



NC Needs an Open, Accountable, Pro-Consumer Health Benefits Exchange

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EXECUTIVE SUMMARY:

-  **Lawmakers should use language negotiated by stakeholder groups at the North Carolina Institute of Medicine as a starting point for the health benefits exchange legislation.**
-  **Any board governing the health benefits exchange should exclude insurance company representatives.**
-  **The health benefits exchange should be transparent, accessible, and include strong protections for families and small businesses**

NORTH CAROLINA MUST ESTABLISH a health benefits exchange by January 1, 2014, or the federal government will establish an exchange on the state's behalf.

The health benefits exchange is a new market for insurance where many families and small businesses will purchase coverage. The exchange will assist people with enrolling in coverage, it will make eligibility determinations, and it will help protect the interests of families, small businesses, and other consumers when they are shopping for insurance plans.

For six months the North Carolina Institute of Medicine convened a series of stakeholder meetings to study how best to establish a health benefits exchange in the state. Stakeholders including hospitals, doctors, businesses, state agencies, insurance companies, insurance brokers, and consumer groups mostly agreed that the exchange should operate as an independent nonprofit governed by a board of directors.

Most of the parties participating in the Institute of Medicine process agreed on legislative language establishing a transparent and accessible exchange. Insurance companies objected to several points in the draft language, including the powers of the exchange to protect consumers and the financing mechanism for the exchange. But the majority of the language was supported by, and even written by, insurance companies.

House Bill 115 is legislation creating a health benefits exchange that dismisses the work accomplished by the stakeholder group. It discards language mandating that meetings of the exchange be open and that records of the exchange be public. It drops standards ensuring that the exchange is accessible. It also includes the governing board from the state's high risk insurance pool, which is inadequate for the health benefits exchange.

The health benefits exchange will be the central market for insurance in North Carolina. It is critical that this market be open, transparent, accessible, and accountable. It is also important that people have faith that the exchange is fair and focused on the best interests of consumers.

That is why, for example, the high risk pool board will not work as a governance model for the exchange. The high risk pool is an insurance product. The exchange is a market that includes many regulatory functions to protect families and small businesses. It makes sense for insurance companies to serve on the board of the high risk pool. It is unacceptable for insurance companies to help oversee this new market where the insurers would be regulating themselves.

Instead of working from House Bill 115, legislators should use language written by stakeholder groups as a starting place for the exchange. There are too many details negotiated at the Institute of Medicine that are lost in House Bill 115. Additionally, any board overseeing the exchange should consist primarily of experts without conflicts of interest. These experts in health law, health policy, risk management, and information technology should constitute at least half of the board.

The state's Insurance Commissioner should serve as an ex-officio member of the board as should the state's Medicaid director. Under no circumstances should insurance company representatives serve on the board. Instead, insurance company representatives should serve on an official advisory panel to share expertise and insight with the board.

It is a clear conflict of interest for insurance company representatives to serve on the board. Such a move would fuel public skepticism and backlash against the exchange legislation. Governance will be the key test for consumers to determine the fairness of the health benefits exchange.

In addition to a strong board without conflicts of interest, the health benefits exchange should include other consumer protections to guard against the problem of only unhealthy people purchasing policies in this new market. The exchange must assist people enrolling in coverage; it must have a reliable and stable source of funding; it must have some ability to standardize policies if necessary to make shopping easier; it should collect premiums from small businesses so that employers are only writing one check each month for employee premiums; and it should have some ability to exclude substandard health benefit plans from participating in the exchange.

Legislators should not start from scratch in designing a health benefits exchange. This is a sensitive and controversial topic that will have long lasting impacts in North Carolina. Stakeholders have already negotiated most of the details of an exchange through the Institute of Medicine process with only a few objections by insurance companies.

Lawmakers should start with the comprehensive language from the Institute of Medicine and add a strong board that includes insurance companies serving in an advisory capacity. Then the state will be on its way to building a competitive exchange that benefits families and small businesses across the state.