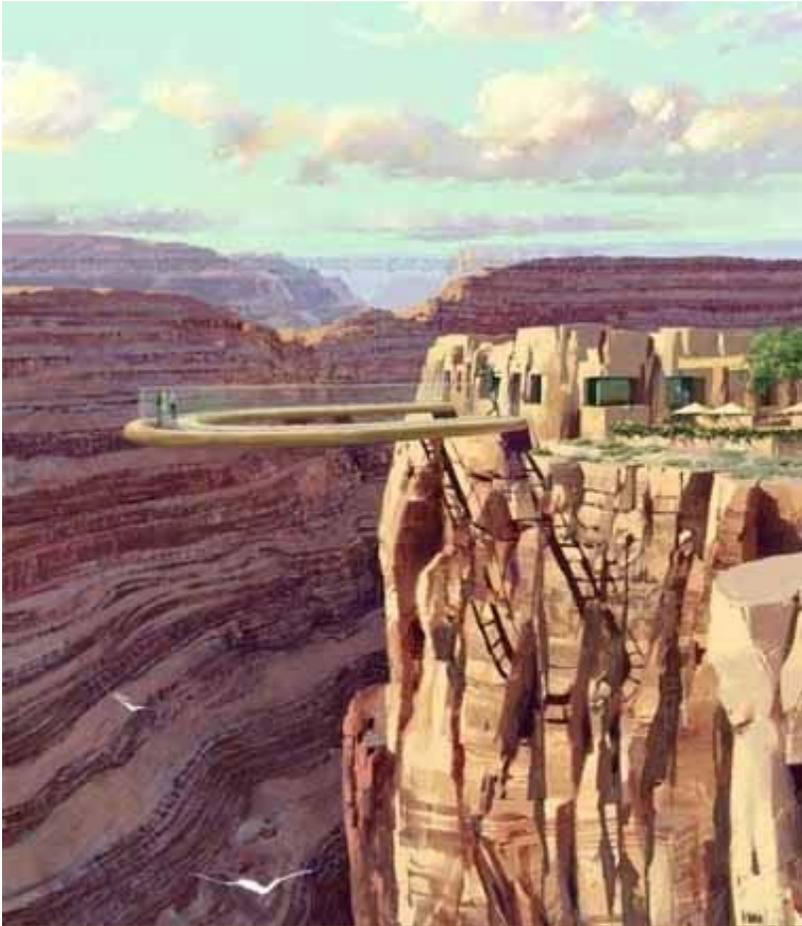


## About Community Catalyst

Community Catalyst is a national non-profit advocacy organization that works with national, state and local consumer organizations, policymakers and foundations to build consumer and community leadership to improve the health care system.

We support consumer advocacy networks that impact state and federal health care policy, and ensure consumers have a seat at the table as health care decisions are made.

