



America's Health Benefits Exchanges



Exchange Governance and Long-Term Fiscal Sustainability

IL DEPARTMENT OF INSURANCE
JANUARY 24, 2011

Governance

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- **Governance Questions to be Considered:**
 - Where should the Exchange be located?
 - Should the Exchange be run by a Governing Board?
 - ✦ What should the composition of the Board be?
 - ✦ How should Board members be selected or appointed?
 - ✦ Conflict of interest provisions?
 - Should the Exchange be subject to State laws governing hiring and procurement?
 - What level of transparency and public accountability is desired?

ACA Requirements and Federal Guidance

- Section 1311(d)(1) of the ACA requires an Exchange to be “a governmental agency or a nonprofit entity that is established by a State.”
 - Three basic alternatives: (1) New or existing state agency; (2) Nonprofit entity established by State; or (3) Quasi-governmental entity.
- Section 1311(d)(6) requires an Exchange to “consult with [relevant] stakeholders,” including enrollees, representatives of small businesses, Medicaid offices, and advocates for enrolling hard to reach populations.

ACA Requirements and Federal Guidance (ct'd)

- Initial guidance from HHS:
 - Regardless of organizational form (state agency, quasi-governmental, or nonprofit entity), an Exchange must:
 - ✦ Be “publicly accountable”
 - ✦ Be “transparent”
 - ✦ Have “technically competent leadership, with the capacity and authority to take all actions necessary to meet federal standards, including:
 - Discretion to determine whether health plans offered through the Exchange are ‘in the interests of qualified individuals and qualified employers’ as Section 1311(e)(1) requires.”

Governance Options - Location

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	State Agency	Quasi-governmental	Nonprofit Entity
Pros	<ul style="list-style-type: none"> • Public accountability, transparency • Coordination among State agencies 	<ul style="list-style-type: none"> • More independent • Possible exemption from State procurement and personnel laws 	<ul style="list-style-type: none"> • Flexibility in decision-making • Less chance for decisions to be politicized
Cons	<ul style="list-style-type: none"> • Possible politicization • Instability and lack of independence 	<ul style="list-style-type: none"> • More planning necessary to coordinate among State agencies, including Medicaid office and Insurance Department 	<ul style="list-style-type: none"> • Isolation from State agencies • Potential for decreased accountability and transparency

Models from Other States

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- Existing Insurance Exchanges:
 - Massachusetts “Connector”
 - ✦ <https://www.mahealthconnector.org/portal/site/connector/>
 - Utah Health Exchange
 - ✦ <http://www.exchange.utah.gov/>
- Legislation Establishing Insurance Exchanges:
 - California (passed), Wisconsin, Pennsylvania, Montana, and others --
<http://www.insurance.illinois.gov/hiric/topical.asp#HIE>
- Other State Entities
 - *e.g.*, Illinois Comprehensive Health Insurance Plan, Office of Health Information Technology

Comparison of Selected State Models

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	Massachusetts	Utah	California
Location	Quasi-governmental	State agency, with <i>Advisory Board</i>	Quasi-governmental
Number of Voting Board Members	10	8	5
Length of Term	3 years	N/A	4 years
Selection of Board Members	<ul style="list-style-type: none"> • 4 <i>ex officio</i> members (e.g., Insurance Commissioner) • 3 Governor appointees • 3 AG appointees 	<ul style="list-style-type: none"> • Selected by Director of Office Of Economic Development 	<ul style="list-style-type: none"> • 1 <i>ex officio</i> member • 2 Governor appointees • 2 legislative appointees

Comparison of Selected State Models (ct'd)

	Massachusetts	Utah	California
Board Composition / Representation	<p><u>State agencies</u></p> <ul style="list-style-type: none"> • Medicaid, Insurance, Group Insurance Commission, Administration and Finance <p><u>Interest Groups</u></p> <ul style="list-style-type: none"> • Consumers (1), small businesses (1), organized labor (1) <p><u>Skills/Expertise</u></p> <ul style="list-style-type: none"> • Actuary (1), health economist (1), employee health benefits plan specialist (1) 	<p><u>State agencies</u></p> <ul style="list-style-type: none"> • Insurance, Department of Health <p><u>Interest Groups</u></p> <ul style="list-style-type: none"> • Producers (2), consumers (2), “large insurer” (1), “small insurer” (1) 	<p>Each board member must have expertise in at least 2 of the following areas:</p> <ul style="list-style-type: none"> • Individual coverage • Small employer coverage • Health plan administration • Health care finance • Administering health care delivery system • Purchasing coverage

Long-Term Fiscal Sustainability

- The ACA provides federal funding for states to establish an Exchange.
- Section 1311(d)(5) of the ACA requires states to “ensure that such Exchange is self-sustaining beginning January 1, 2015.”
- ACA does not simply allocate funding, but actually appropriates funding.

Long-Term Fiscal Sustainability

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- The ACA does not prescribe how a State Exchange must be self-sustaining, and provides only:

“allowing the Exchange to charge assessments or user fees to participating health insurance issuers, or to otherwise generate funding, to support its operations.”

Long-Term Fiscal Sustainability

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Costs Associated with Illinois Exchange

- Unknown: Illinois is requesting analysis of estimated operational costs.

Other States' Experience

- Wide variation: \$600,000/yr (Utah experience) - \$48-49 million/yr (Oregon estimate).
- Basis for Cost Difference: Wide variation in the responsibilities delegated to the Exchange.

Funding Options

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1. Assessment or User fee on insurers
2. State funding, through a commitment of general revenues
3. Assessment or User fee on consumers
4. Licensure fee on “Navigators”
5. Assessment on all health care stakeholders
6. Others?

Funding Options

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1. Assessment or User Fee on Insurers

- Example: Massachusetts
- Considerations:
 - All insurers or only those selling on the Exchange?
 - What is the effect of limiting the applicability of a fee to only some insurers on the cost of coverage in the Exchange?

2. State Funding (General Revenues)

- Example: Utah
- Considerations:
 - Dependence on general revenue fund may be detrimental to stability.
 - Changes in State leadership may lead to instability and defeat the value of the Exchange as a market.

Funding Options

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3. Assessment or User fee on Consumers

- No state currently employs this option
- Considerations:
 - Income sensitivity
 - Protections against multiple assessments

4. Licensure fee on Navigators

- No state currently employs this option
- Consideration:
 - Insufficient to fund Exchange operations

Funding Options

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5. Assessment on all health care stakeholders

- Includes carriers, providers, pharmaceutical companies, medical supply companies, self-insured plans, etc.
- No state currently employs this option, but some (Maryland) are considering it as an option.
- Considerations
 - How broadly to spread the cost?
 - What is the impact on cost of needed medical care and services?

**QUESTIONS
or
COMMENTS?**

ADDITIONAL FEEDBACK

The Department of Insurance welcomes comments at any time. Feedback can be sent to doi.healthreform@illinois.gov .