



NEW AMERICA FOUNDATION

# State-Based Coverage Solutions: The California Health Benefit Exchange



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# The California Health Benefit Exchange

- On September 30, 2010, CA became first state to set up insurance exchange specifically in response to the ACA
- Passage of the legislation culmination of extended period of insurance market reform in California:
  - Small business purchasing pool in 1993 (HIPC > PacAdvantage)
  - The state's own ultimately unsuccessful comprehensive health reform process from 2006 to 2008
  - State experience administering purchasing pools for children (Healthy Families) and state employees (CaPERS)

# The California Health Benefit Exchange

- Two laws:
  - State Senate bill (900) established basic governance and structure for the exchange
  - State Assembly bill (1602) outlined activities and put in place insurance market regulations some of which apply even to carriers who do not participate in the exchange
- Current status:
  - Four of five board members now seated
  - Have held three public meetings
  - Hired interim director
  - Will apply for Level 1 establishment grant

# California's Key Decisions

California took advantage of flexibility in federal law:

- Creating an exchange that will function as an **active purchaser** in the marketplace;
- Taking significant steps to **combat adverse selection** both against and within the exchange
  - Requiring all insurers to sell all tiers of products, and
  - Making exchange participation condition of selling catastrophic plans; and
- Choosing not to preclude **community-based health plans** from developing commercial offerings for the exchange.

# California's Key Decisions

## Structure

Either government agency  
or nonprofit

- Standalone government agency
- Exempt from some state personnel and procurement requirements
- Temporary emergency regulatory authority
- Subject to open meeting laws except for discussions pertaining to certain legal, contracting issues

## Governance

No specific guidance

- Five member board: Secretary of the Health and Human Services Agency, two gubernatorial appointees and two legislative appointees
- Strict conflict of interest requirements; unpaid

# California's Key Decisions

## Number of exchanges

Individual and small group exchanges can be separate

- Separate individual and small business exchanges
- In spite of some stakeholder support for a combined exchange
- Legislation requires study on topic of merging exchanges (2018)

## Purchasing

Broad range of options from passive to active

- Exchange can selectively contract with specific insurance carriers excluding others as long as criteria for selection are consistent
- Exchange active purchaser seeking to promote “optimal combination of choice, value, quality and service”

# California's Key Decisions

## Reducing Adverse Selection

All plans participating in exchange must offer silver and gold plans

- Insurers both inside *and* outside the exchange must offer all tiers of products
- Only carriers in exchange can offer catastrophic plans
- May require participating plans to offer additional products
- Board may standardize products

## Pricing

If product offered outside, must be at same price

- All participating carriers must sell all products inside and outside exchange at same price

# Is California a model for other states?

- Unique demographic profile, market, policy history:
  - Larger: More uninsured in LA County than most states
  - Relatively more competitive insurance market
  - Experience with active purchasing
- States should follow California model:
  - Build exchanges that are products of state markets, policy experience
  - Move as quickly as possible: “2014 is tomorrow”
  - Focus on role as portal to coverage
    - Program integration
    - Smooth transitions for individuals and families