Lessons from Massachusetts on Exchanges under National Health Reform

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Agenda

1. Progress report on Massachusetts
2. Model for national health reform
3. Preliminary design issues for exchanges
Achievements of Massachusetts Health Care Reform – 5 Facts

1. **2.6%** uninsured after 2 years

2. **43%** of newly insured are *private pay*

3. **CommCare** average rate trend = **4.7%** thru FY 2010

4. **98.6%** compliance rate (taxpayer filings)

5. **69% - 75% approval** rating
There’s More to the Story

“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
Key Elements of National Reform:
1. “Shared responsibility”

- **Residents:**
  - Individual mandate

- **Government:**
  - Premium assistance

- **Employers:**
  - Make "fair" contribution
  - Set up Section 125 Plan
Key Elements of National Reform:

2. Insurance market reform

1. Guaranteed Issue
2. Guaranteed Renewal
3. Adjusted Community Rating
4. Grandfather Existing Policies
Key Elements of National Reform:
3. Insurance exchanges
Bay State’s View of National Reform

- Tax Increases?
- Mass Health Reform
- Public Plan?
- Medicare Savings?
Déjà vu all over again?

As we get down to the hard negotiating on the health care plan, I think at the outset we should acknowledge that we all agree what this discussion is really about.

HEALTH

AND ACCESS TO IT.

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Exchanges under National Reform

Senate H.E.L.P. Committee: grants to establish state exchanges, fed’l “fallback” if state doesn’t act

Senate Finance Committee: started with national exchange (May), moving now to state exchanges

House (3 com’tees): National exchange, with opt-out for states & other geographic units
Likely Functions of Exchanges

1. Subsidize coverage for low-income uninsured
2. Offer coverage for other target market segments (non-group, small group, other?)
3. Specify plan designs & coverage tiers for unsubsidized coverage
4. Contract with & sell health plans
5. Education, outreach & marketing
Welcome to the Health Connector!

We are an independent state agency that helps you find the right health plan and avoid tax penalties.

Commonwealth Choice offers many options from brand-name health plans. We negotiate prices and benefits. You shop, compare and enroll.

Commonwealth Care is low or no-cost health insurance for people who qualify.

Find out what’s available to you.

Commonwealth Choice: unsubsidized marketplace for non- & small-group

You need insurance. The state’s Health Connector can help.

Welcome to the Health Connector!

Health Connector Success Stories

“I didn’t know how I was going to be able to afford the rising cost of health insurance. Fortunately, my wife told me about the Health Connector, which provided me with many different options…” read more

Already a Commonwealth Care Member?

- Register for access to your account
- Login to choose a health plan and view account information
Starting List of Design Issues

1. Governance: semi-independent public agency

   Distributor/Guardian of public funds

   Market maker

   Interacts w/ other gov’t agencies
Starting List of Design Issues

2. Coordinate w/other agencies

Medicaid

Division of Insurance

Dept of Revenue (IRS?)

Health & Human Services
3. Premium rating in the exchange

Self-contained purchaser (S-I)

Market rates, based on ACR

Managing the “risk premium”
Starting List of Design Issues

4. Risk adjustment

Mandate is essential

Standardizing benefits

Age/sex/geography & acuity

Limiting choice of actuarial tiers
5. Benefits specification

Begin with market research

Encourage innovation

Standardize for easy comparison

Manage change
Starting List of Design Issues

6. Carrier bidding & selection

Managed competition

Transparency

Long-term relationships
Starting List of Design Issues

7. Administrative functions

- Outreach & marketing
- Eligibility determination
- Enrollment & premium billing
- Customer service
- Appeals
Potential Value of Exchanges

1. Protecting/representing enrollees
2. Prudent purchasing of health insurance
3. Choice & managed competition
4. Scale economies in distributing insurance