

**Statement of
Mila Kofman, J.D.
Executive Director
DC Health Benefit Exchange Authority
Before the
Council of the District of Columbia
COMMITTEE ON HEALTH
COUNCILMEMBER YVETTE M. ALEXANDER, CHAIRPERSON

PUBLIC OVERSIGHT ROUNDTABLE
On
The District of Columbia Health Benefit Exchange Authority
Thursday, January 31, 2013
10:00 a.m., Room 412, John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004**

Madame Chair, Members of the Committee, my name is Mila Kofman. I am the Executive Director of the DC Health Benefit Exchange Authority. As I complete my first month on the job, I am pleased to appear before the Committee and greatly appreciate the invitation to do so.

It is a privilege and honor to be here. I would like to thank you for your personal commitment and the commitment of the entire Council and the Mayor. Due to your efforts, the District has been successful in expanding access to health care. I also thank you for your commitment to full implementation of the Affordable Care Act and to the establishment of the Marketplace exchange.

I am excited to serve as the Executive Director of the Exchange Authority. I have spent my career focusing on making health insurance more available, affordable, and consumer-focused. As a federal regulator at the U.S. Department of Labor, as a research faculty member at Georgetown University, and as Superintendent of Insurance for the State of Maine, I have worked with stakeholders across the spectrum to reach our common goal of an insurance marketplace that serves the needs and protects the rights of individuals and businesses.

Enactment of the Affordable Care Act is an historic opportunity – to have a private market that works for people and to ensure long-term sustainable financing of medical care using our private health insurance market. The District has a successful track-record of advancing progressive policies that have made health care and coverage available to people who live here.

We should be proud of the fact that the District has one of the lowest percentages of uninsured residents in the country. But we know our job is not finished when nearly 1 in 10 of our neighbors lives each day without the benefit of health coverage. People without insurance are more likely to delay obtaining needed care and to suffer severe consequences in terms of poor health, lost wages, and, sadly, premature death. When they seek care it is often in emergency rooms and other facilities

that cost much more and are not designed to provide the kind of comprehensive primary care that keeps people healthy.

We also know that thousands of District residents are under-insured. By that I mean they have coverage – often at a very high cost – but it doesn't cover needed services and often isn't there for them when they need it most. Policies with very high deductibles, limited benefits, annual or lifetime limits on benefits can create significant financial risk for people and families. In fact, a study by researchers at Harvard University found that nearly 60 percent of all personal bankruptcy filings in the U.S. are caused by high medical costs. And three-quarters of those people have health insurance. That's not good for families and it's not good for our city.

Finally, we know that small businesses pay an average of 18 percent more for coverage than their larger competitors and often get fewer benefits. Many small businesses are forced to choose between providing their workers with a salary increase or keeping health benefits. These are choices that hurt businesses and families.

The Affordable Care Act seeks to address many of these problems by creating a level playing field for individuals, families, and businesses. A key feature of this is the creation of new competitive marketplaces that will allow people to choose the coverage that is best for them and where insurers compete based on price and quality. These private marketplaces – also known as Exchanges – will have tough new rules that prohibit some of the worst practices of the insurance industry including caps on benefits, benefit gaps, cancellation of coverage due to an error on an application, and refusing to sell policies to people due to a medical condition they may have had a decade ago. People who buy coverage through the marketplace exchange will have a choice of plans, an important improvement in a market where most people who have insurance have little or no choice. And people will have access to significant help with paying for premiums and out-of-pocket expenses.

Starting this fall, thousands of District residents will have the opportunity to begin choosing health care coverage that will take effect on January 1, 2014. At the Exchange, we are focused on setting up the best possible marketplace that reflects the needs and values of our communities. We will be ready for business and people who enroll through the Exchange will have quality coverage effective January 1, 2014.

But to get to a working marketplace we have a lot of work to do. A great deal already has been done and I thank our sister agencies for the incredible work that they and their staffs have done.

I'd like to take a few minutes to discuss what needs to be done quickly and give the Committee an understanding of how we are going about getting it done.

