



Working to Secure Access to Quality, Affordable Health Coverage for all Pennsylvanians

Ensuring Quality, Affordable Choices for Pennsylvania Families and Small Business:

PRIORITIES FOR ESTABLISHING A COMPETITIVE HEALTH INSURANCE MARKETPLACE

Introduction:

For far too long, Pennsylvania families and small businesses have been on the losing end of a health insurance market slanted to favor the needs of big insurance companies over those seeking coverage. Faced with discriminatory pricing practices, a lack of transparency in the market, excessive rate hikes and a lack of bargaining power, many Pennsylvanians have been forced to drop coverage for themselves and their employees.

Under the Affordable Care Act, states have the opportunity to right these wrongs and establish a new, Competitive Health Insurance Marketplace (an “exchange”), that levels the playing field for working families and small business, giving them real choices that are high-quality, affordable, and easy to compare.

Exchanges will initially serve individuals and small business (up to 100 employees), and in 2017 will have the potential to also serve employees of large businesses. They will be the place--the only place--where people can purchase insurance with the new tax credits that the Affordable Care Act provides to make coverage affordable.

The Affordable Care Act envisions that states will develop and run their own exchanges. To do so requires ensuring legal authorization for the exchange; establishing a governance structure; developing a budget and sustainability plan; and completing information technology systems design, development and implementation. If a state does not implement its own exchange, or if it becomes apparent by January 2013 that a state has not made sufficient progress to operate an exchange, the federal government will set one up for that state.

This brief highlights priorities identified by the Pennsylvania Health Access Network (PHAN). With the right choices, Pennsylvania can make sure that its exchange functions for individuals and families as a marketplace for coverage that is affordable and accessible.

Benefits for Pennsylvania Families and Small Businesses:

COMPETITION:

An exchange will make our insurance market more competitive. The exchange will force insurers to compete for customers based on value, instead of luring them in with the trickiest fine print and will allow individuals and small businesses to make apples-to-apples comparisons when they shop for health plans. On this level playing field, quality insurers of all sizes—not just the largest and most powerful—will be able to compete.

TRANSPARENCY:

Insurers in the exchange will have to use easy-to-understand language to describe their plans—a vast improvement over the confusing jargon they use now. And insurers will be required to share information about plan costs and quality in a standardized way so that we, as people purchasing insurance, can truly understand what we're getting.

AFFORDABILITY:

In the exchange, working and middle-class families (those who earn up to nearly \$90,000 for a family of four in 2011) will be eligible for tax credits to help make coverage affordable. Many people will also receive help with co-payments, deductibles, and other cost-sharing, protecting families from financial ruin. And the exchange will monitor insurers to make sure that they aren't unreasonably increasing their premium rates from year to year.

PENNSYLVANIA SHOULD OPERATE ITS OWN EXCHANGE

Rather than defer to the federal government, Pennsylvania should operate its own exchange. There is a lot of flexibility in how Pennsylvania may design its exchange, and Pennsylvania faces different opportunities and challenges than other states (e.g., insurance carrier penetration, demographics, costs of health care delivery). Other states (e.g., Utah, Virginia, Minnesota, and West Virginia) are already moving ahead and either already passed or are actively considering state controlled exchange legislation.

Moreover, Pennsylvania should join dozens of other states that have applied and received federal funding to build the required infrastructure to establish state-operated health insurance exchanges. In January 2011, the federal government announced significant funding for states to establish health insurance exchanges. In 2010, Pennsylvania applied and received a one million dollar planning grant, but as of the date of this publication, Pennsylvania has not reported progress on this grant nor has it applied for additional funding.

Regardless of whether Pennsylvania chooses to establish the exchange in an existing or newly-created state agency, quasi-governmental agency, or nonprofit entity, PHAN seeks stable marketplace, that puts the needs of working families and small businesses first and makes quality, affordable health coverage easy to obtain.

PENNSYLVANIA MUST ENSURE FAIR, AFFORDABLE COVERAGE OPTIONS

Pennsylvania has an excellent opportunity to review rate history and rate justifications for health insurance carriers that want to sell their plans inside (and outside) the exchange.

Though its Insurance Department, Pennsylvania should use this authority to ensure that:

- ✓ rate increases reflect actual costs (and not excessive profit margins),
- ✓ carriers spend the required minimum of premiums on patient care, and
- ✓ carriers compete to provide the best coverage for the best price.

PENNSYLVANIA'S EXCHANGE SHOULD ENSURE COMPREHENSIVE, TARGETED OUTREACH TO INDIVIDUALS AND FAMILIES ABOUT OPPORTUNITIES TO PARTICIPATE IN THE EXCHANGE

It must be easy for folks purchasing insurance to understand and compare plans so they can choose the one that best meets their needs. To this end, the exchange should ensure that:

A. Purchasers Can Easily Understand Their Choice of Health Plans

Folks purchasing insurance must have unbiased, reliable information and be able to easily compare plans to determine the best plan for them. The exchange must ensure that communications about carriers' plans are accurate and useful.

