



UNIVERSAL
HEALTH CARE
FOUNDATION
of CONNECTICUT

Testimony
Health Insurance Exchange Legislation
HB 6323
SB 921
Public Health, Insurance and Real Estate, and Human Services Committees
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Thank you for this opportunity to provide testimony regarding proposed legislation to establish a health insurance exchange in Connecticut. My name is Jill Zorn and I am a Program Officer at the Universal Health Care Foundation of Connecticut, an independent non-profit foundation dedicated to achieving access to high quality, affordable health care for everyone in our state.

One of the central provisions of the Patient Protection and Affordable Care Act (ACA), is to encourage states to establish health insurance exchanges. Each health insurance exchange is envisioned to be an efficient and competitive marketplace where individuals and small businesses can purchase quality, affordable health insurance. The ACA requires the exchange to carry out a number of functions including:

- Certifying qualified health plans that may be offered in the exchange
- Administering premium tax credits and cost-sharing reductions funded by the federal government, in order to make the purchase of insurance affordable
- Responding to consumer requests and providing assistance through an easy-to-use website, call-center and other means
- Operating a seamless eligibility and enrollment process that matches consumers with the right insurance coverage, whether it be Medicaid, CHIP, or one of the insurance plans offered through the exchange

The federal government is providing funding for states to plan and establish their exchanges. By January 1, 2013 each state planning to run an exchange must satisfy the Department of Health and Human Services (HHS) as to their readiness to operate. By the summer or fall of 2013, exchanges will have selected the qualified health plans they will offer and will begin open enrollment procedures, so that consumers will be able to begin using insurance purchased through the exchange by January 1, 2014. The federal government will provide all necessary funding for the planning and establishment of the exchange. But by 2015, the exchange must be financially self-sustaining.

Connecticut has already received a federal grant of just under \$1 million to begin planning the exchange. In order to receive continued funding, we must develop a detailed work plan that shows progress in several priority areas including:

- Demonstrate the necessary legal authority to establish and operate an exchange that complies with Federal requirements.
- Establish a governance structure for the exchange.
- Demonstrate the ability to provide effective assistance to individuals and small businesses
- Avoid adverse selection
- Streamlined access and continuity of coverage (one stop shopping for eligibility and enrollment)
- Public outreach and stakeholder involvement
- Public accountability and transparency
- Financial accountability, including development of a budget through 2014 and developing a plan that shows how the exchange will be financially sustainable by 2015.

Given the complexity of the undertaking, it is critical that Connecticut move forward in the establishment of our exchange.

It was not until very recently, that resources became available to states to help them develop legislation. (A list of resources is provided at the end of this document). For example, the National Association of Insurance Commissioners (NAIC) released their model legislation in mid-December, 2010. The National Association of Social Insurance (NASI) released their legislative toolkit, which makes some suggested additions to the NAIC model at the very end of January, 2011. To-date, California is the only state to have passed exchange legislation since the passing of the ACA. With each passing week, more states are introducing exchange legislation. A further challenge states face is that planning and legislating must proceed while some of the crucial federal requirements have not yet been finalized.

In light of the fact that knowledge about the exchange is literally changing on a daily basis, the foundation would like to focus our testimony on SB 921 and HB 6323 on several key principles which we feel Connecticut's final legislation should meet.

1. Board composition

Both bills propose the creation of a quasi-public entity to operate the exchange and propose boards of similar size. They take different approaches, however, regarding board composition. SB 921 focuses on appointing a board that is representative of key stakeholders. HB 6323 focuses on creating a board that has the right types of expertise. Clearly it is important to have consumers, both individuals and small employers on the board. At the same time it is important to have board members that have the skills and background necessary to oversee what is going to be a highly complex organization that will have to meet high performance standards. The final legislation should aim to find the right balance between these two approaches.

2. Conflict of interest

The final legislation should have strong conflict of interest language to prohibit entities that will be doing business with, benefiting from or competing with the exchange, such as insurers or insurance brokers, from serving on the board. Such language is included in HB 6323. In contrast, SB 921 specifically permits board members with these sorts of conflicts, but says they must abstain from certain deliberations, actions or votes. We prefer the stronger conflict of interest provisions in HB 6323.

3. Exchange staffing

HB 6323 establishes that top executive positions, as determined by the board, will be ~~except~~^{exempt} from classified service and will receive competitive salaries necessary to attract and retain qualified employees. This is a reasonable provision, given the nature of the expertise and experience that will be needed to operate the exchange effectively. SB 921, however, proposes to exempt all employees of the exchange from classified service. We do not agree with this approach.

4. Active purchaser

The legislation should assure that Connecticut is establishing an exchange that will carefully screen and negotiate with potential participating insurance plans in order to assure the best possible choices of quality, affordable plans. HB 6323 has stronger language regarding standards that should be met by health plans offered in the exchange.

