

Issues in Health Insurance Reform: More on Exchanges

National Health Policy Forum

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Recap: possible market-making functions of an exchange

Function

Rationale

Information
purveyor

Transparency and clarity

Administrator

Administrative economies of scale

Negotiator

Market power

Exchange scale

What is the geographic area (e.g., states, regions, nation) for which the exchange is performing selected functions?

Geographic boundaries of the exchange have potential implications for governments, insurers, and enrollees.

- Differences in current insurance regulation could complicate combining multiple states
- Size may affect leverage of the exchange
- High cost (price*use) areas could be subsidized by low-cost areas

Exchange authority

How much discretion does an exchange have to perform selected activities?

- Defining markets/service areas
- Approving benefit design/limiting benefit variation
- Contracting with select vs. any willing plans
- Approving rates and rate changes
- Determining risk adjustment parameters

Exchange governance

What type of entity—federal agency, state, non-profit, ...?

Issues for consideration in any governance option include:

- Accountability: To whom is the exchange accountable?
- Willingness: Is there a willing and qualified entity in every area?
- Ability: Can the entity perform the required functions?
- Stakeholders: What is the role of stakeholders?
- Financing: What is the funding level and source necessary for operating exchange(s)?