

Health Insurance Exchange Working Group  
Policy Considerations: Governance

State Governmental Agency	Non-Profit	Federal Government on behalf of the State
<p>Pro:<sup>1</sup></p> <ul style="list-style-type: none"> <li>✓ Accountable and transparent</li> <li>✓ Could be embedded within an existing state agency</li> <li>✓ May have easier access to and communication with other state agencies</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ May be vulnerable to political infighting</li> <li>✓ Increases bureaucracy</li> <li>✓ Government may not be the best entity to process private market transactions</li> </ul>	<p>Pro:</p> <ul style="list-style-type: none"> <li>✓ Greater operational flexibility</li> <li>✓ Ability to pay higher salaries</li> <li>✓ Insulated from political infighting</li> <li>✓ Greater access to business expertise</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ Requires development of an entirely new entity</li> <li>✓ May not be able to easily exchange information with state agencies</li> <li>✓ May not be as publicly accountable given administration of tax-financed subsidies and regulatory requirements</li> </ul>	<p>Pro:</p> <ul style="list-style-type: none"> <li>✓ State does not have to invest in exchange design or implementation</li> <li>✓ If other states elect to allow the federal government to operate their exchanges it could create economies of scale and larger risk pools</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ State cedes control of exchange design and implementation</li> </ul>

<sup>1</sup> Adapted from T. Yost, "Health Insurance Exchanges and the Affordable Care Act: Key Policy Issues." The Commonwealth Fund, July 2010. and J. Kingsdale and J. Bertko, "Health Insurance Exchanges Under Health Reform: Six Design Issues for the States," *Health Affairs*, 2010 29 (6): 1158-63.

Questions:

- Which governance model will best enable the exchange to share information with other state agencies such as the Department of Commerce and the Department of Human Services?
- Which model will best be capable of complying with reporting and auditing requirements?
- Which model is most suited to creating a more competitive marketplace for health insurance aimed at small businesses and lower-income individuals?
- Who will serve on exchange governing boards and how will appointments avoid conflicts of interest?
- Which model will best enable the exchange to carry out its many functions, including but not limited to certification and rating of qualified health plans; applicant screening and eligibility determinations; certification of exemption from the individual responsibility requirement or penalty; maintenance of an Internet website providing comparative information on qualified health plans; establishment of the navigator program?

*PPACA SEC. 1311. AFFORDABLE CHOICES OF HEALTH BENEFIT PLANS.*

*(d) REQUIREMENTS.—*

*(1) IN GENERAL.—An Exchange shall be a governmental agency or nonprofit entity that is established by a State.*

*SEC. 1321. STATE FLEXIBILITY IN OPERATION AND ENFORCEMENT OF EXCHANGES AND RELATED REQUIREMENTS.*

*(c) FAILURE TO ESTABLISH EXCHANGE OR IMPLEMENT REQUIREMENTS.—*

*(1) IN GENERAL.—If—*

*(A) a State is not an electing State under subsection (b); or*

*(B) the Secretary determines, on or before January 1, 2013, that an electing State—*

*(i) will not have any required Exchange operational by January 1, 2014; or*

*(ii) has not taken the actions the Secretary determines necessary to implement—*

*(I) the other requirements set forth in the standards under subsection (a); or*

*(II) the requirements set forth in subtitles A and C and the amendments made by such subtitles;*

*the Secretary shall (directly or through agreement with a not-for-profit entity) establish and operate such Exchange within the State and the Secretary shall take such actions as are necessary to implement such other requirements.*

Health Insurance Exchange Working Group  
Policy Considerations: Structure

Subsidiary Exchanges	Single State Exchange	Regional Exchange
<p>Pro:<sup>2</sup></p> <ul style="list-style-type: none"> <li>✓ Greater responsiveness to local needs</li> <li>✓ Plan pricing could more easily reflect geographic variation in health care costs</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ May be costly to administer</li> <li>✓ May inhibit greater risk pooling</li> </ul>	<p>Pro:</p> <ul style="list-style-type: none"> <li>✓ More streamlined regulation of qualified health plans</li> <li>✓ Ability for the state to experiment with new models</li> <li>✓ Easier to integrate other social program eligibility and enrollment into the exchange</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ May inhibit greater consumer choice if fewer insurers participate</li> <li>✓ May be more costly to administer</li> </ul>	<p>Pro:</p> <ul style="list-style-type: none"> <li>✓ Shared administrative costs across states</li> <li>✓ Creates larger markets</li> <li>✓ Enables greater risk pooling</li> <li>✓ May create greater efficiencies</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ Varied regulatory environments</li> <li>✓ Complicated risk adjustment</li> <li>✓ Difficult to integrate other state programs into a regional exchange</li> <li>✓ Difficult to share responsibilities across states</li> </ul>

<sup>2</sup> Adapted from T. Yost, "Health Insurance Exchanges and the Affordable Care Act: Key Policy Issues." The Commonwealth Fund, July 2010.

