

Insurance Exchanges: State Options and Implementation Choices **BRS Recommendations for H. 202**

The federal ACA gives states many options in how to implement the Exchanges. Each state must choose its options. H. 202 will commit Vermont to a very specific set of rules for our Exchange --- before necessary waivers are received for a “single payer,” before costs are quantified, and before funding is identified and committed.

We recommend the legislature choose the options that will allow VT the greatest flexibility down the road, in the event that the promise and dream of a single payer cannot be fulfilled. Furthermore, we have to build an Exchange that will work even if the many needed waivers aren’t received.

We’ll have to live with what we decide now. That’s why we recommend leaving room for “Plan B.”

- **Do not combine the individual and small group markets into a single pool.** It makes more sense to simply abolish the individual market and make all individuals currently covered in that pool eligible immediately (no waiting period) for Catamount. This would still allow the Exchange to offer coverage to small businesses in 2014, but wouldn’t unnecessarily raise premiums for small businesses due to transfer of higher risk individuals into that pool.
- **Start the Exchange by pooling state employees, teachers and municipal employees.** Add other individuals and small groups once this large pool is amassed, the Exchange is working well, costs are validated.
- **Limit Exchange participation to employers <50 until at least 2016.** Employers in the 50-100 range are currently at least partially “experience rated,” and are more attractive risks for current insurers. They do not need the benefits of the “Exchange” model to find good coverage. The danger of redefining “small group” to include employers up to 100, and then limiting their coverage to what’s in the Exchange, is that virtually all of the private insurance market goes into one basket, one plan, one pool, one carrier --- only a Plan A, and no Plan B. This is extraordinarily risky business. If the Exchange doesn’t work on 1/1/2014, if problems occur with claims, payment of physicians and hospitals, enrollment, cash flow, etc., it means the entire privately insured market would be at risk of failure.
- **Allow insurers to sell “non-qualified plans” to small businesses outside of the Exchange.** Do not begin now to dismantle private insurance, just as we embark on something no state has ever done. Federal rules ensure community rating of “qualified” plans whether in or out of the Exchange, but unless all the waivers are received, the projected “costs” and “savings” of the “qualified” plan may not be accurate, federal subsidies may not come through, state revenues may not be sufficient to support universal coverage. National insurers certainly will be willing to step in and bid on the schools’ business, the auto dealers association, municipalities, the state employee plan if the Vermont model fails --- who will come back to Vermont to insure small businesses? Leave a viable market available outside of the Exchange, at least until the Vermont model is proven and working for everyone.
- **Offer the “catastrophic plan” envisioned in federal ACA for young people.** In 2014, the current rule placing young adults on their parents’ plans expires, and that’s why the federal ACA created this option. Many young adults work for companies that (under the Hsiao scenario at least) won’t be contributing funding, so the taxpayers will be required to carry 100% of the cost of their coverage. Do all young adults really need extremely comprehensive, first-dollar coverage? We can’t get them to enroll in Catamount now because it is so costly. Why not leave this option open?
- Allow “qualified plans” to include rating differentials based on **tobacco use, wellness rewards and geographic cost variations.** We must use all incentives/disincentives possible to drive down the cost curve. We must not leave these tools on the table by ruling them out in 2011.
- Commit only to a plan design for “qualified plans” that **satisfies federal minimums.** Vermont can decide later to add to the minimum plan. Committing now to doing more means having to take away, or pull back, if funding isn’t sufficient, and savings don’t occur. First decide how much we can afford, then see what that will buy. Doing the reverse (design first, fund later) is why Catamount turned out to be unsustainable.