The Large Employer Perspective on Health Insurance Exchanges

Introduction
On January 13, 2011 several large employers met with Joel Ario, Director of the Office of Health Insurance Exchanges in the U.S. Department of Health and Human Services (HHS) and his staff, at a meeting held by the Pacific Business Group on Health (PBGH) to share their suggestions, questions and concerns about the health insurance exchanges to be created under the Patient Protection and Affordable Care Act. This document is a summary of the issues raised by large employers during that session, and it provides an overview of the principles large employers believe should be used to design exchanges. This document may be a useful introduction for other large employers working to understand the implications of insurance exchanges for the benefit programs they provide.

Background
The Patient Protection and Affordable Care Act creates state-based health insurance exchanges to make insurance more affordable and easier to purchase for individuals and small employers with up to 100 employees. Beginning in 2017, the states may allow employers with more than 100 employees to purchase coverage in the exchange. Premium subsidies will be available to low-income individuals who participate in the exchanges. A state can choose to operate its own exchange or participate in a multi-state exchange. If a state fails to establish an exchange, the federal government will operate the exchange in that state. In late 2010, California passed legislation to create its own exchange, and many other states are moving ahead with planning and implementation of exchanges.

Large employers have a significant stake in the success of exchanges for a number of reasons. First, exchanges have the potential to become influential purchasers of health benefits on behalf of their participants and the potential to drive improvements in the quality and affordability of health care. In the past, employers’ impact on improving the health system overall has been limited due to a lack of critical mass; the exchanges can become “allies” of large employers by developing common purchasing strategies. In addition, some categories of employees -- such as part-time or seasonal workers, new hires or early retirees -- may seek coverage through the exchange.

Summary of Large Employers’ Perspective on Health Insurance Exchanges:

- **Exchanges should support payment reform for enhanced value and quality in health care coverage.** In an effort to improve quality and moderate costs, employers want hospitals, physicians and other providers to be held accountable for outcomes and move away from fee-for-service payments. Employers expressed an interest in seeing that health plans in the exchange pay providers different rates based on the quality of care they provide, including plans that offer tiered networks of physicians and hospitals. While work is underway to define “essential benefits” and the actuarial differentiation among product types, health plans should be encouraged to develop products that recognize high performing providers. “Any willing provider” rules should not be used to prohibit a health plan’s ability to offer high performance networks that deliver better value and quality.
• **Exchanges should provide quality and cost transparency** – including information about providers. In order to support informed consumer decision-making and drive a healthy market, the exchanges should set stringent requirements for plans to disclose standardized information about service and clinical quality. Plans should also be required to disclose data on how well the providers in their networks perform on standardized measures of clinical quality, patient experience, and resource use so that consumers can choose plans that provide them with access to preferred doctors and hospitals.

• **Exchanges need to demonstrate sustainability and manage risk appropriately.** Employers are very concerned that exchanges manage risk appropriately. Will they be able to contain costs effectively without simply shifting the costs to large employers? And will they last, or will they succumb to the adverse risk selection “death spiral” as most exchanges have in the past? The exchange must have strong tools, including effective product design and appropriate price positioning, to minimize adverse risk selection. The exchange should also monitor risk selection patterns and quickly take additional action as needed to protect itself from adverse selection problems.

• **Exchanges need to foster consumer engagement and support consumer decision-making.** Employers want the exchange to offer robust consumer decision-support tools that enable individuals to choose the “best-fit” plan for their health needs and risk tolerance for potential out-of-pocket costs. Information about provider performance and cost of services should be made available to individuals, along with decision support tools like cost calculators, to help them choose the most appropriate plan.

• **Exchanges need to have consistency across state lines.** Employers wish to minimize the administrative complexities that could result from interfacing with numerous state exchanges that might have different regulations. Employers want consistency across states (e.g., all states should have the same definition of part-time work). They want the federal government to establish uniform, minimal national requirements in regulation while allowing state exchanges to innovate in ways that a federal exchange could not.

• **Essential Benefits offered through the exchange should promote quality and value.** The design of the essential benefits package should be built upon evidence-based medicine and comparative effectiveness research.

• **Exchanges should offer choice but minimize complexity.** Employers want the exchanges to offer multiple plans and benefit designs, but not so many options that choosing a health plan becomes overly burdensome and complex for consumers.