



Testimony of the New York Health Plan Association

to the

New York State Department of Insurance

on the subject of

Establishment of a Health Insurance Exchange in New York

May 16, 2011

INTRODUCTION

The New York Health Plan Association (HPA), comprised of 25 health plans that provide comprehensive health care services to nearly seven million New Yorkers, appreciates the opportunity to present its members' views on the establishment of a Health Insurance Exchange in New York. Our member health plans include those that offer a full range of health insurance and managed care products (HMO, PPO, POS, etc.), pre-paid health services plans (PHSPs) and managed long term care plans. The New Yorkers who rely on these plans are enrolled through employers, as individuals, or through government sponsored programs — Medicaid Managed Care, Child Health Plus, Family Health Plus and Healthy New York.

Our member health plans have long partnered with the state in achieving its health care goals including efforts to expand access to affordable health insurance coverage and to improve quality care for New York's health care consumers. Accordingly, we appreciate the opportunity to offer our view on the important topic of building a Health Insurance Exchange in New York under the federal Patient Protection and Affordable Care Act (PPACA).

BUILDING NEW YORK'S HEALTH INSURANCE EXCHANGE

It is important to acknowledge that there is a lot of work to do, but little time to do it. There is approximately one month until the adjournment of the legislative session. Coupled with this compressed time frame is the fact that this task of building an Exchange is a complex topic with numerous complex issues.

In many areas there is need for federal regulations and guidance, as well as a need to understand the federal-state interplay and how it will work. There is also the fact that currently in New York, we have dual regulation under the Department of Health and the Department of Insurance (soon to be part of the Division of Financial Services). We don't yet know if that will continue in the future, though the SAGE Commission's recommendations are due soon.

LAYING THE FOUNDATION

As with any building, a strong foundation is crucial to the stability of the structure it supports. With that in mind, HPA supports passage of limited Exchange legislation this year. We recognize the need to adopt legislation that will enable New York to capitalize on federal funding that is crucial to begin the process of building a New York Health Insurance Exchange. But we believe New York can lay the foundation and build upon that when we have the necessary information on the many as yet unanswered questions.

To this end, HPA supports establishing an independent authority. We believe legislation should seek to establish the governance and infrastructure of the Exchange. The legislature should also direct the Exchange to standardize the IT system and entry portal. It should also charge the Exchange with conducting research into and making recommendations regarding the policy issues needed for the Exchange to be operational in 2014.

HPA's move slowly position is rooted in the basic "First Do No Harm" position. This view takes the following into consideration:

- New York's current Medicaid system exists and functions smoothly. There are nearly 4 million enrollees – close to 3 million in MMC. Through the

provisions of the Medicaid Redesign Team (MRT), more populations are being added to MMC.

- The small group market in New York is relatively stable at 1.5 million, operating largely through chambers of commerce and brokers.
- However, we continue to have 2.7 million uninsured New Yorkers and our individual market is, by almost everyone's definition "broken" – approximately 30,000 enrolled, down from 120,000+ back in mid 1990s – despite the existence of innovative NY programs like Family Health Plus, Healthy NY and coverage for sole proprietors designed to provide extend coverage to this population.

LAW OF UNINTENDED CONSEQUENCES

Lawmakers and regulators should adopt approaches that minimize the potential of unintended consequences. The experience of states that have established Exchanges demonstrates the potential for unintended consequences that undermine choice, affordability and accountability. We support development of a state Exchange through a deliberative process that gives New York the flexibility to experiment and adjust rules based on state-specific factors.

New York needs time to research, study and publicly report on the resolution of complex and conflicting issues such as:

- Whether to establish two separate Exchanges, one for the individual health insurance market and one for the small employer health insurance market, or to establish a single Exchange;
- Whether to merge the individual and small employer health insurance markets;
- Whether to revise the definition of "small employer" from not more than fifty employees to not more than one hundred employees;

- Whether to require qualified health plans to provide the essential health benefits package, as described in section 1302(a) of the Federal Act, or include additional state mandated benefits;
- The assignment of a rating to each qualified health plan offered through the Exchange;
- A review of the rate of premium growth within and outside the Exchange and consider such information in developing recommendations on whether to continue limiting qualified employer status to small employers;
- The authority of the Exchange to serve as a purchaser of insurance; and
- Ways to ensure that the Exchange is financially sustainable by 2015, as required by the Federal Act.

AFFORDABILITY

Much like the “location, location, location” axiom in real estate, the success of a State Health Insurance Exchange really boils down to three things — affordability, affordability, affordability. We’ve seen it here in the death spiral of the individual market where ever escalating costs continue to be an impediment to enrolling new customers. We’ve seen it in neighboring Massachusetts where the Connector has succeeded in covering more people, but the cost of that coverage remains among the highest in the nation. And we must remember that federal subsidies that are to be offered in the Exchange are temporary. As they decrease and ultimately disappear, the cost to consumers will increase. We must be mindful that the Exchange must ultimately be self-sustaining.

HPA and its member plans support the effort to create a workable Health Insurance Exchange in New York. However, we have concerns with doing too much and moving too quickly. There must be adequate time to evaluate the operational/IT implementation issues related to the federal-state interplay with trickle down to plans

and customers in the small group market. Complex issues such as employer input/registration of employee-employer data, federal tax credit eligibility and payment issues must be considered. And, perhaps most importantly, we must ensure that the Exchange offers affordability.

CONCLUSION

Thank you for the consideration of our input on these important issues. HPA and its member plans are committed to the success of PPACA, and we are committed to working in partnership with the department and other state officials as well as other stakeholders in the effort to develop workable exchanges that will promote innovation, choice and high quality, affordable health coverage options for consumers.