B. Communication About the Exchange Should Overcome Traditional Health Barriers, Including Income, Geography, and English Literacy

Outreach and education must meet health literacy best practices, including providing basic education regarding health insurance terms and how health insurance works, so that people with low health literacy understand what they are purchasing.

C. Individuals Should Have Alternatives to Online Information and Enrollment

Online enrollment into health plans can play a role in a consumer-friendly exchange, but it is not sufficient. There should always be an alternative to online enrollment for all exchange programs in order to serve individuals and families who lack access to the internet or have special linguistic, physical or other needs.

Benefits for Pennsylvania Families and Small Businesses:

ACCOUNTABILITY:

In the exchange, everyone will gain important protections against insurer abuses. Marketing standards will prohibit unethical advertising. Provider network standards will ensure that every health plan has enough doctors. And premium reviews will make sure that plans aren't unjustly raising rates.

QUALITY:

Quality and customer satisfaction ratings for all health plans in the exchange will be posted online, helping folks make an informed decision when choosing a plan. And exchange plans will be required to meet quality standards and implement quality improvement strategies so that we can be confident that we're getting a good product.

ASSISTANCE:

Health insurance can be confusing; but in the exchange, direct assistance will be available. A toll-free hotline will take questions from folks purchasing insurance and "navigators" will help people understand and enroll in coverage. In addition, consumer assistance programs will provide a place to turn to if policyholders have grievances with their health plans.

Learn more at:

www.pahealthaccess.org/establishing-competitive-health-insurance-marketplace

and

www.pahealthaccess.org/stepupforsmallbusiness

D. Outreach Organizations Should Represent the Community

Navigators, those individuals and organizations that will assist the exchange with outreach, should represent the varied communities being served by the exchange, and should include community-based partners (e.g., faith-based organizations, public interest legal service agencies) and labor unions. Navigators are essential partners and should supplement the work of publicly accountable exchange personnel. Pennsylvania should build on the foundation of strong consumer assistance programs that already exist in Pennsylvania's Medicaid system.

PENNSYLVANIA SHOULD ESTABLISH SYSTEMS THAT SUPPORT ENROLLMENT IN BOTH PUBLIC AND PRIVATE HEALTH INSURANCE PROGRAMS

A. Eligibility for Health Insurance Should Be Seamless

No matter where or how a person initially applies, the exchange must determine whether the applicant is eligible for Medicaid, the Children's Health Insurance Program (CHIP), or other subsidized or unsubsidized coverage. Additionally, as the income of households fluctuates, the exchange should make it easy for individuals and families to retain their health coverage and move seamlessly between public coverage plans like Medicaid and CHIP and private coverage plans.

B. Build Administrative Capacity for Medicaid Enrollment

By one estimate, Pennsylvania's Medicaid program could grow by 685,000 new enrollees. The Commonwealth must ensure that its Medicaid agency (currently, the Department of Public Welfare) has the systems and staff in place to meet this increased demand, so Medicaid enrollees via the exchange will experience the same level of customer service as private health insurance enrollees.

To that end, the exchange should rely on automated and electronic databases for income and other verification and reduce paperwork requirements. Creating this type of sophisticated eligibility system requires investment and careful planning. Pennsylvania currently does not have the systems in place to make this happen, and the Commonwealth should apply for existing federal funding to update its Medicaid eligibility systems and develop the means to coordinate with the exchange.

PENNSYLVANIA NEEDS TO ASSURE QUALITY, AFFORDABLE COVERAGE CHOICES

A. Pennsylvania Should Require Insurance Carriers To Compete For The Opportunity To Be Included In The Exchange

A well-designed system should create new incentives for insurers (and providers) to compete on risk management as well as their ability to improve the efficiency and quality of health care delivery. To meet this challenge, Pennsylvania's exchange must have the authority to negotiate with health insurers based on quality, premiums, and other factors. An exchange should be able to limit participating health insurers based on price and quality of plans.

B. Guard Against Adverse Selection

While the Affordable Care Act takes a number of steps to reduce the possibility of adverse selection – practices that steer high-risk individuals into the exchanges while steering healthy and young individuals outside the exchanges – Pennsylvania must take additional steps. Most important, Pennsylvania should prohibit insurers from selling their most limited benefit plans outside the exchange if they do not also sell the same plans for the same price on the exchange. This would prevent insurers who do not participate in the exchange from trying to attract healthier people using low-benefit options. The exchange will not work if Pennsylvania allows insurers outside of the exchange to: 1) sell lower quality products, 2) have more limited patient protections or 3) lure healthier individuals away from the exchange with lower rates for healthier individuals.

