Considerations for Exchanges

Senate Health Policy Committee

November 8, 2011

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. Interpretations of the reform legislation vary and efforts will be made to present and update accurate information. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. Analysis is ongoing and additional guidance is also anticipated from the Department of Health and Human Services.

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Exchanges…Why Bother?

To answer the question:

What kind of market for health insurance do you want for Michigan?

Today's health insurance markets are less functional than it could be and should serve consumers better

…and if Michigan does not take action, in light of health reform, the federal government will set up an exchange for Michigan

Point of View on the Role of an Exchange

Objective: facilitate a well-functioning market for individuals, families and small businesses to purchase health insurance

Facilitate a market for private insurance (as opposed to active government purchasing)

Focus on those that have limited ability to create an active market on their own

Based on:
- Promotion of open competition
- Open access to comparative information and prices
- Fair and uniform regulatory structure

Principles for a Well Functioning Market

1. Create fair and uniform regulatory structure across insurance carriers and purchasing venues
   - Issuance rules
   - Rating rules
   - Rate approval
   - Benefit requirements
2. Promote open market competition
   - Allow any carrier that meets minimum standards
   - Encourage broad carrier participation
   - Provide clear, accurate comparative information for consumers
   - Discourage non-productive behavior (risk adjustment)
3. Encourage broad participation of consumers and businesses in purchasing insurance
4. Avoid cross-subsidization among markets

Recommendations for Setting up an Exchange for Michigan (1/2)

1. Focus should be minimum necessary to facilitate the market as soon as possible
2. Establish a structure that is independent of government but is accountable to the people of Michigan
3. Create one exchange for Michigan but separate paths and risk pools for businesses and individuals
4. Build alignment between exchange rules and the non-exchange market

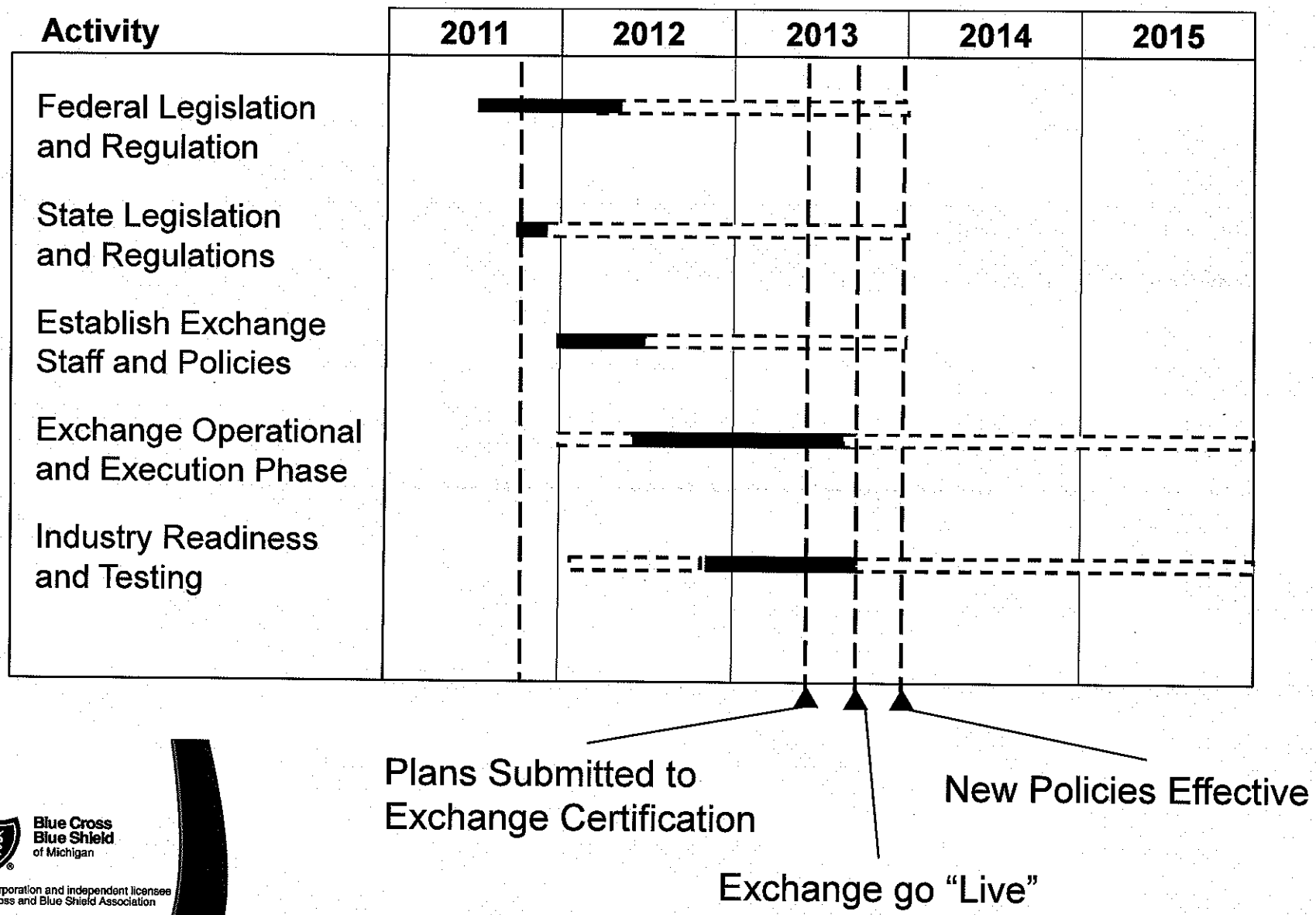
Recommendations for Setting up an Exchange for Michigan (2/2)

6. Create reasonable but limited budgets for exchange operations and funding assessments
7. Define specific enrollment periods to obtain coverage
8. Facilitate risk mitigation mechanisms (risk adjustment, reinsurance) to ensure access for competition and productive market behavior from carriers

Making it Work for the Industry

1. Engage the experience and know-how of industry in the design and deployment of the exchange
2. Coordinate rules and processes among exchange, insurance code and federal regulations
3. Recognize generally accepted processes in commercial business and ensure robust, well-functioning transactions
4. Establish clear, consistent rules and processes as soon as possible

The timeline matters!!!