First, while the Affordable Care Act establishes minimum consumer protection standards, states and the District have a great deal of flexibility to shape our marketplace to meet the needs of our businesses and of the people who live here. Many decisions need to be made in the first quarter of 2013 so that consumers, insurers, employers, and others will know how the marketplace will operate

and so the Exchange we build reflects our City's values and priorities. Among the policy issues that need to be addressed:

- Key details of the essential health benefit package that must be included in all health plans offered in 2014 and beyond;
- Rules for network adequacy to make sure people have access to physicians, providers, and hospitals;
- Quality standards for plans;
- Coverage of dental care;
- The billing and collection of insurance premiums;
- Number of health plan options offered;
- Certification of insurers that will sell health coverage in the marketplace;
- IT development specifically enrollment and plan options; and
- Outreach including assisters (consumer/community/business groups) and role of insurance agents and brokers.

To help us make these decisions, I have asked people with diverse backgrounds and interest to volunteer to serve on a series of working groups and explore the issues in detail and seek consensus on the best way for the District to proceed. I have been incredibly heartened by the response. Each of these groups includes consumers, employers, insurers, agents and brokers, physicians, and others to ensure a comprehensive exchange of ideas. They are already at work and I am confident that they will bring forward a set of recommendations for the Board that will represent the diversity of experience and the unity of purpose that the District needs. The work of these policy working groups will be reflected in a legislative package from the Exchange.

I have also been meeting with the insurers who have served our community to hear their ideas, answer their questions, and discuss the path forward. We are taking steps to make it easier for insurers who do business in Maryland to also do business through the DC Exchange. We will have a robust insurance marketplace that will provide District residents and businesses with many choices of coverage and insurers – choice that does not exist now. I will keep you informed about these important discussions as we move forward.

In the coming weeks, I will rely on our local community of businesses, insurers, consumers, and many others to help us build our exchange marketplace. This will include how we can most effectively reach consumers to help them learn about the new rights and responsibilities.

In addition to policy decisions that need to be made and establishing a community-based process for making those decisions, I have had discussions with consumers, employers, insurers, insurance agents and brokers, and others about a few policy decisions that the Board of the Exchange made in the fall of 2012.

In October, the Exchange Board approved a plan to create a single marketplace for individuals and for small businesses (up to 50 employees). A single market can increase the level of competition among insurers, achieve premium savings through administrative simplification, and, ultimately lower costs for consumers and employers.

One of the first things the Board asked me to do when I arrived was to examine this policy decision and to reach out to stakeholders for additional input. Any change needs to be considered carefully. I have had dozens of meetings and discussed the single market decision with people with diverse interests including insurance companies, consumer advocates, insurance agents/brokers, and small business owners. A key theme of these conversations is the need for a transition. We are working on the details of a transition and I have asked stakeholders for help with specific details. I expect that our legislative package that will be submitted to you in March will include the consensus work done through policy stakeholder working groups, policies where consensus was not possible, and it will include a transition to the single market.

Another crucial part of our work will be the development of the web-based tool that consumers will use to examine choices, compare plans side by side, and, ultimately, enroll in the plan of their choice. Unlike choosing a hotel or an airline flight, the selection of a health plan has many questions and factors for consumers to consider. The on-line tool will help guide consumers so that they can make informed decisions. City residents also will be able to rely on the significant expertise of health insurance agents and brokers to help guide them, at no cost to the consumer. The vendor (InfoSys) with subcontracts with Connecture and others is developing the IT system. Connecture is also working with the Maryland Exchange. It is important to be as efficient and cost effective as possible. Using the same system will make it easier for insurers doing business in Maryland to also do business in the District and those already doing business in both will have to build only one IT data system instead of having to spend resources on different systems.

Madame Chair and Members of the Committee, I look forward to working with you in the weeks, months, and years ahead to ensure all residents of the District enjoy the full benefits of our nation's health care law. I would be happy to respond to any questions you might have. Thank you.