Health Insurance MARKETPLACES!
The Political And Policy Context

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This Presentation at a Glance

- Health insurance exchanges/marketplaces: The brief evolutionary history of concept and theory

- Key Affordable Care Act design decisions have had and will have consequences in exchange operation and insurance rates

- Much of the public is clueless

- Operational readiness and the “parade of possible horribles”: What are real concerns and what amounts to fear-mongering and breathless hyperventilating?
Health Insurance Exchanges: The Evolutionary History of Concept And Theory
Evolution of Health Insurance Exchanges: Conceptual Models

1980s
- Theory of Managed Competition: “Health Insurance Purchasing Cooperatives”

1990s
- “Alliances” in the Clinton Health Plan

2009-201
- “Health Insurance Exchanges” In ACA – State or Federal

2013-2014
- “Marketplaces:” State-based, Partnership or Federally-Facilitated
Exchanges: The Theory

- Exchanges and insurance reforms should dramatically improve coverage in nongroup (individual) and small group markets

- Consumers will be able to comparison shop for price, cost sharing, networks and coverage once options are standardized

- Premiums to be subsidized up to four times federal poverty level; subsidized coverage will bring more people into exchanges

- Administrative costs of coverage for individuals and small employers likely to be reduced; plans may be able to negotiate better with providers
In flux; Gov. wants to do partnership, but legislature hasn’t appropriated funds.

To become state-based in 2015

Source: Avalere State Reform Insights, March 12, 2013.

*UT will not pursue a state-run individual exchange but continues to request HHS certify its existing small group exchange, Avenue H.

**VA has indicated they will perform plan management functions and QHP certifications but has not received HHS approval like the other Marketplace Plan Management states (KS, MT, NE, and OH).
Reality Check: Exchanges Will Begin With A Small Share Of The HI Market

Total Nonelderly Population = 288 million

Without Health Reform (56 Million Uninsured)  
- Uninsured: 19%  
- Medicaid/CHIP: 13%  
- Private Non-Group/Other: 10%  
- Employer-sponsored Insurance: 58%

With Health Reform (29 Million Uninsured)  
- Uninsured: 10%  
- Medicaid/CHIP: 17%  
- Exchange: 9%  
- Private Non-Group / Other: 8%  
- Employer-sponsored Insurance: 56%

NOTE: This assumes that all states choose to expand Medicaid eligibility up to 138% FPL January 2014.  
SOURCE: Congressional Budget Office, February 2013. Total may not equal 100% due to rounding.
Federal Regulatory And State Legislative Decisions And Their Consequence: Complexity
Options That Were – And Remain – Available For States In Exchange Operation

- Fully State-run
  - Statewide, Regional, or Sub-state
  - Individual, small business (together or separate)

- Fed-State Partnership (some proposed options)
  - State takes on plan management only
  - State takes on consumer assistance only
  - State takes on plan management & consumer assistance

- Fully Federally-run
Products Sold In Exchanges

- Exchanges to offer a variety of certified health plans that offer the state’s version of “essential health benefits” pegged to state-designated benchmark plan

- Preserves elements of variation among states in plans offered

- Additional presence of Multistate Plans; outcome still unknown

- CO-OP Plans
Exchange Models in Governance and Plan Management

- Quasi-governmental (e.g., CA, CO, CT, MD, MA, NV, NM) versus state-run (KY, NY, RI, VT)

- Active purchaser model (e.g., CA, MA, NY, OR, RI, VT), vs. “clearinghouse” model (e.g., CO, CT, DC, HI, MD, NV, RI, WA)
Enrollment Via Exchanges

- Exchanges to serve as enrollment “portals,” including for Medicaid, the Children’s Health Insurance Program and, if a state elects it, a Basic Health Plan (as in CA and WA)

- In CA, real-time enrollment in Medi-Cal via common portal essentially blocked
Small Business Health Options (SHOP) Exchanges

- States must set up or default to federal operation
- States can operate the SHOP exchange separately from individual exchanges, or merge the two
- States can restrict eligibility to employers with 50 or fewer workers until 2016
- In 2016, must open to employers with 100 or fewer workers
- After 2017, states can open their exchanges to more than 100 workers
The Goal: Streamlined Enrollment And Eligibility Determinations

Multiple Ways to Enroll

Single Application for Multiple Programs

Use of Electronic Data to Verify Eligibility

Real-Time Eligibility Determinations

Dear _____,
You are eligible for...
Public Awareness: Kaiser Family Foundation March 2013 Tracking Poll

To the best of your knowledge, would you say the health reform law does or does not do each of the following?

