



REALITY CHECK ON STATE HEALTH REFORM GOOD NEWS & BAD NEWS ON Bill 294

A Utah Health Policy Project Issue Brief

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SUMMARY OF HB294

The Utah Health Exchange pilot project has just 13 employer groups participating with a total of around 400 covered lives (employees and their dependents). Premium costs were the biggest reason that **84% of the originally enrolled employers dropped out of the Exchange.**

Fortunately, House Speaker David Clark has been working on a “fixer-upper” bill for the Exchange, HB294. The bill will do several good things for consumers and small businesses looking for more affordable health insurance.

First, the bill takes steps to ensure that plans purchased inside the Exchange are not priced differently than those outside the Exchange. It does this by extending the state’s risk adjuster outside the Exchange, so that risk can be spread among the whole small group market. This will help lower costs for *all* small businesses without requiring small business employers to purchase their health insurance on the Exchange.

Second, it puts stronger limits around how insurance underwriters calculate premiums. This is done through limiting the scope of health questions asked when someone applies for insurance. It also creates an advisory group of consumers and others to work on stronger insurer accountability measures on the Exchange. These measures would include publication of things like claim denial rates, customer satisfaction ratings, and other indicators the advisory group might wish to recommend.

Finally, the Exchange will be open for a large group pilot project. By including large employers, policymakers hope to drive down costs for everyone participating in the Exchange. It has



recently announced that Zion’s Bank, the City of Spanish Fork, APX Alarms and Health Equity will be the first large employers to participate.ⁱ

These and other worthy changes will help our state move forward on many critical goals of reform. However, there are other steps, policymakers must also consider. Unless issues like affordability are addressed, health reform and the Exchange in particular, will continue to be a tough sell to businesses and consumers. Nonpartisan experts who have worked closely with the Massachusetts Connector (a rough model for Utah’s Health Exchange) have identified seven building blocks necessary for the success of these programs. Below, we provide a quick comparison between the “7 Ps” and the provisions of HB294.

THE SEVEN PS

Public Subsidies-Evidence shows that subsidy programs are critical for participation. In Massachusetts, only 5% of the previously uninsured are **NOT** receiving subsidies. Here in Utah the number one reason given for being uninsured is the cost of insurance (62%), followed by employers not offering insurance (37.9%).ⁱⁱ**Does HB294 address the barrier of affordability through public subsidies?** **NO** **YES**

Purging Pernicious Insurance Practices-Reforms should include guaranteed issue and renewal of policies, no medical underwriting on health status, claims experience or gender, age bands no greater

than 2:1, all products must be available to everyone.

Does HB294 keep insurers from discriminating against those with pre-existing conditions?

NO, on most YES

Health status underwriting is more limited than before: gender discrimination will be reduced, but age bands are still at 4:1).

Pooling of Risk-The individual and small group markets should be combined; all products offered by a carrier should be in one rating pool, young adult plans should be part of the risk pool to bring down costs even further.

Does HB294 combine the small group market into one risk and rating pool?

NO on combined markets MAYBE on young adult plans, YES for rating pool as of 2011.

Protection against Adverse Selection-Ideally, modified community rating should apply inside and outside the Exchange; however, for this to work an individual mandate coupled with affordability provisions are needed to get everyone into the pool.

Does HB294 protect against adverse selection in the Exchange? YES, but only in part. The risk

adjustor doesn't go far enough in sharing risk.

NO on mandates or affordability provisions.

Product Standardization-Public disclosure of actuarial value of each plan so purchasers can compare plans on their actual value.

Does HB294 give consumers tools to easily comparison shop between plans? NO

Purchasing Power-The Exchange should exclusive right to negotiate prices with insurers.

Does HB294 strengthen market forces by allowing the Exchanges to use its purchasing power to negotiate prices? NO.

Publicly Accountable-The governing body of the Exchange should be without conflict of interest (no insurers or brokers); it should include consumer advocates and hold public meetings

Does HB294 ensure the Exchange is publicly accountable? NO on conflicts, but YES, there is potential to bring the consumer perspective in through the advisory committee.

Recommended Amendments

After reviewing the bill, there are some amendments that we believe can and should be made to strengthen HB294.

1. Modified Community Rating

The small group market should be pooled in a way that benefits small businesses and consumers just as much as insurers. While extending the risk adjustor outside the Exchange will make it easier for insurance companies to share risk, thus hopefully leading to lower premiums, it is not a guarantee. The only proven way to lower premiums significantly for small businesses is to give them the purchasing power of large companies. We estimate that there are approximately 150,000 Utahns who work for small businesses. If all of those workers were combined, the pool would be large enough to level the playing field between large and small groups. We think it's worth it. Small businesses are the backbone of Utah's economy. Yet, so many small businesses cannot compete with large companies because they cannot afford to provide health benefits to employees. This needs to change, or Utah will

see its economy increasingly consolidated among a handful of large employers.

2. Affordability Study

Finally, policymakers need to start a discussion on affordability oriented to the creation of affordability standards. A second amendment will call for a study to define what “affordability” means for Utahns. The findings will be used to improve upon the design and scope of Utah’s premium assistance program, Utah Premium Partnership.

3. Transparency on Medical Loss Ratios and Actuarial Value

One amendment will require insurance companies to publish their *medical loss ratios* (the portion of the premium dollar that is devoted to payment of claims) for each plan they offer. This will help consumers shop for value on the Exchange.

A related amendment focuses on insurance policies sold within the Exchange that have dubious value to the consumer. The Exchange will still allow high deductible policies with a \$5,000 deductible and \$15,000 out-of-pocket costs. Consumers purchasing these policies pay premiums for the privilege of basically being self-insured with all but the most catastrophic healthcare circumstances. It is in the best interest of Utahns to understand how little these policies will actually cover. The amendment will call for actuarial values to be displayed on all products in the Exchange as well as consumer educational materials around the meaning of actuarial value.

Conclusion

HB 294 is an incremental step in the right direction. However, it doesn’t go far enough to help individuals and small businesses lower their healthcare costs in the short term. If Utah policymakers want to make state health reform work, the addition of the provisions outlined in the “Seven Ps” and the recommended amendments are critical.

ⁱ Salt Lake Tribune (February 5, 2010). Health Exchange Open to Some Large Employers.

http://www.sltrib.com/news/ci_14335988?source=rss

ⁱⁱ Utah Department of Health (2008). 2007 Health Status Survey.