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Painting Ourselves into a Healthcare Corner?

Written by

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In 2010 President Obama signed the Affordable Care Act, requiring states to establish health insurance “Exchanges” for individuals and small businesses by January 1, 2014. Federal regulations define the state Exchange as a “robust marketplace,” designed to “increase choice” among “competing health issuers and health plans.”

But Vermont’s new health law, Act 48, sets our state on a radically different course. Instead of restructuring the individual and small group health insurance market and forcing insurers to actively compete on service, cost and coverage, our Governor and legislature intend to choose one or two carriers, design a single plan for us (with a choice of deductibles only), and prohibit the sale of any other plans to individuals and small businesses.

Further, our leaders want to apply these rules to all employers from 1 to 100 employees. This means that any employer of that size will have no choices except what is offered through the Exchange, and will be charged the same community rate, rather than a rate based upon the employer’s own experience, wellness and incentive programs, etc.; something businesses with 50-100 employees now benefit from.

The result: the Exchange would be the only venue to purchase insurance for 98% of Vermont businesses and 65% of Vermont employees, and their only choice will be between two levels of deductible.

Vermont’s Exchange, in other words, effectively eliminates choices and prohibits alternatives that may suit individual and company needs better or are more affordable than what the state can offer. Our leader’s goal is to use Vermont’s Exchange as “a stepping stone to single payer.” Their plan will collapse virtually all private insurance into a single carrier (maybe two) with a single plan design with two deductibles.

This may appear reasonable at first, but what is not being discussed is the enormous risk created by locking the state into a monolithic program with nowhere else to obtain private insurance.

The Shumlin Administration says if costs cannot be contained and federal waivers aren’t obtained, Vermont won’t move to a single payer in 2017. If that’s the case, the Exchange won’t be a stepping stone; it will be the final destination. It would be the only place to buy private insurance. One must ask: what if the 2014 Exchange plans aren’t affordable? What if the one or two carriers can’t satisfy patients and providers with timely and accurate administration of claims? What if people demand richer benefits, driving up costs and subsidies and in the end, taxes? What’s Plan B?

Instead of painting ourselves into a corner, Vermont should develop an Exchange that delivers on President Obama’s vision of giving consumers better choices. The Exchange should offer a robust selection of plans competing for your business on cost, service, quality of providers, and reforms that reward high quality providers and innovative prevention and wellness benefits. Carrier and plan choices should be compared and presented with total transparency, and consumer protections enforced. If individuals and small businesses don’t like the new choices available on the Exchange, they should have the opportunity to purchase plans which meet state and federal requirements outside the Exchange.

The Administration is now telling legislators that federal rules mean there would be no difference between inside and outside the Exchange. That’s just not so. The federal rules say all plans (inside or outside) have to meet federal minimum requirements; it does not say plans have to be identical. The federal rules also say that the same premium has to be charged for the same plan inside and outside of the Exchange. It doesn’t say the same premium has to be charged if the plans are different.

If there's no difference between inside and outside of the Exchange, it's because that is the way the Administration has designed it, to force everyone into the Exchange. Plans outside the Exchange can be different, and therefore have different premiums. If Exchange plans are better, people will choose them. If plans outside provide better value, wouldn't that compel Exchange plans to improve?

I'm reminded the bumper sticker that appeared when Haagen Dazs tried to stop grocers from stocking Ben and Jerry's in their freezers: "What's the Dough Boy Afraid Of?"

If the Green Mountain Care Board successfully contains costs and designs an affordable single payer for implementation in 2017, steps can be taken to modify the Exchange between 2015 and 2017. However, it is too risky to plan the Exchange now, assuming it's only a temporary solution, when it may become the only game left.

We can design the Exchange for 2014 to force changes that favor consumers and businesses, and provide incentives for innovation, cost control and choice. If the Exchange works, we will all flock to it; but if it doesn't work, we need a safety value and the option to go elsewhere.

While Act 48 has laudable elements, the approach taken for the health insurance Exchange must be amended this legislative session to take full advantage of the federal law so those depending upon private insurance are not exposed to the risky one-size-fits-all approach now pursued by Governor Shumlin and the legislature.

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The above editorial first appeared at <http://campaignforvermont.org>. Jeanne Keller is a policy analyst and observer of health care reforms in Vermont since 1979. She is President of Keller and Fuller, Inc., a Burlington consulting firm. She blogs on health care reform at <http://vtreform.wordpress.com>