

***National Association of Insurance  
Commissioners***

**HEALTH CARE REFORM IMPLEMENTATION  
INTERIM MEETING**

**Exchanges (B) Subgroup  
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# Health Insurance Exchanges

## Options for Organizational Location / Governance

### State can establish as:

- Traditional State agency
- Independent State agency / Board
- Nonprofit entity

### Consideration: Traditional State agency's ability to:

- Attract and retain capable staff
- Flexibility / efficiency / timeliness / value-focus in contracting

If State will not establish qualified Exchange, Sec'y will do so.

- Sec'y can do directly or designate a non-profit entity.
- To be determined before 2013.

HHS will provide grants to States for Exchange development.

# Exchange Functions and Locus

## Exchange's Health Plan Selection informs Exchange location and governance

- *If Exchange is an informational clearinghouse of all plans in the market (state licensure requirements include federal QHP standards) . . .*
  - *Exchange could logically be located in the Insurance Department.*
  - *Typically little need for exemptions from state operational protocols.*
- *If Exchange is to be a sponsor that selects a menu of higher value plans, and which actively pursues value on behalf of Exchange participants . . .*
  - *Its role is inconsistent with even-handed regulation of the whole market.*
  - *It would ideally be structured to:*
    - *attract and retain highly competent professionals familiar with the marketplace,*
    - *be responsive to changing conditions and opportunities,*
    - *contract for high quality administrative and professional services on a timely basis,*
    - *have an independent Board of capable individuals dedicated to the best interests of the individuals and employers served by the Exchange and not conflicted by relationships to health plans).*
- **Depending on Exchange locus and federal directives, Exchange can contract to other agencies/entities for its federal tax credit and Medicaid eligibility related role.**

# Exchange Functions- Health Plan Choice

- **Provide convenient access to informed individual choice of competing qualified plans.**  
“Travelocity” / “Kayak.com” for health insurance
- **Certify Qualified Health Plans based on DHHS requirements**
  - >+ can consider if a plan is “in the interest” of eligibles
  - >additional standards or selection criteria ?

*Other required Exchange functions that inform choice:*

- *Assign a quality rating to each exchange plan (based on criteria developed by HHS).*
- *Online calculator so people can determine their cost of coverage after premium credits and cost-sharing subsidies*
- *Website with standardized comparative information on plans. Also toll-free hotline.*

# Selective contracting? Considerations . . .

## **A contextual and subjective judgment re:**

- Enhance informed consumer choice via a manageable number of trusted choices vs. a counter-productive limit on choices?
- Facilitate economies of scale and cost-effective provider-plan arrangements vs. constrain innovation?
- Incent better value via competition to gain access to Exchange enrollees vs. impede competitive market entry?

**In state markets we're most familiar with, arguments for selective contracting seem compelling.** But it is not clear how many plans will “play” where in the reformed markets, nor what federal direction might be (federal tax credit \$)

