

NAIC Committee Backs Flexible Framework for Health Exchanges

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The NAIC Health Insurance and Managed Care Committee approved a model law for regulating insurance exchanges states will develop as part of the federal health reform law.

The model will help states formulate publicly available, partially subsidized exchanges for those seeking coverage in the individual and small group markets beginning in 2014. It leaves to the states the flexibility to devise their own options for structuring and governing the exchanges. The Affordable Care Act requires that exchanges be managed by a governmental agency or nonprofit entity, but the American Health Benefit Exchange Model Act does not recommend a particular option (BestWire, Nov. 16, 2010).

The committee-approved draft "meets the basic expectations of the federal law," said Illinois Insurance Director Michael McRaith, who led a subgroup that drafted the 11-page document. "The states' legal options are left to the states," he said.

The NAIC model describes the advantages of direct management by a state agency -- a direct link to state administration and coordination with other agencies. It also describes the disadvantages -- politicization of operations and a lack of flexibility in hiring and contracting. Instead of addressing controversial policy points, the committee's work will be accompanied by 12-14 objective issue briefs for state legislators and regulators to consider, McRaith said.

Regional exchanges or agreements for interstate exchanges, which are permitted under the act if approved by the U.S. Department of Health and Human Services, will be considered in drafts for other models to be considered by the NAIC (BestWire, Nov. 16, 2010). The approved exchange model urges states to review the details of their own statutes and regulations for compliance with the federal law on issues such as what constitutes a "small employer" -- and to be mindful of the potential impact of adverse selection if their definitions differ for exchange and nonexchange policies.

Under the health reform law, once operational, the exchanges will be open to individuals and employers with up to 100 employees. Insurance shoppers will be able to choose from four tiers of plans, based on coverage levels -- platinum, gold, silver and bronze -- plus a bare-bones catastrophic coverage plan for those younger than 30 or exempt from the mandate to obtain coverage (BestWire, April 19, 2010).

California opted for an independent agency in legislation signed by Gov. Arnold Schwarzenegger in September. The act created the California Health Benefit Exchange and a five-member independent commission to manage it and determine eligibility, enrollment and coverage requirements under qualified carriers (BestWire, Oct. 1, 2010). Massachusetts and Utah have existing exchange mechanisms that differ widely and predate the federal act.