

**STATEMENT OF MILA KOFMAN, J.D.
EXECUTIVE DIRECTOR OF THE HEALTH BENEFIT EXCHANGE AUTHORITY
COUNCIL OF THE DISTRICT OF COLUMBIA COMMITTEE ON HEALTH
COUNCILMEMBER YVETTE ALEXANDER, CHAIRPERSON**

**PUBLIC OVERSIGHT ROUNDTABLE ON THE
DISTRICT OF COLUMBIA HEALTH BENEFIT EXCHANGE AUTHORITY
“THE BETTER PRICES, BETTER QUALITY, BETTER CHOICES FOR HEALTH
COVERAGE AMENDMENT ACT OF 2013”**

**Monday, May 13, 2013 – 11:00 AM
Room 123, John A. Wilson Building**

**Mila Kofman, J.D.
Executive Director
Health Benefit Exchange Authority**

Chairperson Alexander and members of the Committee, my name is Mila Kofman and as Executive Director of the DC Health Benefit Exchange Authority it is an honor to be here.

Today I would like to update you on the significant progress we've made to ensure that we are open for business on October 1, 2013. Also, I would like to discuss why we need you to pass our legislation called “The Better Prices, Better Quality, Better Choices for Health Coverage Act of 2013.”

The District of Columbia has within its power to establish a truly competitive, consumer-centered, private health insurance marketplace for residents and small business owners. Together we can ensure that individuals and small business owners have access to high quality affordable coverage – a Marketplace exchange where you can choose coverage that meets your budget and needs, a marketplace where you can choose to buy from all insurance companies, a policy of your choice – a marketplace where you don't need a PhD in insurance to compare prices and options because you will have basic information to make smart choices – where all prices and easy to understand options are there for you in one place. Look, choose, and enroll – as simple as that! And get the tax credits that will make premiums affordable (tax credits paid directly to the insurance company of your choice).

Progress

Information Technology

As you know, the City signed a contract with an IT company in January 2013 to build our on-line marketplace. Building the web-based insurance marketplace successfully is critical to receiving full certification as a state-based exchange. While other states started last year and

some in 2011, in the District in just a few months we surpassed all expectations and answered “naysayers” loud and clear. The Federal Government notified us that we passed Wave II testing – and we were the first jurisdiction in the country to pass wave II testing!

This is a major milestone for our team. The Federal Government requires all conditionally certified state-based exchanges to show substantial progress building the IT infrastructure. Through such testing the federal government determines if they have to come in and build a federal IT infrastructure. Only the states that demonstrate substantial readiness are allowed to continue. Once again, with the strong support from the Council and the Mayor, we continue being a leader.

This accomplishment would not have been possible without the strong team effort of several DC government agencies and the strong leadership of Director Berns of DHS. I also want to thank the entire IT team and especially Marina Havan and Suzanne Peck for their extraordinary leadership, dedication, and perseverance.

Importantly, our success would not have been possible without the support of the Mayor; members of the Authority’s board in particular Director Turnage, Commissioner White, and Director Levin. And a seven member Executive Board of private citizens of the District made a commitment to get this done. And with your strong support for our efforts and your leadership we were able to move forward. Thank you Chair Alexander – for your advocacy for stronger procurement authority for the Exchange.

Insurance company choices for consumers

I am also very excited to report that we have received letters of intent from the four major insurance companies in the District – together representing almost 100% of the market. Aetna, CareFirst BlueCross BlueShield, Kaiser Permanente, and UnitedHealthCare have all notified us in writing that they will participate in the District’s Marketplace Exchange. While we continue to actively reach out to other insurers to encourage them to participate, it is exciting that all four major carriers here will be selling coverage through our Marketplace Exchange. This means you can choose to buy coverage from all major carriers -- Aetna, CareFirst, Kaiser, or United.

These insurance companies have also told us that they plan to offer lots of options of health insurance policies. One company alone plans to offer between 100 and 150 different policies through the DC Marketplace Exchange. Individuals, families, and small businesses will be able to compare many more plans than they can today.

