

Grant Outcome Report

Market-Based Options for New York's Health Insurance Exchange

The Problem

The Affordable Care Act (ACA) required that residents in all 50 states have access to a health insurance exchange by 2014. The exchanges created central marketplaces where individuals and employers can compare the benefit options and costs of all public and subsidized private insurance options available in their geographic area. The exchanges are managed by governmental, quasi-governmental, or nonprofit entities and oversee standardization of benefits and cost-sharing, bear some responsibility for restraining premium growth, and enroll individuals in coverage. Since the exchanges became fully operational in 2014, they have played a major role in the purchase of private health insurance by individuals across the United States.

The ACA provided significant flexibility to states to design their own exchanges, but the exchanges needed to be ready to begin accepting applications by October 1, 2013. Thus, with the quick pace of decisions needed to shape the exchanges, the New York State Health Foundation (NYSHealth) supported the Manhattan Institute (MI) to examine ways to inject market-oriented and consumer choice-focused approaches to the design of New York State's health insurance exchange.

Grant Activities and Outcomes

In an effort to develop exchange options that would create affordable insurance choices while expanding coverage, MI:

- Extensively researched the ACA's requirements and provisions related to health insurance markets and exchanges and summarized them in the appendices of the final report;
- Reviewed various relevant studies, including those published by the American Academy of Actuaries, Manatt Health Solutions, Forum for Health Economics & Policy, and the United Hospital Fund, and consulted with leading health insurance experts;
- Commissioned a microsimulation of hypothetical premium increases and costs on a New York exchange, based on a variety of requirements that New York may or may not have instituted, to demonstrate how

KEY INFORMATION:

GRANTEE

Manhattan Institute for Policy Research

GRANT TITLE

Developing a Framework for New York's Insurance Exchange

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GRANT AMOUNT

\$79,083

FUNDING

Expanding Health Care Coverage

prices may factor into purchase decisions at various benefit coverage levels; and

- Developed a preliminary white paper to serve as a draft discussion paper and convened in March 2011 a private half-day conference of national experts to discuss the paper's recommendations and solicit their input.

MI published a public report in April 2011: "Building a Market-Based Health-Insurance Exchange in New York."¹ Among the report's major conclusions:

- The creation of large, predictable markets is important for insurance buyers and sellers. New York needed greater stability and certainty in its small-group and individual insurance markets.
- An overly restrictive exchange—where, for instance, State regulators only allow a handful of narrow plan options to be sold on the exchange—could diminish consumer choice and plan participation. With few plans permitted in an exchange, healthy individuals may choose not to buy coverage, thereby damaging the exchange's risk pool and driving up costs.
- A market organizer framework for New York's exchange, providing free flow of plan choice and competition, would lead to more customized insurance options and lower costs for consumers. Under this framework, an exchange would establish baseline criteria for health plans and offer all that meet that criteria. The report highlights Medicare Part D, the prescription drug benefit, as a positive consumer-driven approach that allows beneficiaries to choose from many coverage plans while using policies, such as late enrollee penalties, to keep program costs below original projections.
- New York should encourage a range of cost-sharing and health insurance plan designs, including health savings accounts; change New York's community rating provisions to enable less-expensive plans for younger enrollees; operate the exchange as an independent entity rather than a government agency; and provide for a defined contribution option for small business purchasers in the exchange, as modeled by the Utah Health Exchange.



The report received wide-ranging media attention, including an op-ed by the report's author, Paul Howard, in Albany's *Times Union* and additional press coverage in *Crain's New York*, *Ithaca Journal*, *Star-Gazette*,

¹ To read the report, visit this link: <http://nyshealthfoundation.org/resources-and-reports/resource/building-a-market-based-health-insurance-exchange-in-new-york>.

Democrat and Chronicle, and *National Underwriter* magazine. Furthermore, the nation's health insurance industry association, America's Health Insurance Plans, featured the report and extensive excerpts on its website.

The report was disseminated to all members of the New York State Legislature and Capital-based reporters. The report's author was invited by the chairs of the New York State Senate's health and insurance committees to present his recommendations at a public roundtable discussion, and he testified at a public forum on the exchange hosted by the State's insurance department in May 2011. Subsequently, Senator Kemp Hannon, Chair of the State Senate Health Committee, and others introduced legislation in the State Senate to create a market-organizer type of exchange, in the model of that proposed by MI's paper.

As the pace of draft legislation for an exchange in New York State advanced more quickly than expected, MI expedited publication of its final report. Although initially planned for publication in May 2011, MI issued its final report in April 2011 to coincide with and inform the drafting of exchange legislation proceeding in Albany.

The Future

MI's work on the exchange influenced the debate that preceded the creation of New York State's exchange, NY State of Health Marketplace. MI's work to devise potential exchange options, and NYSHealth's support of that study, was cited by the nation's leading health policy journal, *Health Affairs*, in early 2012. The creation of an exchange in New York proceeded in January 2012 when New York State Governor Andrew Cuomo included a proposal for the creation of the exchange in the State's 2012–2013 budget. NY State of Health Marketplace is similar to that passed by the New York State Assembly in June 2011. The Marketplace takes a centralized approach and operates as a public benefit corporation. MI's paper helped to inform the debate that led to the existing formulation of the Marketplace in New York.

BACKGROUND INFORMATION:

ABOUT THE GRANTEE

The Manhattan Institute for Policy Research (MI) is known for its private, market-oriented and consumer choice-oriented solutions for health care. Its Center for Medical Progress encourages the development of market-based policies to sustain medical progress and promote medical innovation.

GRANTEE CONTACT

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