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?