# Two Visions of Exchanges



**BRIDGE TO NOWHERE**



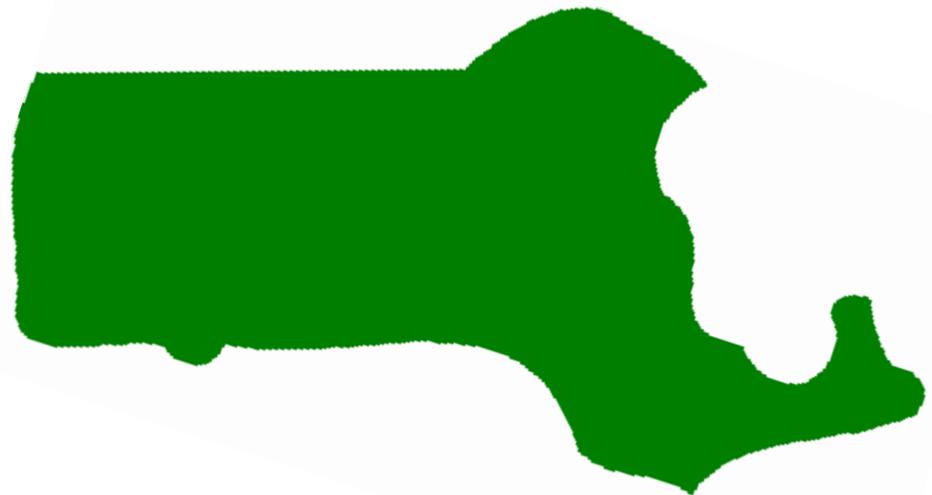
# Overarching Takeaway from MA

- Exchange is a piece of the puzzle
- Effectiveness depends on relationship to other pieces especially:
  - Subsidies
  - Market reform and regulation
  - Individual Responsibility requirement



# Understanding Massachusetts in Terms of the Affordable Care Act

- Key ACA concepts
  - Basic Health Plan
  - American Health Benefits Exchange
  - SHOP Exchange



# In Massachusetts

- Commonwealth Care = Basic Health Program +
- Commonwealth Choice = American Health Benefits Exchange
- Commonwealth Choice Group = SHOP

## Slide 6

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I'm not sure what these acronyms are - they should be spelled out

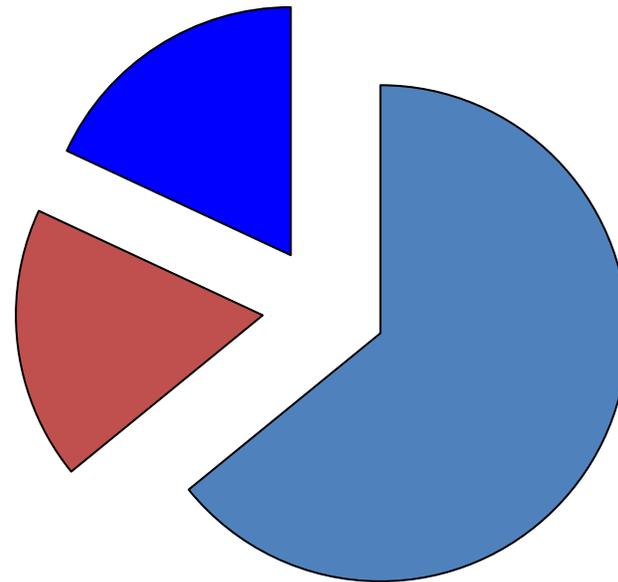
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# Enrollment Breakdown

- Commonwealth Care = 184,053
- Commonwealth Choice = 23,981
- Com Choice Group = 6,184

# National Enrollment Projections

- 2/3 subsidized individuals
- 1/6 unsubsidized individuals
- 1/6 small business enrollees



# How does Massachusetts differ from the Affordable Care Act?

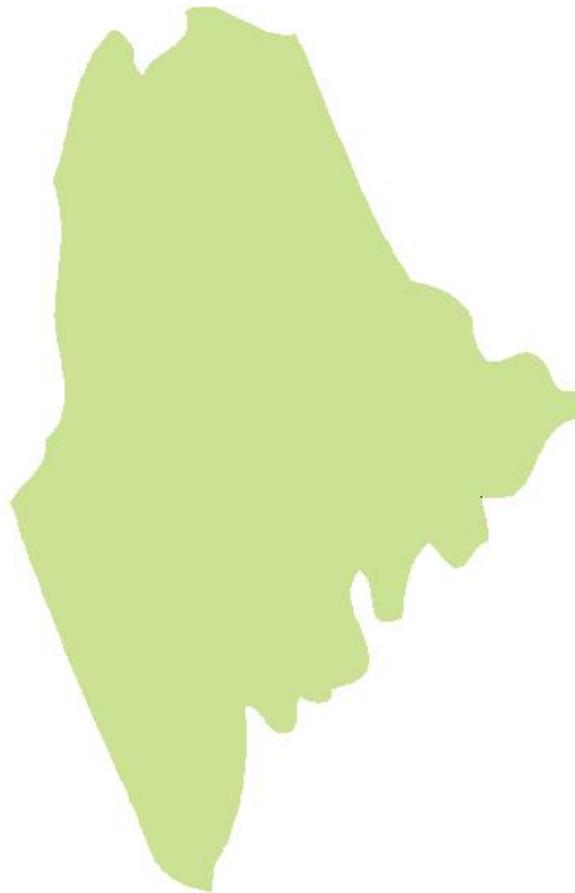
- Massachusetts:
  - plays a regulatory function (e.g. affordability standard)
  - responsibility for operating Connector and subsidy program aligned
- ACA:
  - responsibility for Exchange and subsidies diverge

