



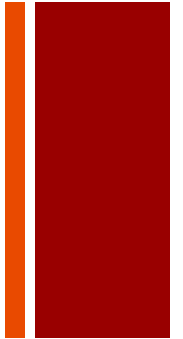
Health Insurance
MARKETPLACES!
The Political
And Policy
Context



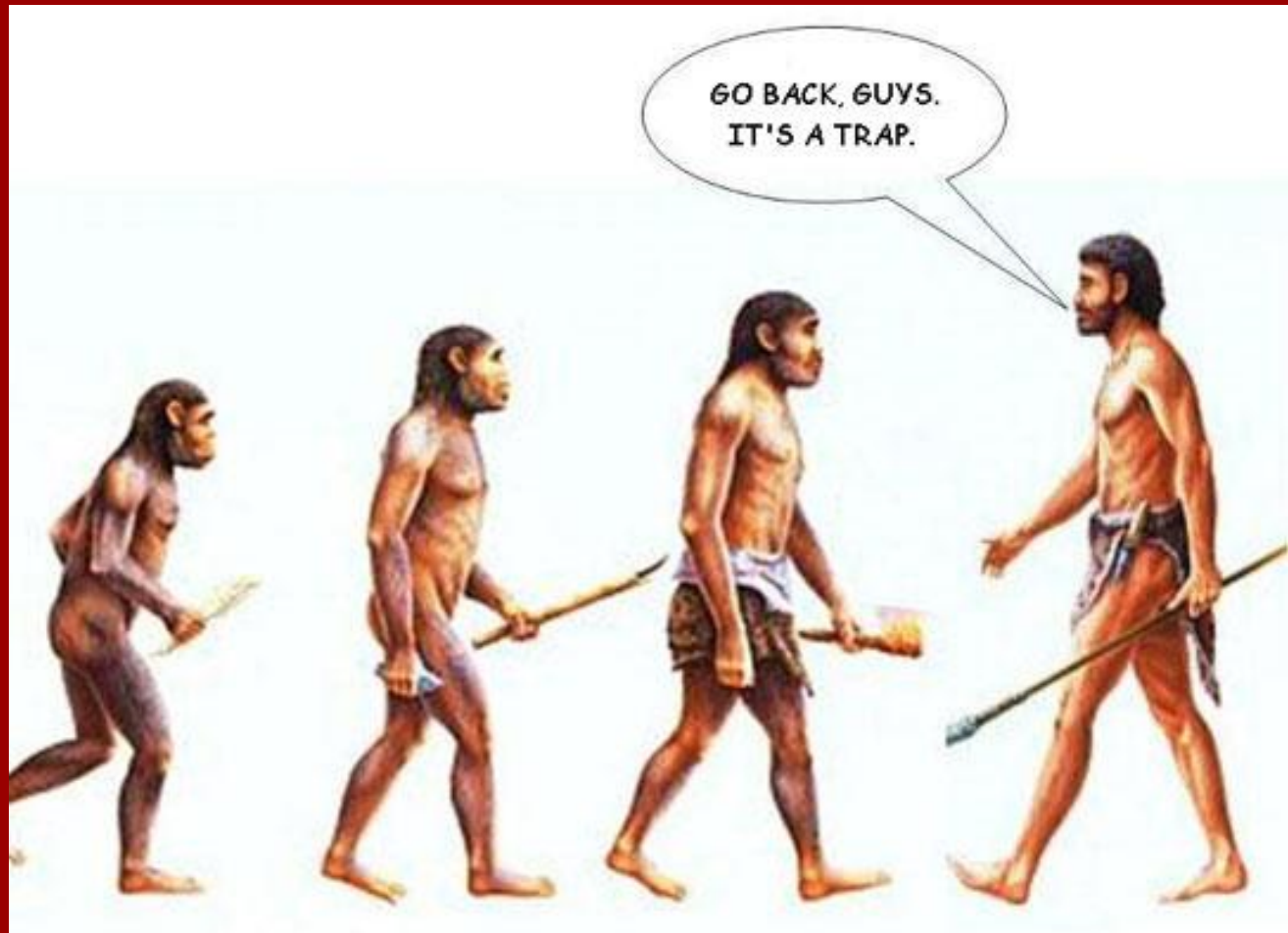
By Susan Dentzer
Senior Policy Adviser,
The Robert Wood Johnson Foundation
Presentation to the Princeton
Conference
May 23, 2013

+ 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 horrors”:** What are real concerns and what amounts to fear-mongering and breathless hyperventilating?

