

Exchanges

Issue Overview

At times, individuals and small businesses find it difficult to shop, compare and purchase health insurance that meets their specific needs. Health care reform legislation in both the House and Senate includes the creation of a health insurance “exchange” also known as a “connector” or “gateway” that will assist with this. An exchange creates a central point where consumers can shop, compare and purchase health insurance. In its most basic form, it is similar to an Orbitz-like Web site where consumers will be able to compare various health plans to fit their needs and those of their family.

HCSC Position

HCSC believes that properly designed *state* health insurance exchanges can help facilitate the purchase of coverage by individuals and small businesses, without compromising the consumer protections that are provided by state insurance departments. However, some health care reform proposals include an option for a *federal* health insurance exchange that also has a great deal of regulatory power. This arrangement could result in a federal takeover of regulatory functions currently carried out by states; and create confusion for consumers - since many functions would be duplicated at both the state and federal levels.

HCSC proposes that any state exchange should:

- Simplify shopping for coverage for individuals and small businesses;
- Provide a less costly, less complex and faster alternative to a new bureaucracy;
- Encourage transparency and competition in health insurance markets; and
- Complement other reforms under consideration.

Here is how a state Exchange would work:

Each state would develop a central online Web portal, listing all insurance products for sale to individuals and small groups. These sites could be linked via a national framework, but would not be a single national exchange. The state-based exchanges would enable:

- The comparison of all health insurance options in a state based on key factors including benefits, price, quality and provider networks.
- Pricing options from multiple health insurers. Each state would develop standard applications that individuals and small businesses could use to apply to several insurers at one time and to obtain instant premium quotes instead of filling out multiple applications.
- Automated calculation of any tax benefits and subsidies available to individuals and small businesses through various public programs.
- Simplified enrollment in the plan of choice.
- Greater protection from fraud and abuse since only legitimate insurance products approved for sale to individuals and small groups in each state would be listed.

If done right, a health insurance exchange can provide a cohesive central location to shop for individual health care coverage. States are best positioned to oversee the insurance market and state-designed programs are more likely to be responsive to local market differences and consumer needs.