

# IHA Legislative Position 2012

## Health Benefit Exchange



### ★ Background

Provisions in the federal Patient Protection and Affordable Care Act (PPACA) requires the creation of “Health Benefit Exchanges” to enable individuals and small businesses to obtain health insurance information via on-line resources. Now often referred to as Health Insurance Exchanges (HIX), these exchanges must merge insurance eligibility information determinations with state Medicaid programs, dramatically changing some of the ways state Medicaid programs have typically coordinated benefits with other service programs.

Further complicating the issue is that states have been given wide latitude in developing their HIXs and federal regulations on the requirements for HIXs have not been finalized. For example, the only two states—Utah and Massachusetts—with operational HIXs actually developed their initiatives prior to the enactment of the federal legislation. However, those models vary from an information-only portal (Utah) to a model where state government actually is involved in procuring health insurance for consumers (Massachusetts). Furthermore, it is unclear whether the Utah model will meet the final federal HIX requirements. All told, about a dozen states have now begun creation of some form of a HIX, although no two states have developed the exact same model.

### ★ Action Needed

Although several pieces of legislation regarding HIX development were introduced in the 2011 Iowa General Assembly, none of those received much legislative consideration. This is in part because of the complexity of the issue, but also because there was no federal direction was available. However, the federal government has now issued its initial rules regarding HIX development, which should make this a priority legislative issue in Iowa in 2012. State-run HIX programs are expected to be implemented within the Medicaid program in the second half of 2013; if a state fails to take action to make a HIX operational to all consumers by 2014, the federal government will develop and impose its version of a HIX upon those states.

Interested parties across the political spectrum have posed the concept of simply letting the federal government develop Iowa’s HIX, either because they believe federal agencies can best do the job or because they doubt the long-term viability of the PPACA legislation itself. The Iowa Hospital Association opposes defaulting to federal control for a variety of reasons. First, a federal HIX may not be the best solution for a state like Iowa where the health insurance market is largely composed of government payers (Medicare, Medicaid) and one large private insurer. Second, IHA supports a more conservative approach in the development of an Iowa HIX, which may not be the case under federal directives. And third, it is unclear how the federal government would finance the development of state HIXs given that there is little money currently appropriated for that to happen—it is clearly the preference that states develop their own initiatives.

Given those considerations, IHA supports legislation creating an Iowa HIX that would build upon the following core principles:

- **Focus on “Information-Only” Exchange.** Rather than placing state government in a position of negotiating health insurance contracts, IHA supports a model more closely resembling the Utah plan where the HIX is designed to provide consumers with various plan options and subsidies that may exist. IHA recognizes that the HIX can facilitate an effective marketplace for consumers to compare and purchase plans, but IHA opposes state involvement in contract negotiations between carriers and providers or “rate setting” private sector policies and/or provider payments.

- **HIX Should Be Consumer Friendly.** HIX web site information should be designed to provide consumers with meaningful information in common terminology. Much like travel web sites that now exist, consumers should be able to directly select their own plan options. The HIX should be able to clearly define various plan costs, subsidies and benefits based on limited consumer information.
- **No Subsidies for Insurance Carriers or Brokers.** Some Iowa legislation proposed in 2011 would have guaranteed commissions for insurance brokers who helped businesses/clients navigate through the exchange. IHA opposes providing subsidies for either carriers or brokers as adding additional costs to the health care system and protecting past practices regarding the purchase of insurance. The central concept of a HIX is to give the consumer more options at lower costs; protecting commissions to brokers or imposing other guaranteed fees promotes neither of those core principles.
- **Housed in State Government.** IHA believes it is the appropriate role of government to house and oversee Iowa's HIX, rather than turning the HIX management over to some private enterprise or outside vendor.
- **Oversight Board of Industry Experts.** Many HIX discussions across the nation have placed consumer representatives as the sole members of HIX governing boards. IHA favors an approach closer to the model developed in Colorado, where the governing board also includes insurance industry and health care provider representatives. Again, IHA supports a more modest HIX approach; given the nature of Iowa's overall health care insurance carrier market, it seems reasonable to have key constituent groups and policy experts as members overseeing HIX development in our state.
- **Financial Sustainability Through Plan Assessments.** As is being considered in most states, Iowa should maintain the long-term financial viability of the state HIX through a health plan assessment on those plans purchased through the exchange.