The Better Prices, Better Quality, Better Choices for Health Coverage Act of 2013

Our process for building the District’s Marketplace Exchange has truly been community-based. Since January 15 subject-specific working groups have been working hard to develop consensus policies and policy options where consensus was not possible. Our Standing Advisory Board and three standing advisory committees have also provided us with input and advice. Hundreds of people have been members and many more have participated in these groups. With more than 50 public meetings and expert assistance from nationally recognized experts like Jon

Kingsdale (the first executive director of the Massachusetts Connector), these policy committees of diverse stakeholders including consumer and patient advocates, small business owners, insurers, brokers, physicians and other providers have compromised and reached consensus to keep us moving forward on the fast track.

The result is a carefully balanced package of policies that seek to protect patients and consumers while providing for a competitive marketplace in which insurers can do business. The Better Prices, Better Quality, Better Choices for Health Coverage Act of 2013 includes policies developed through this community-based stakeholder process. The legislation was submitted to the Council by Mayor Gray and we welcome his strong support for these policies (see Mayor Gray letter dated May 13, 2013).

New options for small business owners and their workers

In the current marketplace, most small businesses cannot offer their employees a choice of health insurers and choice of policies. The Marketplace Exchange creates new options for small businesses to offer their employees choices of insurers and policies and employers can decide what kind of choices to provide. This will give small businesses and their employees the kind of choices that only large companies and their employees have today. In the Marketplace Exchange, the business owner can:

1. Choose to allow their employees to enroll in any insurance company's health plan in a specific category of coverage (called metal level – platinum, gold, silver, and bronze);
2. Choose to allow their employees to enroll in any health plan a particular insurer offers;
3. Choose one policy from one insurer for all their employees, as most do today.

New options for all consumers

District residents coming to the Marketplace Exchange will be able to compare many more options than they do today. There are no limits on how many different health plans insurers can offer through the Exchange. Insurers can offer all types of health plans and innovative products with benefits beyond the essential health benefits benchmark. None of the new rules apply to grandfathered plans, which are exempt under the Affordable Care Act from many new consumer protections. So if you have a grandfathered plan, you can keep it or you can come to the Marketplace Exchange for better options.

The legislation includes important benefits for patients including parity for mental health and substance abuse treatment with no limits on days or visits; applied behavioral analysis coverage for children with autism; and drug formularies that include the drugs people with HIV/AIDS need to live long, full lives.

We are excited about opening up the District market to everyone and creating new private market options that don't exist today. Some have claimed that the Exchange will limit individuals' or small businesses' choices. Just the opposite is true. District residents and businesses have more and better choices than ever before.

One Big Marketplace: Real Competition for Your Business

We have proposed creating one big marketplace in the District for individual and small business coverage to force insurers to compete for business based on price and quality. Our proposal to create one big marketplace will ensure that premiums for residents and small businesses are reasonable. When insurers are forced to compete for business, they have to set competitive prices. Otherwise they will lose business to their competition.

We can create real competition and reasonable prices by having all premiums and health insurance policies – individual and small group – be displayed on the Marketplace Exchange web portal. When you shop for coverage, you should be able to see all of the prices side-by-side so you can make apples-to-apples comparison and choose the plan that is right for you. Putting consumers in the driver's seat for the first time means that insurance companies have to compete for your business.

In contrast, if insurers are allowed to continue a second marketplace outside of the Exchange, there is a significant risk that they will drive their profitable business to that market and fail to offer the variety of choices and prices that will make the DC Exchange Marketplace less robust, and potentially creating significant inequality between products sold in the Exchange and those sold outside the Exchange. These are the kind of inequities that the health care law is trying to eliminate.

Our proposal is practical. It will ensure that District residents get the best prices, best quality, and best choices possible to meet their health care needs and protect their financial security.

We have already seen many of the headlines including an average of 25% higher rates proposed by the largest carrier in Maryland. We have all heard dire predictions by many in the insurance industry that we must prepare for “rate shock.” The 2014 rates in the District should reflect our specific population – a smaller pool of uninsured people who are relatively young and healthy, it is critically to take the necessary steps now to ensure that coverage is, in fact, affordable.

This is not an untested theory. I have attached a recent news report from Oregon. According to news reports, “This is what competition looks like: One health insurer wants to charge \$169 a month next year to cover a 40-year-old Portland-area non-smoker. Another wants \$422 a month for the same standard plan..... a comparison of proposed 2014 health premiums became public online, causing two insurers to request do-overs to lower their rates even before the state determines whether they're justified....The unusual development was sparked by a comparison that used to be impossible because plan benefits varied so widely.” [One insurer] asked to lower its requested rates by 15 percent....spokesman, says the "primary driver" was a realization that the plan's cost projections were incorrect. But he conceded a desire to be competitive was part of it. [Another insurer] said the insurer will ask the state for even greater decrease in requested rates....the company realized its analysts were too pessimistic after seeing online that its proposed premiums were the highest.” (see full story attached)

By creating one big marketplace for the District we have the opportunity to open the market to all, through real private market competition to keep premiums reasonable for all, and leverage the purchasing power of all small businesses and individuals just like large employers do today.