# Pros and Cons of a Basic Health Program

- Pros
  - Better alignment of responsibility
  - Better integration of subsidy program, Medicaid and CHIP at least for those below 200% FPL
  - Possibility of providing better coverage for less
- Cons
  - 3 layer cake instead of 2
  - Reduces the size and potential negotiating clout of exchange
  - Consumer protections unclear

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# Should Maine operate its own Exchange?



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# Should Maine operate its own Exchange?



# Organization and Governance

- Goals
  - Transparency
  - Accountability
- Massachusetts experience
  - Quasi-governmental authority has worked well
  - Avoid conflict of interest in governing board
  - Open meeting law
  - Agendas, documents, meeting schedule, minutes etc. available to public on website

# Multistate?

- No (at least for now)
- Adds complexity with respect to insurance markets and Medicaid interface
- Less accountability to state government and voters

# Separate Exchange for individuals and small group?

- Different functions or “lines of business” under a single administrative structure
- Factors to consider
  - Separate or combined small / non-group insurance market? (rate implications?)
  - Basic Health Program - yes or no?

# Financing

- Uniform assessment on all carriers, not just on those in Exchange
- No competitive advantage for taking the low road



By: [dolphinsdock](#)

# Adverse Selection

- Different risks for different market segments
  - Little risk of adverse selection for individuals with income below 300% FPL
  - Some risk for individuals above that
  - Substantial risk in small group market

# Addressing Adverse Selection

- ACA provisions
  - Essential benefits required inside and out
  - Basic market rules (guaranteed issue, rating) same inside and out
  - Single risk pool for plans operating in and out of the Exchange
  - Risk adjustment mechanism

# Beyond the Affordable Care Act

- Prohibit carriers operating exclusively outside the Exchange from selling low-benefit options
- Otherwise uniform rules in and out (e.g. with respect to benefit design, marketing rules, network adequacy)
- Consider running all small group (or small groups below some size - e.g. 10 workers) exclusively through Exchange to guard against adverse selection
- No financial inducements to brokers to steer

# Standardizing Plans

- Choice is good but more choice is not always better
- As number of choices increases, opportunity and transaction costs multiply
- Massachusetts examples
  - Com Care: 5 MCOs w/ a single benefit design except for sliding scale cost-sharing
  - Com Choice: 7 carriers, 8 plan designs
- Consider value-based benefit design consistent with (tbd) HHS rules and consumer protections

# Carrier Selection

- HHS will establish rating system
- Active price negotiation with plans
- Consider
  - Quality (HEDIS / CAHPS)
  - Track record on premiums
- Require
  - Payment mechanisms to reduce medical errors and preventable hospitalizations, reduce disparities
- Consider genuine enrollee controlled plan-based assistance / ombudsman or enrollee association
- Consider support for co-op and, if not enough carriers, public option

# Navigator

- Important role in making ACA work
- Not just there to sell insurance
- Should be integrated with Ombudsman/  
Consumer Assistance program
- Should include community based NPOs with  
experience working with low-income population

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# Agents

- Depends on how state sets up SHOP Exchange
- Traditional primary function with small business
- Agents working within Exchange should be financially neutral with respect to any particular plan choice and should not have any financial inducements to steer good risk away from the Exchange

# Conclusion

- Exchange is an important component of a transformed health care system but should be viewed in the context of other changes
- Exchange serves multiple functions and populations. Integration with Medicaid is critical. BHP may facilitate this
- Exchange should operate in the interest of purchasers and be transparent and accountable in its actions

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# Questions?