<table>
<thead>
<tr>
<th></th>
<th>Correct Yes, law does this</th>
<th>Incorrect No, law does not do this</th>
<th>Don’t know/Refused</th>
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<tbody>
<tr>
<td>Individual mandate/penalty</td>
<td>74%</td>
<td>17%</td>
<td>9%</td>
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<tr>
<td>Employer mandate/penalty for large employers</td>
<td>71</td>
<td>17</td>
<td>11%</td>
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<tr>
<td>Extension of dependent coverage</td>
<td>69</td>
<td>20</td>
<td>11%</td>
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<tr>
<td>Subsidy assistance to individuals</td>
<td>62</td>
<td>29</td>
<td>9%</td>
</tr>
<tr>
<td>Medicaid expansion</td>
<td>59</td>
<td>25</td>
<td>17%</td>
</tr>
<tr>
<td>Health insurance exchanges</td>
<td>58</td>
<td>29</td>
<td>13%</td>
</tr>
<tr>
<td>Increase the Medicare payroll tax on upper income</td>
<td>54</td>
<td>27</td>
<td>19%</td>
</tr>
<tr>
<td>Guaranteed issue</td>
<td>53</td>
<td>36</td>
<td>11%</td>
</tr>
<tr>
<td>Tax credits to small businesses to buy insurance</td>
<td>52</td>
<td>26</td>
<td>22%</td>
</tr>
<tr>
<td>Close Medicare “doughnut hole”</td>
<td>46</td>
<td>31</td>
<td>22%</td>
</tr>
<tr>
<td>Medical loss ratio</td>
<td>40</td>
<td>37</td>
<td>23%</td>
</tr>
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Impact of Insurance Reforms
On Premiums And Other Interactions: Variations Across States

- Premium levels will be consequence of a “dance” between competitive and non-competitive insurance markets on one hand and dominant or pluralistic hospital and health systems on the other.

- Also unknown: what are implications of advent of Medicaid managed care organization plans in financing care outside of Medicaid and being offered in exchanges?

- Impact within state will also depend on degree to which it has already enacted insurance reforms – e.g., New York.
Premiums matter – but it’s also the coverage, stupid!

- Strengthened consumer protections
- End of annual and lifetime limits
- Limitations on consumer cost sharing
- Very few
Other Operational Issues

- Feds are creating “federal data hub” with idea that all state exchanges will connect to the data hub.

- Social Security, IRS and Homeland Security checks will be made there (all needed before purchases via exchanges can take place).

- States haven’t made a lot of progress yet in connecting to that data hub; systems don’t “talk” to each other.

- Hope that systems will be in place perhaps by 2015.
Other Operational Issues

- "Back office" versus "front office"
- Sustainability of operational funding for exchanges over time
- SHOP exchanges
- Consolidation into regional exchanges?
- Consolidation into federal exchange?
Will The Theory of Managed Competition Prove Out?

- How will competition among insurance plans play out in state exchanges?
- How will competition affect premiums and subsidy costs?
- Evidence to date about role of plans in reducing costs isn’t compelling
- Delivery and payment reform may be primary levers of cost reduction
What We Know

- Open enrollment will begin on October 1…but then it will end
- Year One of enrollment and exchange operation will clearly be a shakedown cruise
- First 60 days of Medicare Part D were also…and the program is still here!
What’s ahead? As we will hear from panelists today...

- Rules on insurers and exchanges highly variable from state to state

- States have elected different paths: New York with state-based exchange and Kansas with federally facilitated exchange

- Regulatory and exchange turbulence on the road to the “new normal”

- A number of forces pushing in the direction of higher rates, but perhaps equal portion pushing rates lower

- Opportunities for markets to expand as well as to be disrupted

- Problems in small group market in NY, eg
KEEP CALM AND WATCH THIS SPACE
The Coming Parade Of Pseudo-Horribles?

“Better brace yourselves for a whole lotta ugly comin’ at you, Followed by a never-ending parade of stupid!”
--Motormouth Maybelle (Queen Latifah) in Hairspray
The End