

Insurance Benefit Exchange
Workgroup Reporting Format to the Insurance Benefit Exchange Steering Team

Workgroup Name:

Focus / Business Operations

Date presenting to Steering Team:

March 31, 2011

Topic or Decision Point Being Addressed:

How many exchanges? (Small Group and Individual Market, KC mini exchange, regional exchanges)

1. Recommendations or perspectives considered

This section should highlight the various perspectives on the topic that were discussed or considered by the workgroup.

The workgroup considered a wide array of issues, including the following:

- Whether to establish separate exchanges for the individual and SHOP markets or just one exchange that would serve both markets.
- Whether to establish a separate exchange to serve the Kansas City market.
- Whether to attempt to establish regional exchanges with other states.
- Whether to combine the individual and SHOP risk pools.
- Whether and how to combine the operations of the exchange with the K-Med platform.
- How to best deal with adverse selection.
- How to achieve maximum efficiency and economies of scale.

2. Consensus Recommendation from the Workgroup to the Steering Team

The workgroup reached consensus on the following recommendations:

- Kansas should establish a single exchange to serve the individual and SHOP markets.
- The exchange should provide a single point of entry for all Kansas exchange consumers, whether they intend to purchase individual private coverage or coverage through their group plan.
- The exchange should be housed within a single organization (either a state agency or a not-for-profit corporation) and should be governed by a single governing body.
- The exchange's operations should run its operations through a single IT platform. Based on the information consumers enter, the exchange should route them to screens and questions

that correspond to their individual situations, and present Qualified Health Plans for which the consumers are eligible.

- The exchange should build upon the K-MED eligibility system, and, if possible, allow consumers eligible for public programs to use the same point of entry. The exchange should route these consumers to screens and questions appropriate to the Medicaid and CHIP programs.
- Kansas should not establish a separate exchange to serve the Kansas City market. It was the consensus of the workgroup that the regulatory and logistical complications of a bi-state Kansas City exchange would outweigh its benefits, if any.
- Kansas should attempt to a regional, multi-state exchange only with great caution, and only after a careful planning process that ensured such an arrangement would benefit the Kansas marketplace and Kansas consumers.
- Kansas should keep the individual and small group pools separate to avoid destabilizing the small group market.
- Although the exchange will be statewide, insurance carriers should be allowed to sell products in specific locations, such as the Wichita or Kansas City MSAs. The exchange would present these location-specific products only to consumers whose zip codes corresponded to the areas in which the products were available.

Strengths of the recommendation

- Having a single point of entry would simplify the exchange for consumers, which should increase participation.
- Having a single governing body would allow the state to more easily pursue its health policy goals. Attempting to coordinate the work of multiple governing bodies would be cumbersome and inefficient.
- Having the exchange within a single organization and on a single IT platform would maximize administrative efficiency and economies of scale.
- Building on the K-MED eligibility system should simplify the process for consumers, maximize administrative efficiency, and avoid developing redundant systems.
- Not developing a Kansas City exchange or another regional exchange would prevent a potentially cumbersome and unwieldy political and logistical situation. It would allow Kansas to perfect its system and processes, while leaving open the possibility of developing a regional exchange at later time.

Weaknesses of the recommendation

- Having a single organization, governing body, and IT platform for the entire exchange would be a challenge because the complexity of the health insurance marketplace as a whole. Dealing with a single segment of the marketplace would be less complex.
- Not having a regional exchange could prevent Kansas from achieving larger, regional administrative efficiencies and economies of scale. If Kansas joined other states, it could pool resources and spread its fixed costs across a greater number of transactions. (This assumes that the logistical and other complications of a regional exchange could be resolved.)
- Keeping the individual and small group pools separate might result in higher prices in the individual market than if the pools were combined. (This assumes that if the individual and small group pools were combined, the lower prices of small group market would bring down the prices of the individual market. Many members of the workgroup believe combining the pools would destabilize

<ul style="list-style-type: none"> Keeping the individual and small group pools separate will shield the small group market from the adverse selection that will likely occur in the individual market, which will help keep costs down for small businesses and avoid destabilizing the market. 	<p>the small group market, which could result in higher prices in both the individual and small group markets.)</p>
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3. If a Consensus Recommendation was not reached, please list here the Majority and Minority Recommendations as well as pros/cons for each

Not applicable. The workgroup reached consensus.

<u>Strengths of the recommendation</u>	<u>Weaknesses of the recommendation</u>
<ul style="list-style-type: none"> 	<ul style="list-style-type: none">

4. Rationale behind the recommendation(s)

Please include how the recommendation supports the Guiding Principles that frame this effort

As described above, the workgroup's recommendation would likely promote administrative simplicity and efficiency, provide a user-friendly exchange, and build upon the K-MED eligibility system.

5. Impact or Consequences

Please address all of the following that apply

a) Adverse selection

The workgroup discussed the issue of adverse selection at some length. The primary focus of this discussion was the adverse selection that would likely occur in the individual market because of consumers' ability to match benefits to their particular health needs. Although this may benefit individual consumers, it would likely raise costs overall. These competing policy objectives—promoting consumer choice and avoiding adverse selection—must not be ignored in developing the exchange, its operations, and its rules.

b) Fiscal impact (Cost of care, Cost of the exchange)

As described above, the workgroup believes its recommendation will minimize the costs of the exchange.

c) Quality of care

d) Other, please list

e) Topic requires support from or may impact another workgroup:

- i. Focus/Business Operations Issues
- ii. Governance/Legal/Legislative
- iii. Background Research
- iv. Customer Outreach/Education/Information
- v. Insurance Market Issues
- vi. Funding/Financial
- vii. Agents/Brokers/Navigators
- viii. Medicaid Integration and Interagency Communications
- ix. Insurance Company IT Interface

Consideration