I thank you for the opportunity to testify. I urge the Council to approve the “Better Prices, Better Quality, Better Choices Act” with the important consumer protections as well as the one big marketplace for all. To help ensure that health insurance premiums are reasonable and that our goal of health insurance for all residents and small businesses here in the District becomes a reality it is important to approve this legislation quickly. Thank you, again, for this opportunity to appear before you and for your support for the DC Marketplace Exchange.

May 9, 2013, article from The Oregonian.

http://www.oregonlive.com/health/index.ssf/2013/05/two_oregon_insurers_reconsider.html#inca-rt_river

Two Oregon Insurers Rethink 2014 Premiums as State Posts First-Ever Rate Comparison

*By Nick Budnick, The Oregonian
May 09, 2013*

This is what competition looks like: One health insurer wants to charge \$169 a month next year to cover a 40-year-old Portland-area non-smoker. Another wants \$422 a month for the same standard plan.

The new health insurance marketplace envisioned by federal health reforms doesn't formally kick in until fall. But it already is taking shape – and consumers for the first time can compare, premium by premium, identical plans by different insurers.

Soon they'll be able to compare benefit-by-benefit as well.

On Thursday, a comparison of proposed 2014 health premiums became public online, causing two insurers to request do-overs to lower their rates even before the state determines whether they're justified.

The unusual development was sparked by a comparison that used to be impossible because plan benefits varied so widely. But under the federal reforms that take effect Jan. 1, health insurance is mandated and every insurer must offer certain standard plans.

Starting in October, the change will drive competition in a health insurance marketplace called Cover Oregon where individual consumers and small business owners can comparison shop. Though the state's comparison charts are far less detailed, they foreshadow what Cover Oregon is trying to do.

"Posting rate comparisons company-by-company is a taste of what is to come," says Cheryl Martinis of the Oregon Insurance Division.

Judging by the reaction, there's already an impact.

Providence Health Plan on Wednesday asked to lower its requested rates by 15 percent. Gary Walker, a Providence spokesman, says the "primary driver" was a realization that the plan's cost projections were incorrect. But he conceded a desire to be competitive was part of it.

A Family Care Health Plans official on Thursday said the insurer will ask the state for even greater decrease in requested rates. CEO Jeff Heatherington says the company realized its analysts were too pessimistic after seeing online that its proposed premiums were the highest.

"That was my question when I saw the rates was, 'Can we go in and refile these?'" he said. "We're going to try to get these to a competitive range."

The oregonhealthrates.org website provides the filings by the individual carriers and a comparison of certain requested rates in the individual and small business market, broken down by region. The rate comparison shows identical standard-benefit plans rated bronze, silver or gold for their level of benefits for small businesses, as well as individual non-smokers aged 21, 40 and 60.

The easy rate comparison is only one of the changes consumers who buy their own insurance can expect in 2014.

Another is higher premiums in the 2014 individual market, though for many people they'll be offset by tax credits. The higher rates are because people with pre-existing conditions can no longer be denied coverage. Also, plans have to offer stronger benefits than they used to, leading to higher premiums.

The changes have spawned much speculation, with some predicting "rate shock" for people who buy their own policies. Now consumers can see for themselves what premiums could be available, at least for certain plans.

Meanwhile, at least half the potential customers who buy their own insurance will qualify for a sliding scale of income-based tax credits that could more than-eliminate any price hikes. Nearly 400,000 Oregonians are expected to purchase their own insurance as tax credits lure previously uninsured consumers.

In addition to comparing insurance plans, Cover Oregon can enroll people and qualify them for tax credits.

Individual consumers and small businesses will be able to talk by phone or use computers to get questions answered. Insurance agents and outreach workers in the community will also be available to help.

It's too soon to start shopping. The rates posted Thursday by the Oregon Insurance Division still must be approved by the state in July. The full Cover Oregon website launches in early October.