

DRAFT PROPOSAL to the 2011 MONTANA LEGISLATURE

HEALTH INSURANCE EXCHANGE

The Patient Protection and Affordable Care Act (PPACA) gives the states an opportunity to set up exchanges that comply with the federal requirements. If a state has not acted by January 1, 2013, the U.S. Department of Health and Human Services will establish a federal exchange in that state. PPACA allocates a total of \$250 million in grants to the states for the purpose of establishing state-based exchanges. After 2015, the exchanges must be self-sustaining. Therefore, the exchange should not negatively impact the state budget. The subsidies available to individuals up to 400% of the federal poverty level in the exchange are paid as federal tax credits by the treasury department.

The Montana Commissioner of Securities and Insurance (CSI) proposes a bill to develop a state-based exchange. That bill recommends a general framework that will enable Montana to set up an exchange that will meet the minimum standards set forth in PPACA and other federal regulations by 2013. **The bill proposes an outline the governance for the exchange, as well as the powers, duties and oversight of the exchange authority.**

PPACA requires that the exchange must perform certain duties, not limited to: 1) certify plans as “qualified;” 2) maintain a website with standardized plan information, standardized format for plan options, and a calculator to determine actual cost of coverage; 3) assign a quality rating to each plan; 4) inform consumers of their eligibility for Medicaid, CHIP and other public programs; 5) create a process to determine eligibility and enrollment; and 6) grant certifications to individuals who aren’t subject to a mandate because of an exception in PPACA. The bill will enable the creation of the exchange authority as soon as 2011 so that plans for operation in 2014 can begin and stakeholder input can be sought. The proposal for governance will include a board structure and opportunities for the public to weigh in on decisions that must be made along the way.

Key issues that should be addressed by the exchange authority include : 1) will the exchange be an active purchaser, selective contracting agent, or a market organizer; 2) what level of choice and competition should be allowed; 3) should plan designs be restrictive or open-ended; 3) how can the exchange encourage the use of delivery systems that will save healthcare costs; 4) whether the individual exchange and the small group exchange should be combined; and 5) whether it should serve as an “aggregator” for premiums. There are many technical issues that have to be addressed as well because the exchange must establish a web portal.

In addition, the bill will address how the health plans sold inside the exchange will compare to plans sold outside the exchange, and how the Montana exchange will incorporate the risk adjustment mechanisms that the secretary of Health and Human Services is creating in order to avoid adverse selection inside the exchange. The issue of whether or not the Montana exchange should be part of a multi-state exchange does not have to be addressed at this time because the interstate health care choice compacts are not enabled until 2016. The CSI will draft a bill by September and then provide opportunities for input from interested parties.

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