# Exchange Locus and Contracting Role

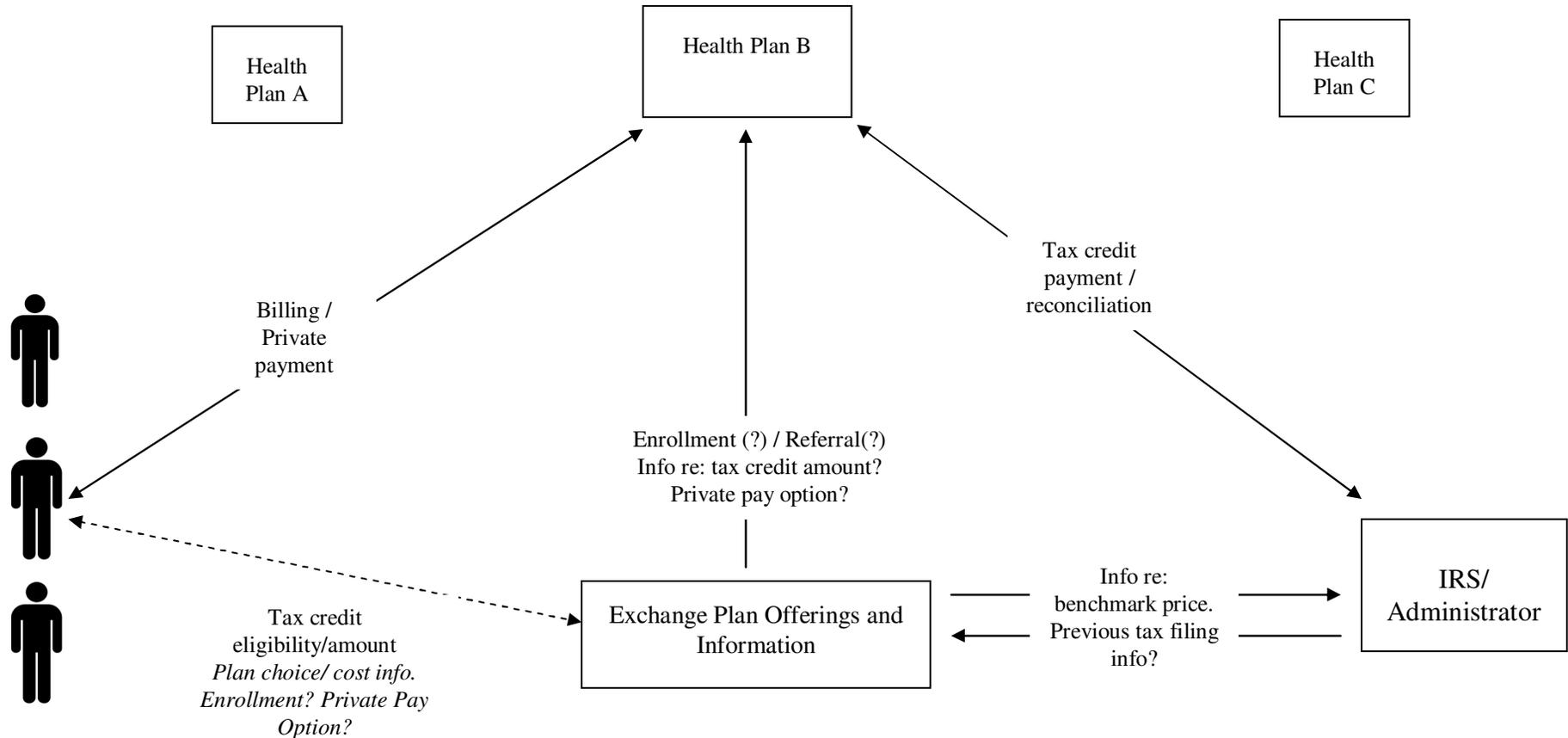
**Recommendation: States either . . .**

- A. Establish an independent Exchange Board and agency or non-profit organization, and give it authority to selectively contract based on its determination of whether it will optimize value and informed choice, and is permissible under federal guidelines, OR**
- B. Locate the Exchange within a broader State authority established to coordinate selective health plan contracting policies across state purchasing programs and the Exchange, OR**
- C. Place the Exchange in the Insurance Department as a clearinghouse of all plans (all QHPs) in the individual and small group marketplaces.**

