

Health Insurance Exchange Options

Presentation to the
Finance Committee

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What is an Exchange?

- A market organizer that facilitates the purchase of health insurance.
- Can offer a range of services:
 - Give individuals with purchasing advantages similar to a large group
 - Offer consumers an easy way to shop for and enroll in coverage
 - Give tax advantages to people not enrolled in employer-based coverage
 - Offer access to continuous, portable coverage
 - Simplify administrative functions for users
 - Administer public subsidies to low & moderate wage individuals, families
 - Give small employer groups access to a larger range of plan options than are usually available to small groups
 - Utilize value-based purchasing strategies that align with similar initiatives by state health care purchasers to improve the quality and efficiency of Oregon's delivery system

Health Insurance Exchange Issues

1. Who uses the Exchange?
2. What could an Exchange do for Oregonians?

1. Who Uses the Exchange?

- Categories of participants that could benefit from an Exchange
 - A. Individuals getting state premium contributions (income between 150-299% FPL)
 - B. Individuals getting tax credit for premium purchase (income between 300-399% FPL)
 - C. Individuals not eligible for employer's ESI, but who use Sect. 125 plan (income above 400% FPL)
 - D. Individuals working for non-offering employer, who use Section 125 plan (income above 400% FPL)
 - E. Self-employed or non-employed individuals with income above 400% FPL
 - F. Employees of small employer groups
 - G. Employees of medium and large employer groups

Groups A and B – The Core of the Exchange

- Group A: Individuals getting state premium contributions (income between 150-299% FPL)
- Group B: Individuals using tax credits for premium purchase (income between 300-399% FPL)
- Rationale:
 - Most of these people are currently uninsured
 - Helps maximize the value of government contributions
 - Streamlines process for administering premium assistance and tax credit

Group C – Voluntary on an Employer-by-Employer Basis

- Group C: Individuals not eligible for employer's ESI, who use Section 125 plan (income above 400% FPL)
- Rationale:
 - Include part-time employees
 - Voluntary on an employer-by-employer basis
 - For seamlessness, these employees would ideally have the option of buying an individual plan offered by the same carrier in the direct market, or into the employer's group plan in the Exchange

Group D – Required Use of the Exchange

- Group D: Individuals working for non-offering employer, who use Section 125 plan (income above 400% FPL)
- Rationale:
 - Most are employed by “micro-employers”
 - Tend to move between subsidized and unsubsidized coverage as income fluctuates
 - Close to 70% are subsidy-eligible (Group A)
 - Nearly 30% will receive a tax credit (Group B)
 - The remainder will be in Group D
 - Improves continuity of care
 - Limits risk selection

Group E – Voluntary Participation in the Exchange

- Group E: Self-employed or non-employed individuals with income above 400% FPL
- Rationale:
 - Pros
 - Allows the exchange to prove its value as consumers “vote with their feet”
 - Less disruptive - allows individuals to stay with current carrier
 - Access to exchange services
 - Increases population to spread exchange’s fixed administrative costs
 - Cons
 - Danger of adverse risk selection unless regulatory and administrative steps are taken (such steps could restrict market offerings inside exchange)

Group F – To Be Determined

- Group F: Employees of small employer groups
- Pros and Cons
 - Offer choice to consumers, most of whom do not have a choice of carrier in their current small group coverage.
 - Could have a secondary effect on lowering costs and improving quality in the delivery system and insurance administration.
 - Reduce employers' administrative costs by delegating the benefits administration and enrollment functions to the exchange.
 - Danger of adverse risk selection and possible “rate shock”
 - Might need to combine individual and small group markets
 - Need more information on market disruption

Group G – Not Required to Use the Exchange

- Group G: Employees of medium and large employer groups
- Pros and Cons
 - Entry must be voluntary due to ERISA preemption of state regulation of health benefits for self-insured employers
 - Many large employers already offer choice of plans, have HR department
 - Selection concern: if voluntary option for employers, the exchange may face adverse selection

2. What Could an Exchange Do for Oregonians?

- Tier 1: Information, Enrollment and Administration
- Tier 2: Benchmarking and Standards
- Tier 3: Rate Negotiation and Selective Contracting

Tier 1 Functions

- Create a central clearinghouse for information about health plan and insurance product choices
- Design decision support tools and provide cost, quality and service transparent information
- Manage open enrollment process with efficient, user-friendly health plan enrollment
- Establish an eligibility confirmation and state premium contribution administration process
- Help employers and others to set up and administer Section 125

Tier 1 Functions (continued)

- Provide a mechanism to collect and aggregate premium contributions from multiple sources
- Ensure provision of customer services, (provide and coordinating with brokers and carriers)
- Administer risk adjustment mechanism to protect insurers who enroll high-risk members
- Train agents and brokers on exchange functions; connect people with educated agents, brokers

Tier 2 Functions

- All Tier 1 functions, plus...
- Establish standardized or comparable benefits offered by carriers to clarify and simplify the consumer choice process and minimize risk selection
- Establish performance benchmarks for carriers, including network adequacy, benefit design, price and quality outcomes

Tier 2 Functions (continued)

- Allow contracting for full packages of products and services from the carriers, or contracting separately for benefits or services that might better achieve benchmark performance
- Establish agent and broker role in distribution and marketing of plans offered in the exchange.

Tier 3 Functions

- All Tier 1 and Tier 2 functions, plus...
- Solicit bids or price proposals
- Negotiate prices and/or discounts with carriers
- Select which carriers would participate in the exchange

Implications of an Exchange with a Broad Range of Functions

- Likely to have greatest impact on lowering costs and improving quality
- Maximize the value of government contribution for low and moderate income people
- Rate negotiation may affect carrier participation
 - If fewer carriers participate, consumers will have less choice

Recommendation: Role of the Exchange

- The Work Group's discussions have led to a preliminary preference that the Exchange play a role that falls between Tiers 2 and 3
 - Strong benchmarking and standards
 - Some price negotiation and possible bidding process

Next Steps

- Finalize draft Exchange recommendations
 - Groups using an exchange
 - Functions an exchange will perform
- Build recommendations on additional issues
 - What will be the Exchange's governing structure?
 - How will the exchange be funded?
- Work Group will meet in April to finish its work