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To Exchange, or Not to Exchange, That IS the Question

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Overview

- Why
- Where
- Who
- What
- When

Why Do We Need and Exchange?

- To enable all Americans to have access to advantages of LARGE group purchasing
- Non-group market underwriting increasingly unacceptable
 - 2008 election
 - Ryan-Coburn, H.R. 2520, S. 1099
- Small group market failing small employers
 - faster premium growth than other markets
 - high loads
 - explicit or de facto underwriting
 - moribund competition

Where Will Exchanges Be Organized?

- HELP
 - States, combined states, sub-state, federal fallback administration within a state
- House
 - National exchange in Tri-Com draft and in bills passed by Ways and Means and Education and Labor
 - Energy and Commerce has jurisdiction
- Finance
 - Best guess is more along HELP/state/regional lines

Who Will Be In Exchange?

- Who Must
 - HELP: no one
 - House: individuals, small groups
- Who May
 - HELP: individuals, small groups
 - House: individuals, small groups
- Who May Keep What You Have Now
 - EVERYONE grandfathered, everywhere
 - HELP allows individual plus small group markets to continue outside Gateway, but with conformed insurance market rules
 - House requires rule congruence in *entire* group market by 2017

How small is “small” ?

- Conceptually: large enough to self-insure
- Transition issues complicated, scary
 - HELP: small = 10, maybe more later
 - House: 10 in year one, 20 in year 2, maybe more later
- Some see in these provisions precious little relief for larger small firms who are not happy with their status quo
- Selection issues from opening up group market are real, but not insurmountable
- What about those who work for “large” firms but do not like their offerings?
 - House: lets you in after 2 years if oop premium > 11% of income

Who will “run” exchange?

- HELP

- States have right to decide whether governmental, non-profit, or quasi-independent
- There are federal rules

- House

- Commission of Health Choices Administration
- States can apply to run it themselves, consistent with federal rules

What Will Exchange Do?

- Administer “qualified” health plans’ participation in the exchange
- Oversee marketing and insurer conduct
- Monitor/enforce competition within new insurance market rules
 - Including separately managed public option
- Keep track of money flows
- Oversee/ensure risk adjustment works
 - This is made difficult by allowing “parallel” markets to survive outside exchange
- Aid in enforcement of purchase mandates

What Will Exchange Do, 2

- Ensure compliance with benefit offering rules and requirements
 - Benefits determined by Secretary
 - States must reimburse federal government for extra costs due to benefit mandates beyond minimum package
- Manage choices with SCHIP (HELP) and House (from Medicaid after 3 years)

When?

- HELP: 2012
- House: 2013
- Interim/immediate measures:
 - HELP: smaller, lower wage employers will get tax credit under certain conditions
 - Both: reinsurance for retiree health plans

Remaining Issues

- Do we really want to change the business model of insurers?
- Size and scope
- Age rating/transition issues
- Role of employers
 - Pay or play
 - Tax credits
 - Employee vs. employer choice
 - To enter exchange
 - Among tiers within exchange
 - If employee chooses exchange, what should offering employer do?