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 (CalPERS)
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

<table>
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<tr>
<th>Either government agency or nonprofit</th>
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- 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

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<tr>
<th>No specific guidance</th>
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- 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

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<tr>
<th>Individual and small group exchanges can be separate</th>
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<tbody>
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<td>• Separate individual and small business exchanges</td>
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<td>• In spite of some stakeholder support for a combined exchange</td>
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<td>• Legislation requires study on topic of merging exchanges (2018)</td>
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### Purchasing

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<th>Broad range of options from passive to active</th>
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<td>• Exchange can selectively contract with specific insurance carriers excluding others as long as criteria for selection are consistent</td>
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<td>• Exchange active purchaser seeking to promote “optimal combination of choice, value, quality and service”</td>
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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