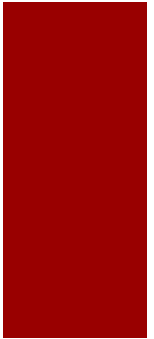


Health Insurance Exchanges: The Evolutionary History of Concept And Theory





Evolution of Health Insurance Exchanges: Conceptual Models



1980s

1990s

2009-201

2013-2014

**Theory of
Managed
Competition:
“Health
Insurance
Purchasing
Cooperatives”**

**“Alliances”
in the
Clinton
Health Plan**

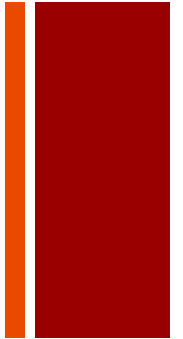
**“Health
Insurance
Exchanges”
In ACA –
State or
Federal**

**”Marketplaces:”
State-based,
Partnership or
Federally-
Facilitated**



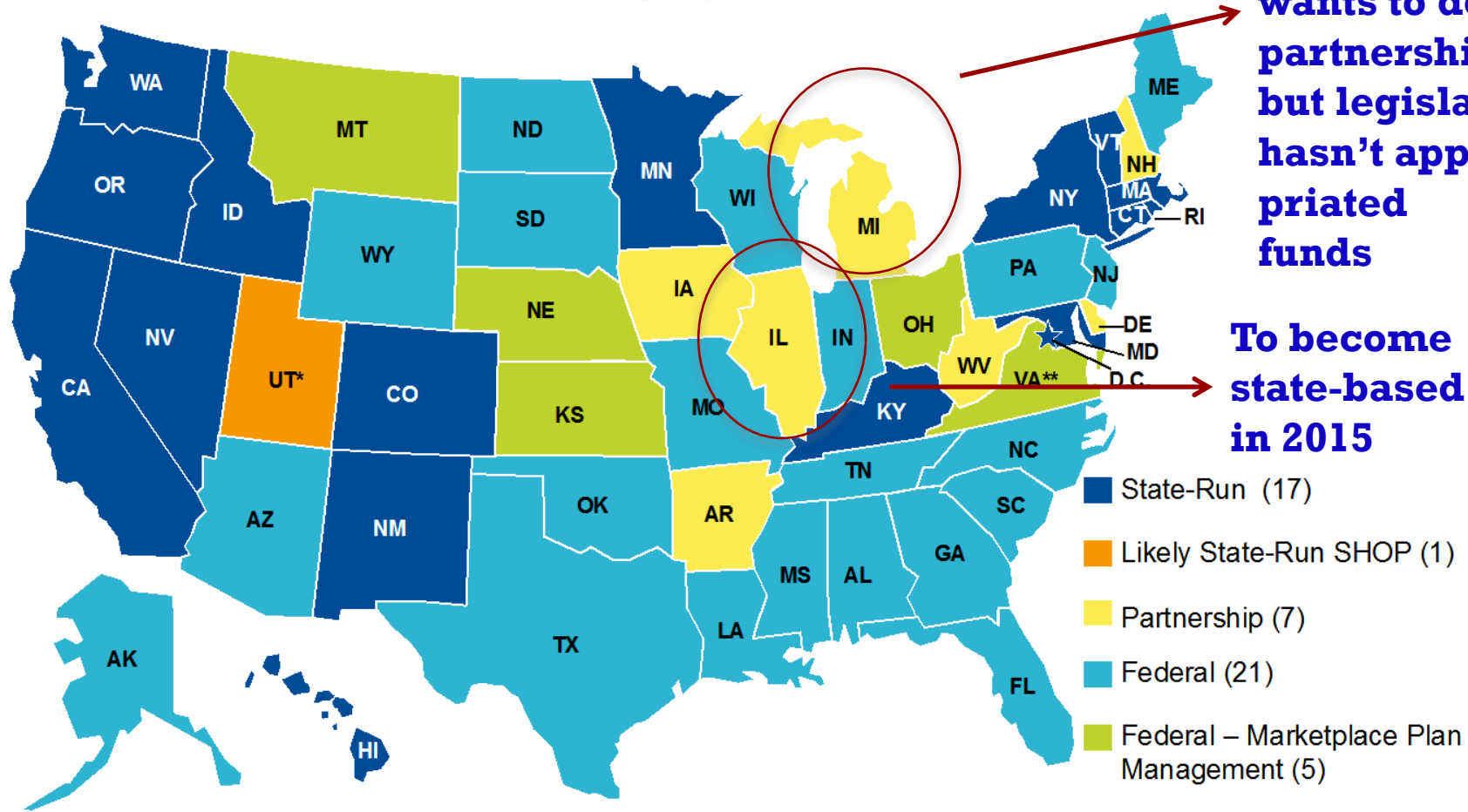
+ Exchanges: The Theory

- 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



16 States and DC Will Run Exchanges in 2014, 7 States Conditionally Approved for Partnership

Insurance Exchange Operational Model



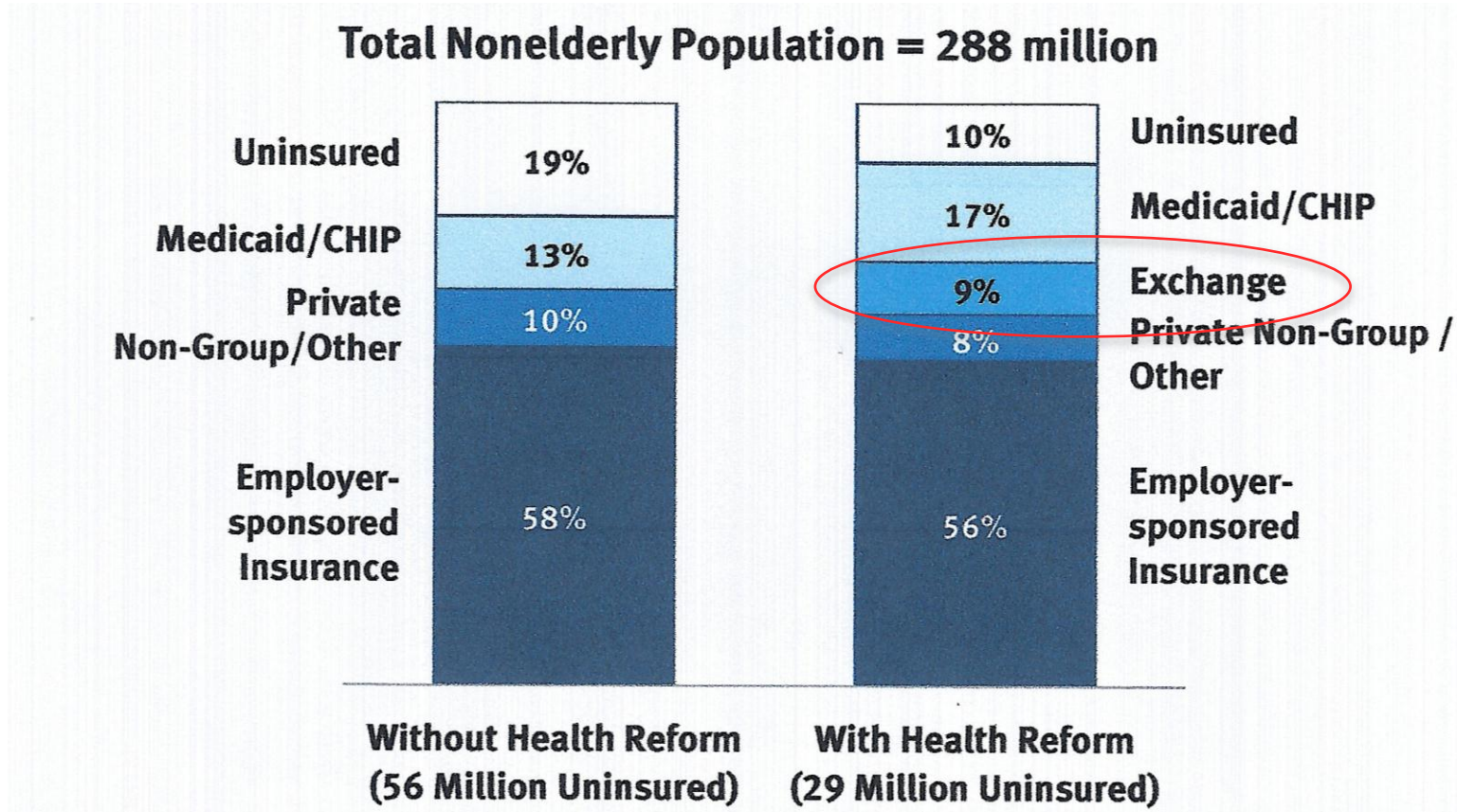
Source: Avalere State Reform Insights, March 12, 2013.