Questions:

- Which structure will best enable the exchange to achieve adequate risk pooling and sufficient economies of scale?
- Which structure would allow the exchange to integrate eligibility and enrollment for other state programs into its capabilities?
- Which structure will be least costly to administer and most consumer-friendly?
- Which structure would best allow Minnesota to integrate 2008 health reform initiatives into the exchange?
- Which structure will best enable the exchange to carry out its many functions, including but not limited to certification and rating of qualified health plans; applicant screening and eligibility determinations; certification of exemption from the individual responsibility requirement or penalty; maintenance of an Internet website providing comparative information on qualified health plans; establishment of the navigator program?

*PPACA SEC. 1311. AFFORDABLE CHOICES OF HEALTH BENEFIT PLANS.*

*(f) FLEXIBILITY.—*

*(1) REGIONAL OR OTHER INTERSTATE EXCHANGES.—An Exchange may operate in more than one State if—*

*(A) each State in which such Exchange operates permits such operation; and*

*(B) the Secretary approves such regional or interstate Exchange.*

*(2) SUBSIDIARY EXCHANGES.—A State may establish one or more subsidiary Exchanges if—*

*(A) each such Exchange serves a geographically distinct area; and*

*(B) the area served by each such Exchange is at least as large as a rating area described in section 2701(a) of the Public Health Service Act.*

*(3) AUTHORITY TO CONTRACT.—*

*(A) IN GENERAL.—A State may elect to authorize an Exchange established by the State under this section to enter into an agreement with an eligible entity to carry out 1 or more responsibilities of the Exchange.*

Health Insurance Exchange Working Group  
Policy Considerations: Market Coverage and Structure

Separate Individual Exchange	Separate Small Business Health Options Program	Combined Individual & SHOP Exchange
<p>Pro:<sup>3</sup></p> <ul style="list-style-type: none"> <li>✓ Allows specific focus on lower-income individuals</li> <li>✓ May be easier to administer subsidies</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ May create a higher risk pool</li> <li>✓ May increase costs for enrollees</li> </ul>	<p>Pro:</p> <ul style="list-style-type: none"> <li>✓ More streamlined billing for enrollee premiums</li> <li>✓ Allows specific focus on meeting the needs of small businesses</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ May be more costly to administer</li> </ul>	<p>Pro:</p> <ul style="list-style-type: none"> <li>✓ Could offer more insurer choices to enrollees</li> <li>✓ Creates a single risk pool, in turn less volatility</li> <li>✓ May create greater efficiencies</li> </ul> <p>Con:</p> <ul style="list-style-type: none"> <li>✓ Risk profiles of group and nongroup pools may vary significantly</li> <li>✓ Combined risk pools may create market instability</li> <li>✓ May create regulatory complexity</li> </ul>

<sup>3</sup> Adapted from T. Yost, "Health Insurance Exchanges and the Affordable Care Act: Key Policy Issues." The Commonwealth Fund, July 2010.

Questions:

- Which structure will best enable the exchange to achieve adequate risk pooling and sufficient economies of scale?
- Which structure would maximize participation of small employers?
- Which structure would be least costly to administer and most consumer and business-friendly?
- What incentives could be provided to encourage small employers to purchase insurance through the exchange?
- Will the SHOP exchange allow small employers to purchase group plans for their employees or simply contribute to individual premiums?

*PPACA SEC. 1311. AFFORDABLE CHOICES OF HEALTH BENEFIT PLANS.*

*(b) AMERICAN HEALTH BENEFIT EXCHANGES.—*

*(1) IN GENERAL.—Each State shall, not later than January 1, 2014, establish an American Health Benefit Exchange (referred to in this title as an “Exchange”) for the State that—*

*(A) facilitates the purchase of qualified health plans;*

*(B) provides for the establishment of a Small Business Health Options Program (in this title referred to as a “SHOP Exchange”) that is designed to assist qualified employers in the State who are small employers in facilitating the enrollment of their employees in qualified health plans offered in the small group market in the State; and*

*(C) meets the requirements of subsection (d).*

*(2) MERGER OF INDIVIDUAL AND SHOP EXCHANGES.—A State may elect to provide only one Exchange in the State for providing both Exchange and SHOP Exchange services to both qualified individuals and qualified small employers, but only if the Exchange has adequate resources to assist such individuals and employers.*