

Utah Health Exchange Underscores Need for National Reform

By Judi Hilman and Elizabeth Garbe, Utah Health Policy Project

Utah Policy Daily / utahpolicy.com

August 18, 2009

Utah began its health reform discussions in 2007, passing the first in a series of bills during the 2008 legislative session. HB133 (Health System Reform) gave the state the authority to create a web-based Exchange where consumers can go to shop for insurance. During the 2009 legislative session additional parameters were created around the exchange in HB188 (Health System Reform-Insurance Market). Today's ribbon cutting ceremony for the newly created Utah Health Exchange marks the kick-off of the last few years of work.

Unfortunately, the Exchange has not yet been structured to achieve most of the goals of reform. The Exchange is only a new market choice for employers and does not represent a fully reformed system. Yet there is the potential for it to become more robust with a number of policy changes. Following are UHPP's main concerns with the Exchange and areas to be addressed either by national reforms or by further efforts at the state level:

- **Affordability:** There are no affordability provisions to ensure participation and to keep costs from spiraling out of control in the new marketplace. If coverage is not made truly affordable, young people won't participate or families will forego cost-effective care, defeating the broader purpose of reform.
- **Open Enrollment:** There is only one open enrollment period for small businesses, which impedes the number of lives that can come into the market. A large number of lives must come into the market to ensure its long term viability and sustainability. Currently this issue is being discussed in the Oversight and Implementation Workgroup of the Task Force. Fortunately, a bill to open enrollment to businesses throughout the year will be introduced in the 2010 session.
- **Medical Underwriting:** Businesses entering the Exchange will still be medically underwritten according to their individual business. This means the group will be rated according to how healthy or sick their employees are as a small group. The power of an exchange comes from its function as a purchasing pool where risk is spread over a larger group. Establishing the exchange as a purchasing pool would foster stability, decrease costs, and increase access to coverage and care. Yet doing this would also require all small businesses to participate in the Exchange.
- **Defined Benefit Standards:** Health plans participating in the Exchange have yet to be categorized in terms of the level of benefits offered, and there is no minimum benefit standard. Both pieces are critical for the sake of comparison shopping and to ensure people are purchasing plans that are of value. A key component of moving toward a consumer-oriented market where the individual is able to compare apples to apples when they shop for benefits is categorizing the plans. Without this common denominator and without a minimum benefit standard, in industry-speak "minimum creditable coverage" level, consumers will not be able to effectively evaluate products and make value-based decisions.
- **Portability:** Health plans in the Exchange will not be truly portable. If you lose your job, there is no guarantee that you will be able to purchase your same plan at the same price after you have exhausted your COBRA benefits. Individuals not affiliated with an employer are not allowed to

shop for coverage in the same market and if your new employer does not participate in the Exchange there is no way for you to access your previous plan.

For the Exchange to function as intended, Utah will have to seriously grapple with the need to...

1. *Community rate* (spread risk across all participants) the entire health market in the insurance pool, both inside and outside of the Exchange. The rules must be the same outside the Exchange so that the Exchange does not become a magnet for the sickest and most costly individuals and small groups.
2. Create affordability standards and subsidies to ensure small businesses, individuals and families can purchase creditable coverage in the private market.
3. Mandate participation by individuals and businesses.

State legislative leaders have yet to form a consensus around these issues, and this is why the parameters for real reform will need to come from the Federal level. Utah will do a good job with its Exchange in terms of basic functions and the transparency provisions, and the Federal reforms will probably allow states to operate state-level Exchanges. But the rules around what can be sold in this new marketplace and on what terms-that's more than *most* states can handle!

UHPP is a resource for the public, community leaders, businesses, health care providers and policy makers interested in strengthening the health care system while working to develop visionary and systemic solutions to the crisis of the uninsured and rising health care costs. Its mission is to create quality, affordable, comprehensive health care coverage for all Utah residents. For more information, visit www.healthpolicyproject.org. For additional information, call us at (801) 433-2299. Or contact Judi Hilman, Executive Director, on her cell: (801) 870-3887.