Exchange Design Issues & Lessons Learned from Massachusetts

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Primary Functions of Exchanges

1. Determine eligibility and subsidy flows
2. Sell to other target market segments
3. Specify plan designs & cost-sharing
4. Select, contract & market health plans
5. Public education & outreach
Why Do This? Achievements of Massachusetts Health Care Reform

1. **2.7% uninsured** after 3 years
2. Of newly insured, **35% private pay**
3. **98% compliance** (taxpayer filings)
4. **59% - 75% voter approval** rating
5. Net new state costs are **modest**
There’s More to the Story

“If I didn’t have health insurance, I would never have made an appointment with my doctor because of the cost. The cancer would have spread and I would not be alive today to tell you my story.” - Jaclyn Michalos, 27
There’s More to the Story

Before moving to Mass in 2007, she was told by an insurance agent in her home state: “You’ll never get insurance, so don’t waste your time.”

After discovering Commonwealth Choice: “I did the whole thing online and got a very good plan. I was just thrilled!”

Abbie von Schlegell, Commonwealth Choice member
Why Start Now?

1. Federal grants available perhaps as soon this fall

2. Enhanced eligibility/enrollment systems require years to develop

3. Developing exchanges carries a lead time of two years, preceded by enabling legislation
Starting list of design issues for state-based exchanges

1. **Governance**: Connector a semi-independent public authority
   - Fiscal agent for public funds
   - Policymaking board of directors
   - Coordinates w/ other state agencies
   - Market-maker/promoter

Medicaid, DoI, HHS/OED

Regional exchanges across state lines?

Private non-profit entities?
2. **Rating “rules of the road”**

How tight to make adjustments to community rates?

Transition rules?

Merge non-group & small-group?

Standardize products?

List billing?
Starting List of Design Issues

3. **Risk adjustment**
   Helpful:
   - ACR
   - Mandate
   - SHOP choice on 1 actuarial tier

Still need acuity-adjustment
   - Who?
   - How?
   - Sufficient?
Starting List of Design Issues

4. **Benefits specification**
   - Begin with market research
   - Encourage innovation
   - Standardize for easy comparison
   - Manage change
5. **Carrier bidding & selection**

   Evolving strategy every year

   Managed competition

   Transparency

   Long-term relationships
Starting List of Design Issues

6. Administrative rationalization

- Outreach & marketing
- Integrated eligibility determination
- Simplification of rating rules
- Enrollment & premium billing (annual)
- Customer service

Advocacy
Strategic Question:
What are your goals?

- Facilitate comparison shopping
- Avoid risk selection and “death spiral”
- Reduce administrative costs
- Transition safety-net providers
- Transform healthcare delivery