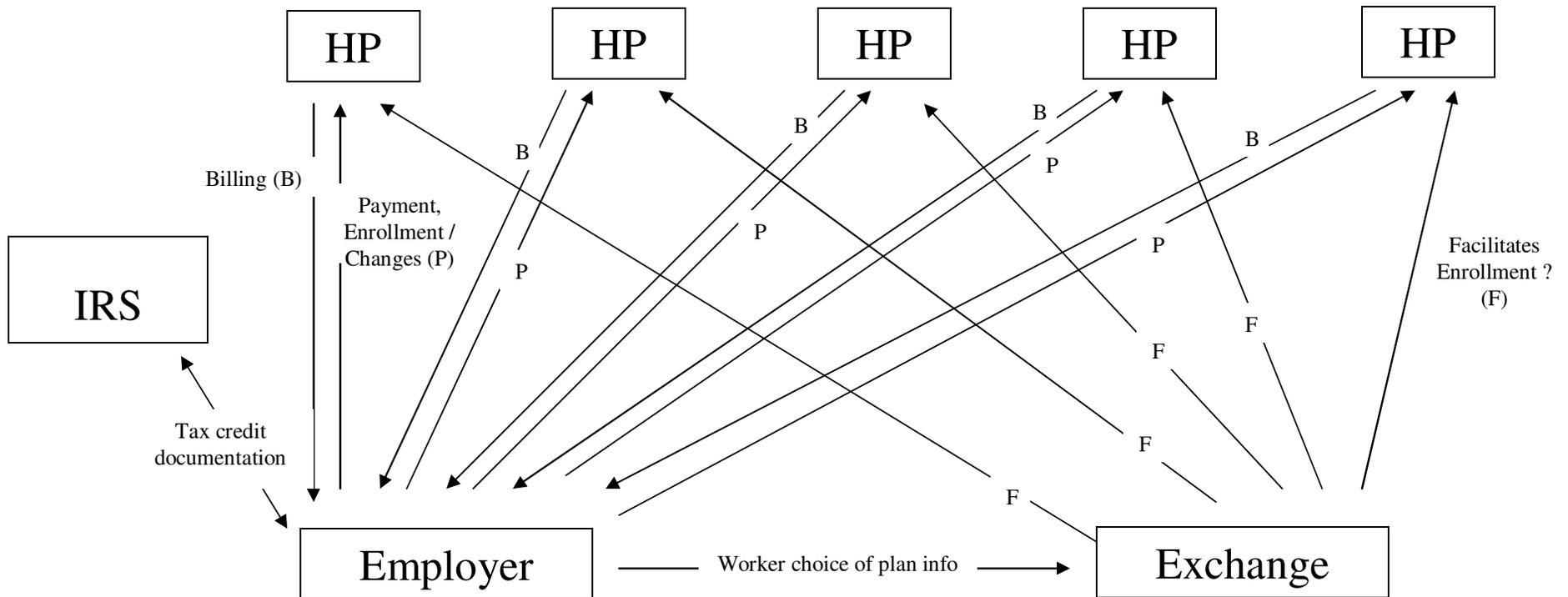
# How Many?

- **Individual and SHOP Employer Exchange: Same or separate?**
  - **State can choose to combine individual and small employer markets, or not.**
  - **If markets are combined, combined Exchange makes sense.**
  - **If markets are separate with substantial differences re: issuers and networks, separate SHOP Exchange would make sense given**
- **Essential functions differ in the two markets.**

