

## New Consumer Health Insurance Exchange Options Likely to Vary by State

The Affordable Care Act (ACA) provisions regarding the establishment of Affordable Insurance Exchanges or Health Insurance Marketplaces (Exchanges) will soon come to fruition when enrollment officially opens on October 1, 2013. The Exchanges were envisioned as an opportunity to provide consumers with more choices in health insurance carriers, as well as more competitive premiums. Refer to previous Health Capital Topics articles regarding various aspects of the Exchange program from its inception through its various stages of development (published in November, 2010; July, 2011; April, 2012; July, 2012; and March, 2013 issues).

The Centers for Medicare and Medicaid Services (CMS) published its newly proposed rules regarding the Exchanges on June 19, 2013.<sup>1</sup> The proposed rules focus on establishing guidelines to ensure consistent compliance of all entities with the Department of Health and Human Services (HHS) operational; cost; and, quality standards for the insurance market.<sup>2</sup> Several of the new provisions discuss developing HHS oversight for the overall program integrity of health insurance carriers in both federally- and state-facilitated Exchanges, with specific mention of controls for premium stabilization; risk adjustment; and, advance payment programs. Despite the increased federal oversight, the proposed rule also allows for increased State autonomy and flexibility in operating State-based Small Business Health Options Programs (SHOP).<sup>3</sup>

On May 30, 2013, the Obama Administration released early data regarding the estimated insurance provider competition, consumer choice and coverage for the Exchanges.<sup>4</sup> In the release, it was estimated that approximately 80% of potential enrollees will have the option to choose coverage from at least five insurers.<sup>5</sup> In addition, the U.S. Office of Personnel Management (OPM), responsible for establishing a multi-state plan program, is reviewing over 200 proposed health plans; at least 31 states will offer multi-state insurance plans beginning in 2014, and all 50 states will offer such coverage by 2017.<sup>6</sup> Prior to the exchange opening in October, both federal and state entities will continue to review exchange applications; lists of approved premiums will be publicly posted by September for consumer review.<sup>7</sup>

Despite this data, The Henry J. Kaiser Family Foundation noted in a June news article that several

well-read news sources across the country have published articles and posed questions regarding the potential variance in health insurance coverage and range of choices related to the Exchanges.<sup>8</sup> Under the Exchanges, insurers must find a balance between lowering premiums to remain competitive, and enrolling enough beneficiaries to cover the deficit caused by more competitive premium rates. There is potential that larger established health plans, e.g. Blue Cross Blue Shield, Kaiser Permanente, etc. will remain active in several markets, but that other companies may hesitate to enter markets in which a large consumer base isn't already in existence.<sup>9</sup> However, as the ACA regulation encourages new health insurer applicants, it's unsurprising that at least one new insurance company has been reported to plan offering individual coverage in 75% of states with a federally-run exchange program.<sup>10</sup> These predictions may leave consumers in some markets with few choices in Exchange health plans.

Since entity coverage through the Exchanges is still largely determined by state dedication of resources and support, it is expected that consumer choice in the Exchanges will vary dramatically by state when the market opens in October. Although potential variation exists across different markets, it is pertinent to consider that in 2012 at least 85% of individual health insurance in 11 states was covered by the two largest insurers, and in 29 states, more than 50% of all individual insurance enrollees were covered by a single insurance issuer.<sup>11</sup> Given the relatively apparent market monopolies of certain large insurers in the past, and despite the potential limitations of the proposed Exchange program, it remains to be seen whether the new program will prove to be of benefit or detriment to consumers.

<sup>1</sup> "Patient Protection and Affordable Care Act; Program Integrity: Exchange, SHOP, Premium Stabilization Programs, and Market Standards; Proposed Rule", by the Centers for Medicare and Medicaid Services, Federal Register, Vol. 78, No. 118 (June 19, 2013)

<sup>2</sup> "Program Integrity Proposed Rule", The Centers for Medicare and Medicaid Services, [www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/pi-nprm-6-14-2013.html](http://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/pi-nprm-6-14-2013.html) (Accessed July 7, 2013)

<sup>3</sup> *Id.*

<sup>4</sup> "Early Results: Competition, Choice, and Affordable Coverage in the Health Insurance Marketplace in 2014", by Obama Administration Officials, May 30, 2013

<sup>5</sup> *Ibid.*, Obama Administration Officials, May 30, 2013, p. 4

<sup>6</sup> *Ibid.*, Obama Administration Officials, May 30, 2013, p. 1, 4

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<sup>7</sup> *Ibid*, Obama Administration Officials, May 30, 2013, p. 5

<sup>8</sup> “Health Exchanges: Choice of Plans Will Vary Sharply from State to State”, The Henry J. Kaiser Family Foundation, June 17, 2013, <http://www.kaiserhealthnews.org/Daily-Reports/2013/June/17/health-exchanges.aspx?p=1> (Accessed July 7, 2013)

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<sup>9</sup> “Choice of Health Plans to Vary Sharply from State to State”, by Reed Abelson, June 16, 2013, The New York Times, [http://www.nytimes.com/2013/06/17/health/choice-of-health-plans-to-vary-sharply-from-state-to-state.html?pagewanted=all&\\_r=0&pagewanted=print](http://www.nytimes.com/2013/06/17/health/choice-of-health-plans-to-vary-sharply-from-state-to-state.html?pagewanted=all&_r=0&pagewanted=print) (Accessed July 7, 2013)

<sup>10</sup> *Ibid*, Obama Administration Officials, May 30, 2013, p. 4

<sup>11</sup> *Ibid*, Obama Administration Officials, May 30, 2013, p. 2-3



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