*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



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



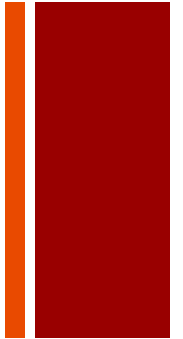
**Federal Regulatory And State
Legislative Decisions And
Their Consequence:
+ Complexity**

+ 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**

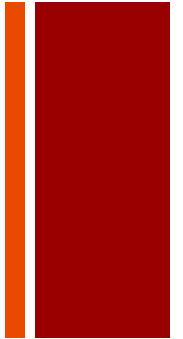
+ **Products Sold In Exchanges**

- **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**





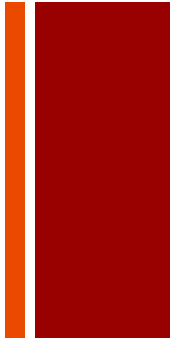
Exchange Models in Governance and Plan Management



- **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**

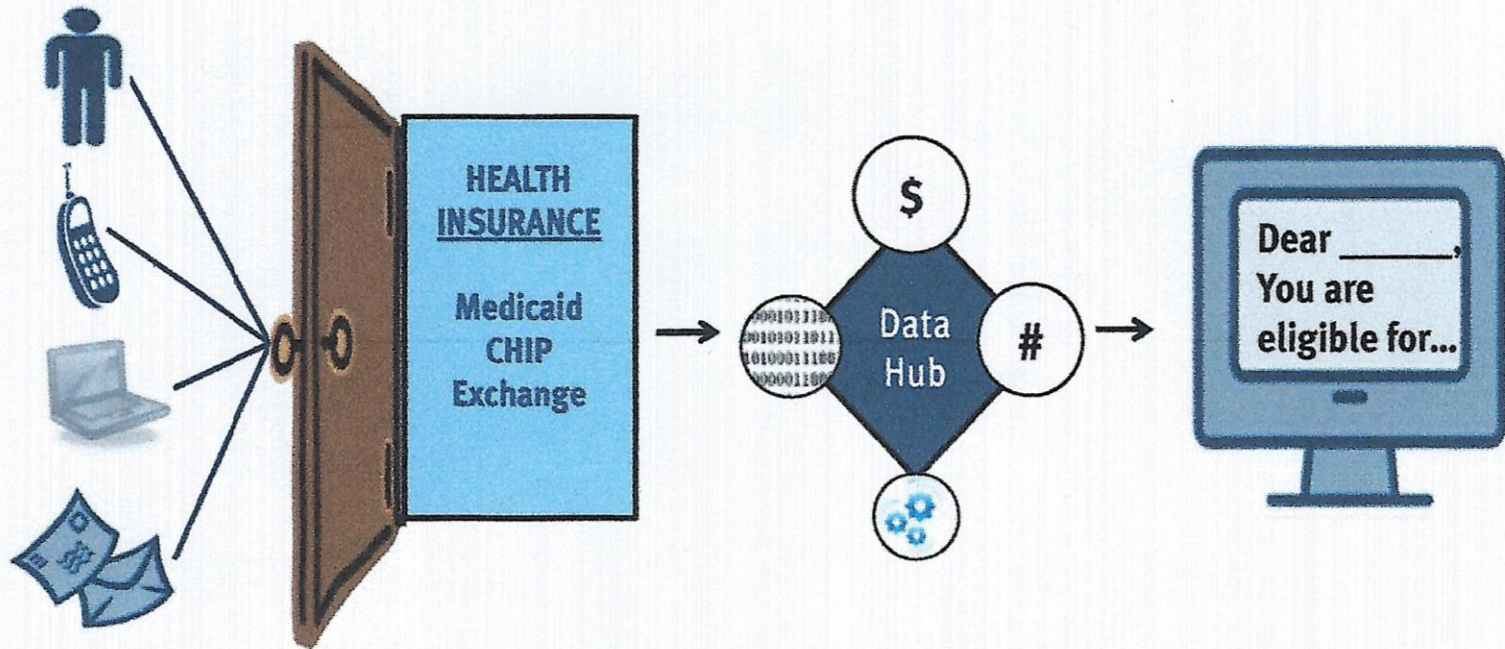


Small Business Health Options (SHOP) Exchanges



- **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

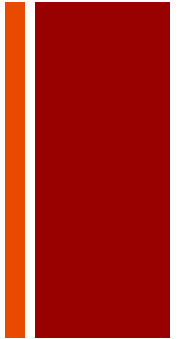
Public Awareness: Kaiser Family Foundation March 2013 Tracking Poll

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

	CORRECT Yes, law does this	INCORRECT	
		No, law does not do this	Don't know/Refused
Individual mandate/penalty	74%	17%	9%