# Individual Exchange and Premium Tax Credit Relationship

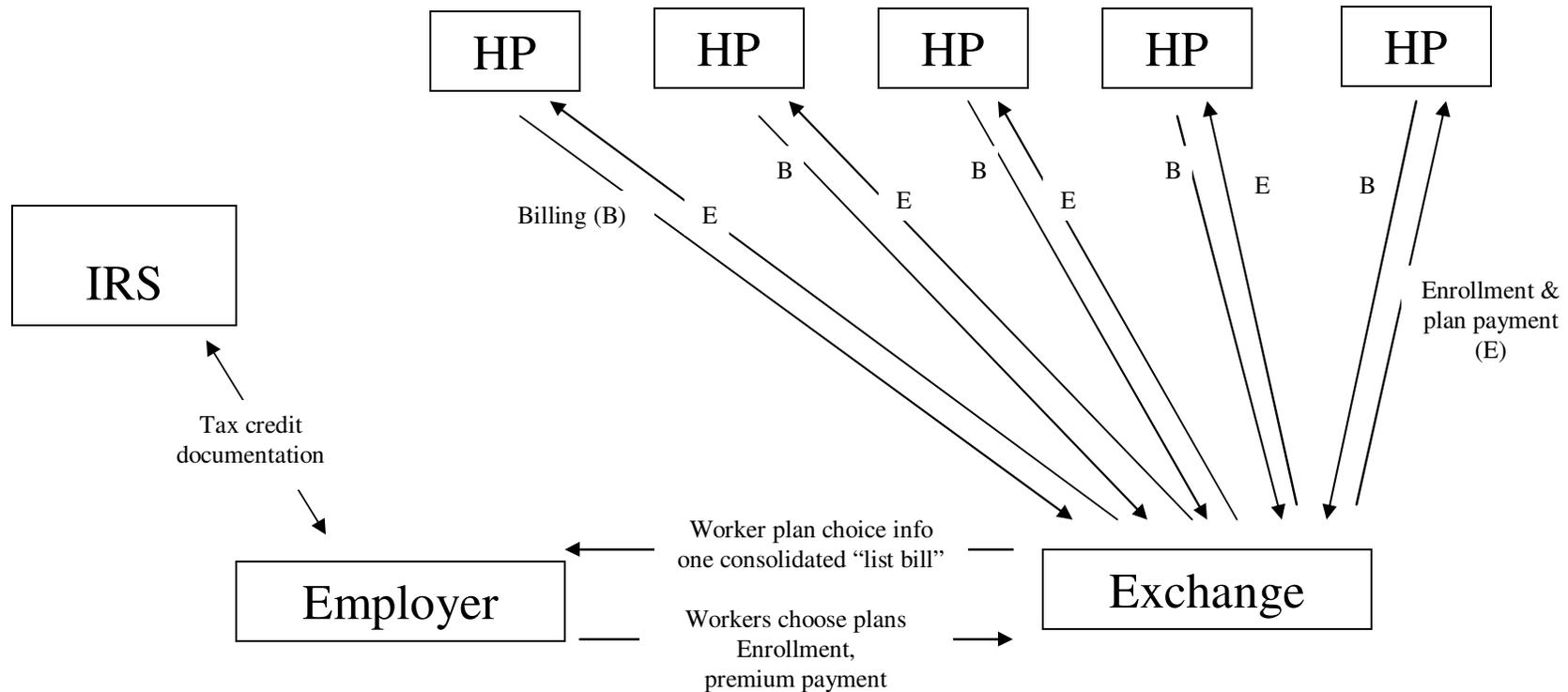


# Employer “SHOP-YOU-WOULD-DROP” Exchange



# Employer One-Stop SHOP Exchange

(to make employee choice work for the employer)



- Employer contribution can be structured so that older and younger workers pay the same \$ amount for a “benchmark” plan.
  - Similar to relationship of individual tax credit and “2<sup>nd</sup>-lowest cost silver plan”

# Individual Exchange v. SHOP Exchange re: Tax-Credit Eligibility

- **Workers whose employer offers coverage through the SHOP Exchange are not eligible for subsidized coverage through the Individual Exchange.**
  - (Same as any worker who is offered employer coverage.)
  - Very small, low-wage employers may qualify for small-employer tax credit.
- **BUT . . .**
  - If the employer coverage would cost them more than 9.5% of household income, then workers can go to the Individual Exchange and qualify for premium tax credits.

# Individual and Employer Exchange Structure Recommendations

- Assuming that most if not all Qualified Health Plans will participate in both a State's individual and small employer (SHOP) Exchange, the SHOP Exchange would logically be housed as a program within one Exchange.
  - *Especially in smaller states, encouraging participation in both markets may be a policy objective for such an Exchange.*
- Given the distinctions between the core administrative functions and distribution of Exchange employer group vs. individual coverage, the administrative service structure and market "face" of the SHOP exchange should be distinct.
- The SHOP Exchange's administrative services should make it easy for an employer to structure contributions such that older and younger workers' contributions for a "benchmark" plan are the same.

# Other Issues

- **“Essential health benefits” and “actuarial value” requirements (bronze, silver, etc.) outlined in federal law.**
- **Greater standardization desirable?**
  - **Only inside Exchange, or outside also?**
  - **Establish in 2014, or wait for experience?**
- **“Outside” market?**
  - **Federal guidelines only?**
  - **Extend all same rules as Exchange?**
  - **The Exchange is the market is the Exchange?**
    - **But . . . undocumented can’t use Exchange.**

# Other Issues (cont'd)

- **Require plans to offer silver and gold levels outside as well as inside Exchange?**
- **Require plans to offer all AV levels, not just silver and gold?**
  - **Only inside Exchange, or outside also?**
- **Start to “transition” market rules now?**
  - **Could mitigate shifts and rate shocks for Exchange coverage in 2014; more workable.**