State Advocates Supporting PHAN's Priorities:

ACTION United
Childspace CDI
Community Legal Services
Consumer Health Coalition
Health Federation of Philadelphia
Keystone Progress
Lutheran Advocacy Ministry in Pennsylvania
Maternity Care Coalition
Mental Health Association of Southeastern Pennsylvania
Mon Valley Unemployed Committee
National Alliance on Mental Illness (NAMI) Southwestern PA
National Physicians Alliance
New Voices Pittsburgh:
Women of Color for Reproductive Justice Pathways PA
Pennsylvania Alliance for Retired Americans
Pennsylvania Budget and Policy Center
Pennsylvania Council of Churches
Pennsylvania Health Law Project
Philadelphia Unemployment Project
Planned Parenthood
Pennsylvania Advocates
SEIU PA State Council
United Food and Commercial Workers, Local 1776
Women's Law Project
Women's Way

C. Assure Health Plans Meet High Standards

The Affordable Care Act requires exchanges certify qualified health plans (QHPs) based on standard quality performance measures, as well as complaints and appeals processes and network adequacy. All evaluations should be easily available to folks purchasing insurance to aid them in choice. Pennsylvania should also require additional measures including payment incentives for high-quality care and reduction of hospital readmissions; delivery system reforms (e.g., patient management of their health conditions); and reductions in health care disparities and improvements in language access. In addition, qualified health plans should meet network adequacy standards that mandate the inclusion of essential community providers.

D. Ensuring Health Equity

The Pennsylvania health insurance exchange should ensure the health equity of all Pennsylvanians with no bias based on race, ethnicity, gender, disability, language, and sexual orientation and gender identity.

ISSUES FOR GOOD GOVERNANCE

Wherever the Pennsylvania operated exchange is housed (e.g., newly-created state agency or quasi-governmental agency), the following matters must be addressed in any enabling legislation:

I. Expertise: Carefully Choose the Exchange's Policy-Making Governance

A. The officials who operate the exchange must have the knowledge to make important decisions regarding the implementation and administration of the exchange, including issues relating to health plans, premium credits and cost-sharing subsidies, public coverage programs, eligibility and enrollment, exchange funding and payment issues, claims, appeals, consumer assistance, small businesses, and low- and middle-income individuals and families.

B. Appointees should be selected based on their specialized expertise related to health care coverage or services, and not solely on their ties to lobbyists or political groups.

Those charged with governance should have “demonstrated and acknowledged expertise” in one or more of the following specialties: “individual health care coverage,” “small employer health care coverage,” “health benefits plan administration,” “health care finance and economics,” “actuarial science,” “public health care services delivery,” or “purchasing health plan coverage.”

II. Adopt the Highest Standards of Transparency and Accountability

A. Protect Against Conflicts of Interest

The exchange must ensure decisions are arrived at in transparent ways and carried out by publicly accountable employees. The provision of health services and use of taxpayers' funds require nothing less than complete clarity on this point. Individuals who are employed by or affiliated with insurers, agents or brokers, should not be allowed to serve on the governance body of an exchange as they could be biased toward certifying certain plans as acceptable for the exchange.

B. Maintain the Public Trust

Employees of the exchange who will be determining eligibility, providing customer service with enrollment, and certifying health plans must be unbiased, and operate without regard to private gain for one private interest or another. Employees must not be subject to lobbying, political manipulation, or financial inducements to do their work with anything other than the very highest level of competence in service of the individuals and taxpayers.

C. Ensure Process for Public Comment

The exchange's governing board should abide by state open meeting laws and open record laws and regularly hold public hearings throughout the state on its activities and policies. Other states have written into their legislation the need for transparency.

In Massachusetts, the meetings of the exchange (known as the Connector Authority) are subject to the state open meeting law, which allows anyone to attend most of the meetings. In New Mexico's proposed bill, the governing board of the nonprofit exchange must comply with the state's open meeting law.

III. Ensure Representation of the Interests of Pennsylvania Families and Small Businesses

An exchange that serves the best interests of Pennsylvania families and small businesses will value patient voice(s). Ideally, governing will include multiple public representatives with divergent economic backgrounds, to capture a broad range of Pennsylvanians' interests and experiences. Pennsylvania already has a strong model for valuing patient voices: the Medical Assistance Advisory Committee, which advises the Department of Public Welfare on the development and delivery of Medical Assistance programs and policies, includes patients, doctors, nurses and representatives from insurers, private hospitals, and Federally Qualified Health Centers.

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