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The Salt Lake Tribune

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A fix for the Utah Health Exchange?

Legislature > Insurance plan isn't working as envisioned.

By Lisa Rosetta
The Salt Lake Tribune

Updated: 12/21/2009 11:33:15 PM MST

A free market approach.

That was the Legislature's mantra nearly three years ago, when its members began their decadelong effort to change the way health care gets delivered and paid for in the state.

Then they rolled out their key purchasing tool for consumers, the online Utah Health Exchange, and found it didn't work: In many cases, premiums were much higher than what employers were already paying. And choosing among 66 plans was nearly impossible.

The market, said House Speaker David Clark, isn't as free as he hoped. Utah may have to embrace a broader role for government in its health care fix.

Insurers can sell plans through the exchange or on the open market. But because they calculate premiums differently "inside" and "outside" the exchange, disparities of up to 130 percent appeared.

Clark has drafted a bill that would merge the two small-group markets into one. Starting in July, insurers could only offer their small-group health benefit plans through the exchange. And they could no longer take into account employees' pre-existing health conditions when calculating their premiums.

Instead, insurers would have to base a group's rates on a modified community rating -- factors such as employees' ages and geographic location. Clark has added tobacco usage, body mass index (BMI) and management of blood pressure and diabetes to encourage better lifestyle choices.

"I've spent the better part of two years trying

to find a better alternative and say, [Interfering with the free market] is not the answer," said Clark, R-Santa Clara. "We're now to the point where the number of options available have narrowed down to this."

The house speaker said he's open to other ideas. Since problems with the exchange have surfaced, he's flown to Salt Lake City several times to meet with insurers and brainstorm solutions.

"If not this, tell me what it is," he said, "and the response was once again, 'We don't know.' Well, I do. If they do not have an answer, than this one does fix that problem."

While 136 employers signed up to purchase insurance during the exchange's limited launch in August, only 13 did so, said Dan Schuyler, a project manager and technical advisor for the Governor's Office of Economic Development. Of those who

backed out, 77.7 percent said in a survey it was because their premiums would have been "somewhat higher" to "much higher."

Even the United Way of Salt Lake, an organization active in the health reform process, couldn't pull the trigger when it realized its premiums would cost between 6 and 60 percent more if it purchased plans in the exchange.

"We were unable to stay in because that would have been financially too expensive for some of our employees and their families," said Elizabeth Garbe, community impact director for health and public policy, told the Legislature's Health System Reform Task Force last week.

Just signing up for a plan is tough. The survey also revealed that completing the Universal Health Application was difficult, comparing the plans was cumbersome, and about a third of applicants felt there were not enough quality plans, Schulyer said.

Of those who did enroll through the exchange, 90 percent took their employer's default selection, indicating they weren't shopping for plans, said Corey Capozza, senior health policy analyst for Voices for Utah Children.

One idea, she told the task force, is to ask shoppers an initial short list of questions about what they want, such as provider network, price and availability in their area. Another option: Add an "optimizer," which would rank a person's top 10 plans based on their actuarial value.

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But Steve Neeleman, chief executive of HealthEquity, a personal healthcare financial services company, told the task force its top priority must be to resolve the inequities created by a dual market.

"No matter how much we dress this up, no matter how good the user experience is, all we're going to do is make it faster for people to find that they had bad rates under the current system," he said.

Janice Houston, coverage initiatives director for the Utah Health Policy Project, supports Clark's bill, but suggests other improvements -- such as including the 10 percent of Utahns who buy their plans individually. Many are young and their participation could lower risk and prices, she said.

"The balance of the evidence out there is that when it comes to inclusion, you have to do all or nothing or you end up creating more problems than you solve," she said.

The Legislature, she said, should also consider affordability provisions, such as subsidies to help lower-income families; a minimum benefit standard and requiring everyone to buy insurance.

In coming years, the exchange will be open to individuals, but the initial focus has been on small businesses hit hard by rising premiums. The state's plan is to eventually allow all Utahns to choose their own plan, and use contributions from employers and other groups to pay for it.

"We are migrating the market," Clark said. "We've already made the decision legislatively and policy wise. We are moving from a defined benefit to a defined contribution market. We're doing this incrementally, but the finish line is the entire insurance market migrates to that model."

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What's next?
The bill will be heard in committee during the upcoming legislative session.

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