



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Health Insurance Exchange Stakeholder Meeting

Before the:

Pennsylvania Insurance Department

Presented by:

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On behalf of it thousands of members from across the Commonwealth of Pennsylvania represented by the PA Chamber of Business and Industry, I would like to thank you for this opportunity to provide you with comments regarding the planning and establishment of a Health Insurance Exchange in Pennsylvania.

The PA Chamber of Business and Industry is the Commonwealth's largest broad based business advocacy association. Our membership crosses all industry sectors consisting of Fortune 100 companies to sole proprietors representing nearly 50 percent of the private workforce. My name is Sam Denisco and I the director of government affairs for the PA Chamber.

As you know, the Patient Protection and affordable Care Act (PPACA) establishes new federal private health insurance standards. As part of the Act, states have the opportunity to create "American Health Benefit Exchanges." These exchanges will facilitate the purchase of qualified health insurance plans by individuals and small employers.

I commend you for taking the time to listen to stakeholders such as the PA Chamber during this unique time. For years, the business community has been struggling with the affordability of health insurance to its employees. Increases in premiums from year to year are in the double digits. Bottom line is that the status quo is certainly not sustainable. Let me be clear, my organization did not support PPACA for several reasons that I will not specifically cite at this time. From our standpoint, PPACA is all about insuring people and not reducing the cost of health insurance.

One thing that PPACA did give us, the Commonwealth, is the flexibility in developing our own Health Insurance Exchange. The PA Chamber understands the differing opinions on what form

reform generally should take. That being said, now we have an opportunity for PA to act in order to ensure that the foundation upon which to build an effective Exchange in PA is established.

Insurance regulation historically has been a state function and PA already has a viable existing regulatory infrastructure, as well as the experience necessary to implement a successful Exchange.

Therefore, we strongly believe that Pennsylvania should create its own Health Insurance Exchange.

The Exchange design should not be left to the federal government, which will be the ultimate consequence if the General Assembly fails to act.

Further, while PPACA has only been in law for about 18 months, the idea of Health Insurance Exchanges has been around for a long time, discussed by various administrations, and implemented in a select few states. There are even private exchange-like models that have been in existence for years. So, the creation of a state run-and-operated exchange is not a new concept.

As you deliberate of the next several months on what a PA Exchange will look like and how it will function, I respectfully ask that you consider some of the guiding principles that the PA Chamber has developed:

- There has been considerable dialogue nationally on how an Exchange should conceptually function. Some policy-makers believe that the exchanges must be “active purchasers,” empowered to selectively contract with carriers, set tougher participation criteria than the federal standards and/or negotiate price discounts in order to effectively serve consumers. Others believe the best way to serve consumers is to have the exchange provide the broadest possible array of plans. We believe that that PA should

establish an Exchange as a market organizer and not as a market purchaser. Rates should be market driven and not state-negotiated or state prescribed rates.

- A Pennsylvania Health Insurance Exchange should allow our existing health insurance market to continue to operate outside the Exchange. It is critical that the Exchange supplements, not replaces, the existing health insurance market.
- The Exchange should ensure a level, competitive playing field in order to avoid adverse selection between the new market created in the exchange and the existing market outside the Exchange. No additional responsibilities may be placed on a health plan or a health insurer based solely on participation in the exchange.
- Limit the functions of the Exchange to those necessary to fulfill the requirements of the federal law. During initial implementation, focus should be limited to essential functions with more complex functions added after extensive financial evaluation is completed and an acceptable funding mechanism has been identified. As an example, limited essential functions include: acting as an internet portal to direct consumers to participating health plans, evaluating enrollee eligibility for other government sponsored plans and transparently providing health plan cost and quality information that can be used to make consistent comparisons between health plans.
- Restrict any extraneous fees necessary to support the Exchange to those utilizing the Exchange and not to those choosing coverage in the private market. Similarly, any

revenue realized by the Exchange should be kept with the Exchange and used for its administration and not transferred to other fund accounts.

- An annual performance report should be required which at minimum includes the following: the number of uninsured individuals acquiring coverage through the exchange, including the length of time that individual has gone bare and whether the lack of coverage is from the individual being unemployed or their employer discontinued providing coverage; the number of individuals who moved from existing employer coverage to the Exchange and reason for the shift; the number of individuals receiving a subsidy; and the average retention of an individual in the Exchange.

Again, I thank you for this opportunity to provide you with some of the ideas the PA Chamber has on Exchange development in the Commonwealth. Moving forward, I hope that you will strongly consider including representatives of the business community in stakeholder discussions relative to Exchange development. The PA Chamber looks forward to working with you and other policy makers in the near future.