



Setting Up an Iowa Exchange to Help Consumers *Should Iowa Require a 'Middleman' or a Mouse Click?*

Congress and the President intended the Affordable Care Act (ACA) to protect and assist health-insurance consumers, especially those not well-served by the system previously in place. Legislation pending in the Iowa Statehouse must be examined in the context of that intent.

The ACA's largest reforms are focused on the under-served, including small businesses, lower-income families, and those who are not offered health insurance through their jobs. The law contains provisions to protect consumers from limits on lifetime and annual insurance benefits, as well as having coverage revoked or denied altogether. It attempts to help consumers comparison-shop for quality insurance plans, and provides financial assistance to low- and moderate-income consumers.

ACA provisions require states to set up legislation by January 2013 to implement this concept. Iowa lawmakers are in that process.

Health Benefits Exchanges

The Affordable Care Act directs states to create exchanges — online marketplaces where individuals, families and small businesses can easily compare and purchase quality health plans.¹ Ideally, an exchange should be a one-stop, online shop, with a streamlined market offering cost savings as well as better access in a nation with over 46 million uninsured when ACA passed in 2010. Consumers would be able to directly compare multiple health plans on cost, provider networks and overall value, just as they can compare screen resolution, screen sizes and prices of televisions online or in a store. Just as a consumer can buy a TV with a mouse-click, the ACA exchange concept envisions health consumers doing the same with health insurance.

Within exchanges, consumers should also be able to determine:

- whether they are eligible for Medicaid or financial assistance in the form of premium tax credits,
- how much a given insurance plan would cost after factoring the value of the tax credits.

Once they have been able to compare plans, determine tax credit eligibility and their family's cost of a plan, consumers should be able to make their purchase in this convenient marketplace.

The law grants states considerable leeway in how they set up the exchange. The exchange may be governed by an existing government agency, such as the Insurance Division or the Department of Human Services, or by a newly created nonprofit organization. Proposals for Iowa's exchange have appeared this legislative session.² Two proposals in the Senate, Senate File 391 and Senate File 348, offer different approaches. A companion bill to SF391 is moving in the House, HSB159.

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Iowa Proposals — Brokers

Under one Iowa proposal, SF391, the process for Iowa health consumers would not be nearly so seamless. After deciding on a health plan, consumers would be required to find a state-licensed insurance salesperson and make the purchase through them — no mouse-click convenience.

This proposal also adds cost. It would require all insurance carriers to give a 5 percent commission on all insurance plans sold in the exchange. As with many imposed costs, this cost would be passed along by insurance carriers to the consumer in the form of higher premiums.³ Once again, the intent of the Affordable Care Act was to make insurance more affordable by greater risk-pooling and eliminating many administrative costs of small-group and individual-market insurance purchases, such as broker commissions.

The separate Senate proposal, SF348, does not include the carve-out for insurance brokers.

Iowa Proposals — Administration

Another notable provision of SF391 is the lack of direction on administration of the exchange. Rather than creating the governance structure of the exchange, SF391 would leave this responsibility fully in the hands of the Commissioner of the Iowa Insurance Division — a political appointee serving at the governor's pleasure. The governance of the exchange could change radically from one administration to the next, simply on account of the commissioners' ideas, management styles, and personalities.

Under SF348, the exchange would be governed by an independent non-profit, with a board of directors of seven voting members and two non-voting members, all appointed by the governor. Voting board members would be prohibited from having a financial stake in the sale of insurance products. In contrast to SF391, two states have passed protections against political interference in exchange administration. Massachusetts' exchange, established in 2006, is run by an independent government agency. The governing board has four designated public officials, three governor appointees, and three attorney general appointees.⁴ California last fall passed strong conflict-of-interest provisions to ensure that its exchange serves the interests of its users. Appointees to California's exchange board of directors may not include employees or affiliates of insurers, brokers or health providers.⁵

Conclusion

To meet the intent of the Affordable Care Act, Iowa and other states are expected to set up health benefits exchanges that put the health and financial interests of consumers first. That will be the ultimate test not only of Iowa's exchange, but of the success of health reform as passed in Congress. While the ACA brought much debate that has continued a year later, its success will only be honestly judged in practice and in history if its implementation follows the intent of Congress as passed into law.

¹ For a brief description of an exchange, see "What is a Health Benefits Exchange? Understanding a Key Component of the New Health Law," Iowa Fiscal Partnership, February 17, 2011. <<http://www.iowafiscal.org/2011docs/110217-IFP-exchanges-bgd.pdf>>. For more detailed information on exchanges, see "Exchanges: Making Health Reform Work for Iowans," Iowa Fiscal Partnership, December 20, 2010. <<http://www.iowafiscal.org/2010docs/101220-IFP-exchanges.pdf>>.

² Senate Study Bill 1063 and Senate File 235, 84th General Assembly of the State of Iowa.

³ J. David Cummins and Neil A. Doherty, "The Economics of Insurance Intermediaries," *Journal of Risk and Insurance*, Vol. 73, Issue 3. September 7, 2006. Accessed February 28, 2011 at <<https://www.workcompcentral.com/pdf/2005/misc/whartonstudy.pdf>>.

⁴ Timothy S. Jost, "Health Insurance Exchanges and the Affordable Care Act: Eight Difficult Issues," Commonwealth Fund, September 2010. <http://www.commonwealthfund.org/~media/Files/Publications/Fund%20Report/2010/Sep/1444_Jost_hlt_ins_exchanges_CA_eight_difficult_issues_v2.pdf>.

⁵ California State Legislature, Senate Bill 900, §100500(f). <http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0851-0900/sb_900_bill_20100930_chaptered.pdf>.