

# Health Insurance Reform

Coverage Institute Summary  
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## Health Insurance Exchange Proposal Components:

- Guaranteed issue
- Individual responsibility to purchase coverage
- Merge small group and individual markets
- All individual and small group products sold only through the exchange
  - At a minimum, premiums, rating and issuance rules must be the same inside and outside of the exchange
- Modified community rating (premium variation based on age, geography, and health behaviors)
- All individuals, including current MCHA enrollees, purchase through the exchange
  - MCHA phased out over time
- Risk equalization payments among health plans based on relative health of enrolled population
  - Avoids incentives to “cherry pick” good risk
  - Rewards plans that do a good job of managing care for sicker populations
- Employers (above size 10?) required to offer section 125 plans
- Incentives for small group participation in the exchange
- Incentives for employers that currently offer group coverage to do so (“erosion control”)
- Limited plan choice through the exchange, at least at first (3 products per carrier at each benefit level)
  - Allow variations on plan design that are actuarially equivalent

## Unresolved issues and questions:

- Impact of small group/individual market merger on premiums
- ERISA concerns?
- Affordability/subsidies
- Benefit set – development of a “basic evidence-based benefit set”
- Concern about defined benefit that fails to keep pace with rising costs (higher share of cost borne by individual vs employer over time)
- Minimum loss ratios for the merged individual/small group market
- Should public programs eventually be folded into the exchange as well?
- Enforcement mechanisms for individual mandate and section 125 plans