Employer mandate/penalty for large employers	71	17	11
Extension of dependent coverage	69	20	11
Subsidy assistance to individuals	62	29	9
Medicaid expansion	59	25	17
Health insurance exchanges	58	29	13
Increase the Medicare payroll tax on upper income	54	27	19
Guaranteed issue	53	36	11
Tax credits to small businesses to buy insurance	52	26	22
Close Medicare "doughnut hole"	46	31	22
Medical loss ratio	40	37	23



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.**

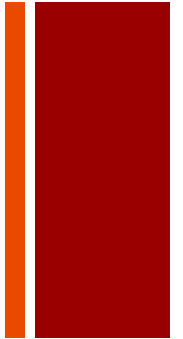
+ Other Operational Issues

- **”Back office” versus “front office”**
- **Sustainability of operational funding for exchanges over time**
- **SHOP exchanges**
- **Consolidation into regional exchanges?**
- **Consolidation into federal exchange?**

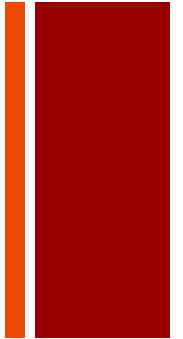


+ Will The Theory of Managed Competition Prove Out?

- **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**



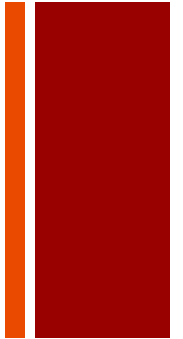
+ What We Know



- **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