

Exchange Goals, Options, and Considerations

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Why A Structured Market & Risk Adjustment?

(1)

Key goal for reform:

Accessible, Affordable, Coverage for all

- If everyone participates in coverage, this can work system wide.
- When people are sick, they should not have to pay more or be denied coverage for “pre-existing” conditions.
- Plans should compete on the basis of quality and price, rather than risk selection (cherry picking the healthy and avoiding the sick).
- Market rules and a well structured Exchange can minimize how much health plans can profit from risk selection.

Why A Structured Market & Risk Adjustment?

(2)

- **But some health plans will enroll more people with high-cost conditions, and some will enroll more low-risk people (either by luck of the draw or because of health plan attributes).**
- **Even though high risk people shouldn't pay more, than others, to cover their costs, plans that enroll more costly populations need to be paid more than those with healthier population.**

Why A Structured Market & Risk Adjustment?

(3)

- **To achieve this, a Risk-Adjustment mechanism is needed so that the net payments plans finally realize are adjusted for their enrollee risk profile.**
 - **For example, either set aside a portion of all premium payments (or assess plans with low-risk enrollment) and make additional payments plans with high-risk enrollees.**
- **This should “level the playing field,” discourage risk selection, and compensate plans that arrange better care for people with expensive conditions, thus encouraging better, more cost-effective care**
- **But finding common ground for such a market is challenging.**

A Colorful Exchange

It's a Clearinghouse!



No way we're going there!!



Individual Health Underwriting
Pre-existing Condition limits allowed
High Deductible Plans for the Poor

Government Prescribed Prices and Benefits
IT IS the Market
Universal Comprehensive Benefit Plan



No way we're going there!!

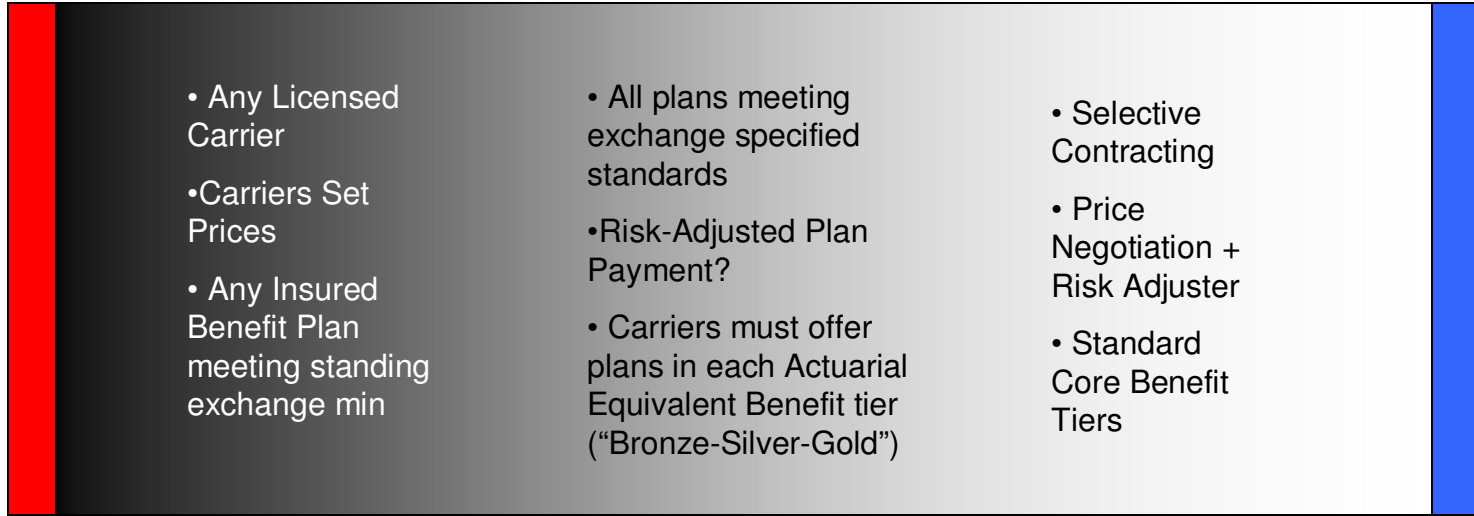


It's a Purchaser!

Fortunately, between these **colorful extremes**, there are shades of gray for common ground

- Alternative approaches are possible in each of a number of important dimensions.
- While various combinations can work, others would not due to interactive effects.
- It's worth searching for common ground approaches that work.

Searching Shades of Grey for a Workable Exchange



Same Access and Rating Rules

Individuals choose

Individuals choose

Exclusive venues for some

Low-Income Portable Credits

Credits only in Exchange

Risk Adjuster



"Outside Market"

Carriers free to offer in or out at differential rates and benefit plans

Carriers offer plans meeting new "outside" minimum + existing plan enrollees "grandfathered"

Carriers must offer higher tier plans + limits on grandfather plans or portability

There are of course other related factors

- **Whether (which) employers have what responsibility to help pay for coverage and where their employees can get coverage.**
 - **Exactly what the rating and access rules are.**
 - **E.g., what degree of age rating is allowed.**
 - **E.g., what constraints might there be on switching plans or coverage venues.**
 - **What are state roles, responsibilities, and options.**
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The design of a workable construct will involve these and other dimensions to achieve a coherent, workable approach.

P.S. ...

- **A number of alternative configurations could work.**
- **An example of a variation which is unlikely to work:**
 - **Coverage of uninsured very poor in Exchange rather than Medicaid.**
 - **A structured market and risk adjustment across plans in the Exchange only.**
 - **An open outside market allowing selective marketing of “special” benefit plans.**

- **Health and associated needs among the very poor are much greater than for working population, so:**
 - **The risk profile & premiums in Exchange would be much higher than in outside market.**
 - **Broader benefits and support services are needed for poorest enrollees.**
- **Serving the very poor with little or no attachment to work ...**
 - **Is a different ball game than serving those with a connection to work**
 - **Sending both to the exchange from the get-go could greatly reduce prospects for successful implementation**
 - **If childless are in exchange and parents in MA they'd have to change sources every time parental (or pregnancy) status changes.**

Again, to design a workable exchange construct, these and other dimensions should be taken into account to achieve a coherent, workable approach.