5. Adverse selection

One of the most significant concerns surrounding the establishment of exchanges is whether health plans competing within the exchange will end up attracting sicker, more costly participants than plans offered outside the exchange. HB 6323 contains specific language regarding the importance of monitoring and responding to adverse selection, in order to assure the sustainability of the exchange.

6. Navigators

One of the functions of the exchange is to offer grants to "Navigators" who will conduct public information activities, distribute fair and impartial information and facilitate enrollment. The foundation believes that at least a portion of Navigator grants should be given to organizations focused on providing assistance to hard-to-reach populations, in order to maximize their enrollment. Massachusetts has set a good example of how supporting these types of organizations can lead to a significant reduction in the number of uninsured in the state.

7. Transparency and accountability

The health insurance exchange must operate in a manner that is both transparent and accountable to the public. HB 6323 has stronger provisions with regard to these concerns, including proposing to establish a consumer advisory council.

In closing, transparency and stakeholder input will be crucial to the success of Connecticut's exchange. Under the previous administration, little opportunity was provided for stakeholders, including consumers, small employers and advocates to

participate in the planning process. We fully expect that under the Malloy administration, stakeholders and consumers will be brought more completely and formally into the process. Progress is already being made in this regard. For example, just last Thursday, the Director of HHS's Office of Insurance Exchanges, Joel Ario, spent the day in Connecticut and met with Governor Malloy as well as officials and staff of the administration and the legislature. But I'm happy to report that consumer and small business advocates also had the opportunity to meet with Mr. Ario, as did organizations representing health care providers. This bodes well that future exchange planning in Connecticut will be conducted in an open and inclusive manner. Universal Health Care Foundation of Connecticut looks forward to lending our assistance to an exchange planning and establishment process focused on assuring access to quality, affordable health care for Connecticut's residents.

Resources

Office of Policy and Management web page on Connecticut's health insurance exchange planning: <http://www.ct.gov/opm/cwp/view.asp?a=3072&q=471284> This page includes a copy of Connecticut's exchange planning grant application, an RFP for consulting help to move forward on exchange planning, and an announcement of the next meeting of the Connecticut Health Insurance Exchange Planning Grant Committee.

American Health Benefits Exchange Model Act, National Association of Insurance Commissioners (NAIC), adopted on December 16, 2010:
http://www.naic.org/documents/committees_b_Exchanges_adopied_health_benefit_Exchanges.pdf.

Designing an Exchange: A Tool Kit for State Policy Makers, National Academy of Social Insurance (NASI), January, 2011:
http://www.nasi.org/sites/default/files/research/Designing%20an%20Exchange_A%20Toolkit%20for%20State%20Policymakers.pdf

The National Academy for State Health Policy (NASHP) is continually updating a list of state laws, rules and regulations. See the section entitled, State Legislation:
<http://www.statereform.org/state-laws-rules-and-regulations>

National Conference of State Legislatures (NCSL) web page on exchanges:
<http://www.ncsl.org/IssuesResearch/Health/AMERICANHEALTHBENEFITEXCHANGES/tabid/21393/Default.aspx#basics>

Health Insurance Exchanges and the Affordable Care Act: Eight Difficult Issues, Commonwealth Fund, September 30, 2010, Timothy Stoltzfus Jost, J.D.
<http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2010/Sep/Health-Insurance-Exchanges-and-the-Affordable-Care-Act.aspx>

Health insurance Exchanges, Key Issues for State Implementation
<http://www.statecoverage.org/files/Carey-ExchangesKeyIssues.pdf>

Implementing Health Insurance Exchanges: A Guide to State Activities and Choices
<http://www.familiesusa.org/assets/pdfs/health-reform/Guide-to-Exchanges.pdf>

Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchanges, Funding Opportunity Number: IE-HBE-11-004, CFDA: 93.525. January 20, 2011, U.S. Department of Health and Human Services Office of Consumer Information Insurance Oversight. Provides detailed information about HHS exchange planning and establishment requirements:
<https://www.grantsolutions.gov/gs/preaward/previewPublicAnnouncement.do?id=12241>

Cooperative Agreement to Support Innovative Exchange Information Technology Systems. A grant application was submitted on Dec. 22, 2010 by Massachusetts (lead state on the application) in collaboration with all of the New England states, including Connecticut. This grant will reward states that demonstrate leadership in developing cutting-edge and cost-effective technologies, best practices and models for insurance eligibility and enrollment for the state-based health insurance exchanges. Awards are expected to be announced in mid-February. If this project receives a grant, it should help Connecticut move forward with the highly complex task of developing and modifying IT systems that will be needed to meet eligibility, enrollment and reporting requirements. <https://www.grantsolutions.gov/gs/preaward/previewPublicAnnouncement.do?id=12017>