Health Insurance Exchanges
Overview and State Actions

The Colorado Health Foundation
Public Policy Committee
(updated from Colorado Health Care Task Force, August 2009)

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National Conference of State Legislatures

“The problem of the uninsured can never be adequately and effectively addressed without first tackling the issues of coverage continuity and portability.”

- Ed Haislmaier- Heritage Foundation
Small groups, individuals, uninsured
Can one new idea fix all this?

- State policymakers want to coordinate, centralize and simplify the health insurance market.

= The Health Exchange

- Using the private insurance market to fit multiple health access and coverage goals.

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Insurance is More Costly to Administer for Small Groups

Source: Lewin presentation on "Cost and Coverage Impacts" to Colorado Commission, August 23, 2007
What is a Health Exchange?

- A structure that facilitates people selecting a health plan from a broad selection of offerings.

**10 key functions --**

- **“Comparison Shopping” Provides Insurance Benefit Information**
  - An organization and associated website for purchasing insurance to get information and compare options. Web-based tool helps consumers to compare insurance products and pricing. *Example:* Massachusetts website provides information to allow for comparison shopping and also tiered the levels of coverage (i.e. gold, silver, bronze).

- **Portable** - same policy for many employers or payers.

What are the key functions of “reform style” exchanges?

- **Establish standardized benefits** (insurers offer several tiers with different cost-sharing levels - set by the state)
- "Affordability" expanded market; rate discussions.
- **Transparency** - plain language
- **Organize quality programs & information**
- **Can coordinate public subsidies for private insurance** (Massachusetts, Tennessee)
- **Market reorganization**, for example MA combines their small group market and individual market.
- **Can assist smaller employers;**
- **Can work with brokers and health insurers.**
The largest example:
Massachusetts Connector (Exchange)

- Bi-partisan reform effort, passed 2006.
- Merges individual and small-group markets.
- Creates a “safe world” for small employers who are relieved of having to run an insurance plan; they still contribute to plans and are assured that employees have quality coverage to pick from.
- Portability is guaranteed by law.
- Full & part-time workers are eligible. Premium payments from multiple employers or accounts.

Mass. portability: multiple employers can contribute; choice of 6 plans

6 major health plans:
- Blue Cross Blue Shield of Mass.
- Fallon Community Health Plan
- Harvard Pilgrim Health Care
- Health New England
- Neighborhood Health Plan
- Tufts Health Plan

[web]
Mass. Market Reform: PROGRESS!

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<thead>
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<th></th>
<th>1998</th>
<th>2006</th>
<th>2008</th>
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<tbody>
<tr>
<td><strong># Carriers</strong></td>
<td>21</td>
<td>19</td>
<td>28</td>
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<tr>
<td><strong># Benefit Packages</strong></td>
<td>26</td>
<td>30</td>
<td>180</td>
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<tr>
<td><strong>Monthly Premium</strong></td>
<td>100%</td>
<td>244%</td>
<td>185%</td>
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* Under adjusted community rating for non-group in Mass., premiums for the oldest subscribers are twice that for the youngest, so these premium relativities apply broadly across age groups for an individual subscriber in a given geography (Boston) enrolling in a standard HMO plan, as shown for 1998 (just after G. & R. was implemented), 2006 (before c. 58 was implemented), and Oct. 2008 (after c. 58 was implemented)

Source: Jon Kingsdale, Mass. presentation to CO Health Symposium 7/31/09
Some Utah features

- **Defined Contribution by Employers**
  - "Simplified Benefit Management:" greatly simplify the planning and management of a company's health benefit options. By enrolling in a defined contribution plan via The Exchange, the only decision an employer has to make is how much to contribute."
- ... move our health care system toward a consumer-based system.
- A standardized electronic application and enrollment system.
- **NCSL reports:** 136 employers, 2,400 workers joined in 1st 2 weeks

Launched Jan. 2009, **Cover Florida Health Care** is intended to provide coverage to residents ages 19-64 without insurance for 6 months. No tax revenues used; consumers will use their own dollars to buy the relatively low-cost plans.

- Plans are **portable from one employer to another** because they are individual policies. Employers may voluntarily share in the cost of the plan with their employees or may assist employees with a payroll deduction.
- **Limitations:** 3,757 people enrolled in 1st 8 months; 77,500 residents lost coverage in Florida
Federal Reform Proposals…

- **U.S. House Bill (HR 3962) as passed includes Insurance Exchanges** —
- Establishes a federal health insurance exchange for each state and territory in 2013 under the new Health Choices Administration that would allow individuals without government-provided or employer-provided coverage, and certain businesses, to purchase health insurance. **The bill permits states to run exchanges if they meet certain criteria.** CBO estimates that roughly 30 million people will likely take advantage of the exchange.
- - CQ Summary. Updated November 6, 2009
- **Actual outcome... no one knows yet??**

Exchanges are in both Houses

**House passed [] Senate (Reid)**

**HOUSE BILL (Passed)**

The bill would set up new insurance marketplaces — called exchanges — where people without access to affordable coverage through an employer could purchase comprehensive plans. **Subsidies** would be available to households earning up to 400 percent of the poverty level ($88,200 for a family of four).

**EFFECTIVE 2013**

**SENATE BILL (Sen. Reid- Nov. 18)**

The bill would set up new insurance marketplaces — called exchanges — where people without access to affordable coverage through an employer could purchase comprehensive plans. **Tax credits** would be available on a sliding scale for individuals and families who earn up to 400 percent of the federal poverty level ($88,200 for a family of four).

**EFFECTIVE 2014**
State budgets make any change uncertain

"If I didn’t have health insurance, I would never have made an appointment with my doctor because of the cost. The cancer would have spread and I would not be alive today to tell you my story.”  - Jaclyn Michalos, 27

Source: Jon Kingsdale, Mass. presentation to CO Health Symposium 7/31/09