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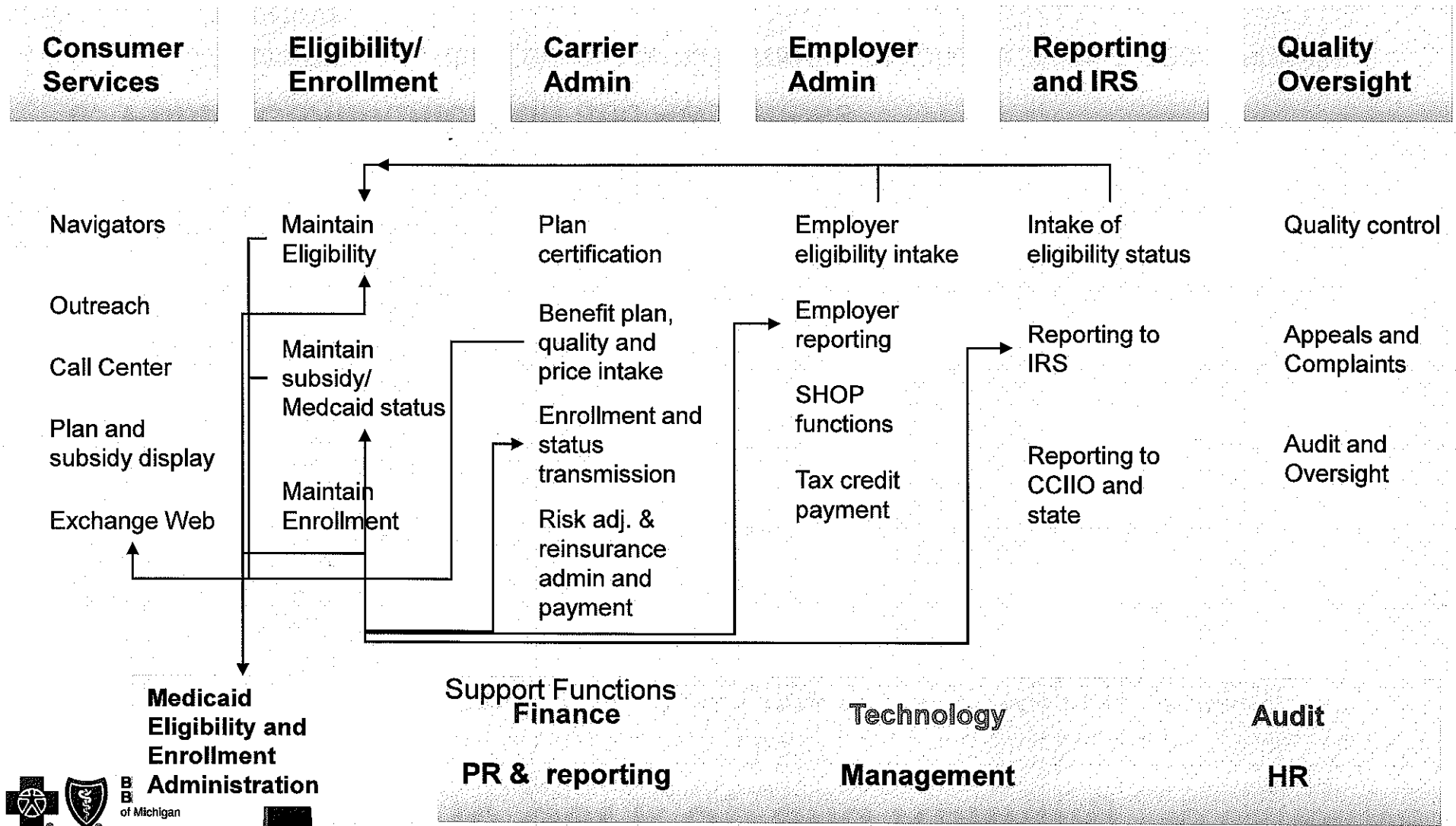
What it Takes to Make an Exchange Work

ILLUSTRATIVE



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What it Takes to Get it Up and Running ILLUSTRATIVE

1. **Staffing:** Board of Directors, Executive Director, Key Leadership, Ongoing
2. **Design** of Core Exchanges Functions
   - Carrier qualifications and requirements, consumer support, key policies
3. **Procurement** of Services
   - Request for Proposals, Evaluation, Negotiation, Contracting
4. **Technology** Acquisition and Build
   - Business process design, technical architecture, integration testing, etc.
5. **Financial Processes**
   - Accounting, Reporting, Auditing, Carrier, Reconciliation
6. **Public Communication** and Awareness
   - Messaging, content development, media purchase, public accountability reporting

Closing Thoughts

- The establishment of an effective health insurance marketplace is important **for Michigan**
- The **scope** of the decisions required is **enormous**
- Getting this right takes a **large coordinated effort** among legislators, regulators, operations and the industry
- In order to meet the timelines of a **state** formulated exchange, the legislature will need to act relatively quickly

Thank You!

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