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## Idaho readies for health exchange

*Here's what you should know about an insurance marketplace and the legislative fight surrounding it.*

One of the 2012 legislative session's most talked-about issues is whether to create an Idaho health insurance exchange. If the U.S. Supreme Court does not overturn the 2010 health care reform law, Idaho has two options: get its own exchange up and running by 2014 or default to a federal one.

There is support for an Idaho-run exchange on both sides of the aisle, among business leaders and in the insurance community. A legislative task force recently signed off on a draft bill written by the state Department of Insurance. But some lawmakers argue that an exchange opens the door to socialism and messes with a system that isn't broken.

Q: What is a health exchange?

A: It is a competitive marketplace for insurers to sell health insurance to consumers. Its centerpiece in Idaho is likely to be an online portal that some envision as the Expedia of health insurance.

Idaho is one of 10 states that have yet to make any major moves toward an exchange. Like Idaho, several states took millions of dollars from the federal government to work on exchanges even though they're suing to overturn the 2010 law.

Q: Why does the federal law require it?

A: The exchange's purpose is to create a central marketplace where insurance plans would be sold and consumers could easily comparison-shop for them.

Q: How would an exchange work?

A: That's up to Idaho, to an extent. States can take a hands-on or a laissez faire approach to their exchanges. They can give their exchanges the power to decide which plans are allowed in, or they can welcome all insurance companies that meet certain rules. In general, companies would sell plans to people and small-business groups. Consumers could go online to compare and contrast plans with relative ease, or they could get in-person or telephone help to buy plans.

Consumers would be guided through questions to determine if they are eligible for Medicaid or new federal insurance subsidies. Last month, the federal government gave states more say in setting the benchmark package of "essential health benefits" that plans must offer. Instead of agents and brokers, the people walking customers through the process either in person, on the phone or online would be "navigators" who don't work for insurance companies.

Q: Will an exchange affect me?

*Exchange 1*

A: It will most directly affect people who buy their own health insurance coverage — about one in six Idahoans in 2010 — and small businesses. They would be the main consumers.

The 2010 law mandates health insurance for everyone, and exchanges will, in theory, make it easier and faster for people to meet the requirement that they buy it. The exchange also will affect the health insurance industry. Insurers still will be allowed to sell policies outside of the exchange, but the role of insurance agents and brokers in the new system is still unclear. If Idaho doesn't create an exchange, proponents such as Idaho Gov. Butch Otter worry that Idaho insurers and agents will be snuffed out by a federal exchange that owes nothing to Idaho's insurance industry. "Let's say there's 12 states or 15 states" that cannot or will not run their own exchanges, said Idaho Department of Insurance Director Bill Deal. Then, he said, the federal exchange could end up "using companies that are licensed and approved to business in all 50 states," not just Idaho or a few states.

Q: The Idaho exchange would cost millions of dollars. Why is it so expensive to set up a website?

A: When the state applied for a federal grant to get started on creating the exchange, it asked for \$30.9 million, which the governor said is mostly for information technology. It took federal health officials 17 pages to explain what the IT systems should look like.

Beyond just the online portal, the exchange must be private and secure — but simultaneously capable of sharing information with other data sources, like a federally managed hub that will supply facts like citizenship status.

Idaho has some experience with this already. The Department of Health and Welfare works with about 22 federal and state databases to verify Idahoans' eligibility for public programs, said Director Dick Armstrong.

Q: Who will pay for the exchange?

A: Under the federal law, the exchange must pay for itself by 2015. One option for a revenue source is a fee or premium tax, said Deal. Utah's exchange, which has about 200 small-employer groups participating, is funded by fees, he said. The Utah exchange opened up to the entire small-employer market in fall 2010. Consumers can buy plans online on their own or directly from an insurer, or they can find an agent to provide in-person help.

It has a budget of \$600,000, a staff of two people, and 146 health plans on the menu, Director Patty Conner told *Governing* magazine last year. The exchange has five insurers and relies heavily on brokers to educate small-business employers, according to Utah's Office of Economic Development.

Q: If Idaho has its own exchange, will it drive more people to Medicaid?

A: No. More Idahoans will qualify for Medicaid starting in 2014 because of other provisions of the federal law. Exchanges would streamline the application process for the newly Medicaid-eligible citizens, letting them find out right away if they qualify, but it would not cause them to become eligible.

Q: I haven't been able to afford health insurance. Will this help?

A: It might. The health care law creates federal subsidies for people whose incomes are too high for Medicaid but within 400 percent of the federal poverty line. The exchange would tell people if they qualify for that subsidy. The law's proponents argued that a more-competitive marketplace created by the exchanges — and a larger pool of people buying insurance — would lower costs.

Q: Who will run the exchange?

A: The draft bill that Idaho's task force approved would create a 13-member governing board with 11 voting seats — three representing insurance companies, three representing small employers of varying size, one representing consumers, two for insurance salespeople and one legislator from each chamber. The nonvoting members would be from the departments of Health and Welfare and Insurance.

This alarmed small-business owners in the Idaho Main Street Alliance, which backs the federal law. They said insurers would have too much power on the board. They want insurers to have a voice but not a vote.

“I think they'll be making decisions in the interest of insurers and not consumers,” said Heather Smith, state director for the alliance. Given the choice between either a board with three insurer votes or no state exchange, Smith said the group would reluctantly take a federal exchange.

Brent Mathieu, a naturopathic physician and Main Street Alliance member in Boise, said he wants more consumer and small-business representation on the board. Mathieu worries that “premiums and choices of policies will be limited.”

Q: Why are some legislators opposing it?

A: Legislators like Rep. Vito Barbieri, R-Dalton Gardens, argue that acquiescing to any part of the 2010 law is a bow to socialism. Barbieri told reporters this month that he believes a health exchange is bureaucracy where it doesn't belong.

Others question whether Idaho should bother. “If you have to do everything the feds want anyway, then why not let the feds run it?” House Majority Leader Mike Moyle told The Associated Press.

Q: How has this turned out in other states?

A: Most states don't have bills passed yet. Many were either awaiting federal guidance when they held their 2011 legislative sessions or were waiting until the Supreme Court rules on the law. The court will hear the case in March and likely rule before its current session ends in June.

Others got hung up on conflict-of-interest concerns and whether the exchange should be an agency or a nonprofit — Idaho's bill calls for a state-level public agency — and who would govern it and how to pay for it, said Joy Johnson Wilson, health policy director for the National Conference of State Legislatures.

“Some of the states that have filed on the (Supreme Court) case said, ‘It seems like we shouldn't be moving forward on the exchange if we're part of the suit,’” she said.

Wayne Hoffman of the Idaho Freedom Foundation made that argument before the Legislature's health care task force last year.

“But that seems to be falling away. ... It's the notion that if the court upholds (the law) and you're not moving forward, then you don't get the money to assist you establishing an exchange,” Johnson Wilson said. “You'd have to do it with state dollars.”

States also are more apprehensive about gambling on a Supreme Court ruling, because the case “isn't as cut and dried as everyone thought,” she said.