



Idaho Association of
Commerce & Industry
The Voice of Business in Idaho®

September 20, 2011

Honorable C.L. 'Butch' Otter
Governor of Idaho
Statehouse Mail
Boise, ID 83720-0034

Dear Governor:

Thank you very much for the leadership your office has demonstrated in providing an option for the state of Idaho as it relates to the overall issue of health care reform. We would like to express our support for the careful and thoughtful debate and wise decisions about what is in the best interest of Idaho citizens and businesses.

IACI formed a subcommittee over a year ago to begin the process of considering Idaho's overall health care policy and how it might fit in with federal reform. We have discussed a wide variety of issues and, with the development and passage of the federal reforms, we have tried to envision a future that would most benefit Idaho's citizens in a manner that would represent an economically realistic position.

Within that discussion has been the concept of a health insurance exchange through which individuals and small businesses would be able to easily compare and contrast various health plan offerings with a variety of different coverage levels. Through an open market exchange, we believe competition is enhanced which benefits both business and the citizenry. It additionally should help contain health care costs by encouraging more individuals to manage their health care needs through the private market, rather than relying on government solutions through either the catastrophic fund or Medicaid – both of which have been slow to adopt a managed care model. Therefore, IACI has and continues to support the development of an exchange to meet Idaho needs.

Part of the federal mandate is that Idaho create its own health insurance exchange. We believe that, regardless of the mandate, the creation of an exchange is good for the state. Obviously the details of how to create the exchange are highly important to the overall success of such an exchange. We therefore recommend that Idaho proceed with a cautious approach that incorporates the greatest amount of flexibility, to adapt as necessary, and to ensure it is both cost-effective as well as efficient.

As a result, IACI supports your prudent decision for the state of Idaho to request federal grant assistance to develop such an exchange. We have seen estimates of as much as \$26 million for the adoption of "Phase 1" and an additional \$14 million for the adoption of "Phase 2." It should be made clear that our position in support of requesting up to \$40 million in federal funding is based on two very practical reasons: (1) to protect Idaho's citizens from higher taxes, and (2) to safeguard Idaho's ability to control its own destiny when developing an exchange, which we believe is a conceptually sound policy idea.

Your wise decision gives Idaho control of its own destiny. By not requesting the grant money, Idaho would have lost its ability to work in the best interests of small business and individuals. The result of the loss of control would have dictated that Idaho be forced to turn over precious resources to the federal government in the form of potentially higher taxes and fees, which would put an already delicate economy further in jeopardy. Requesting the funding now does not bind Idaho's hands to create the exchange the federal government wants, as we can turn back the dollars at any time in the process. Maintaining Idaho's ability to plan for an exchange by pursuing this route is important and appreciated.

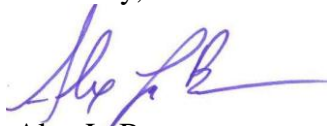
By requesting the grant dollars, Idaho will have the ability to carefully evaluate the actual cost of the development of an exchange and will only use those dollars as necessary. We view the \$40 million as money we can use, but we would certainly support using less and returning the remainder as we determine the real costs for creating the exchange, which could actually be less. By requesting the dollars, we can work with private contractors who can give Idaho more detailed estimates based on the structure of an Idaho-formed exchange.

By having the request in place, it will give the Idaho legislature and Executive branch the ability to work through the process of creating an exchange that is right for the state. IACI has already come forward with several recommendations on a structure that we believe not only would be certifiable, but an effective system for Idaho's small business and individuals (*see attached*). It is our intent to continue to work with decision-makers and stakeholders in the creation of a governance structure for the exchange that maximizes flexibility and the utilization of market principles that we believe will make an exchange the right policy for Idaho.

We appreciate the opportunity to share our thoughts with you and your staff and appreciate your leadership on this very important policy issue. Please let us know how we can be of assistance in supporting your efforts.

Thank you for all you do for the great state of Idaho.

Sincerely,



Alex LaBeau
President

attachment

cc: Mark Benson, Chair, IACI Board of Directors
Christy Neuhoff, Chair, IACI Health Care Subcommittee

ACA QUALIFIED STATE EXCHANGE

**Below are key elements to consider in the development of a state exchange
for the individual and small group markets**

Issue	Decision / Recommendation
Exchange Purpose	<p>What purpose(s) should the Idaho Exchange seek to accomplish?</p> <p>RECOMMENDATION:</p> <ul style="list-style-type: none"> • Increase the number of individuals and small employers with health and dental coverage • Maximize competition and minimize mandates and complexity • Make acquisition of coverage more transparent and understandable to the consumer
Exchange Structure	<p>How shall the exchange be structured, a single exchange for both individual and small group or two separate exchanges?</p> <p>RECOMMENDATION:</p> <p>The Idaho Exchange should have a single information technology and administrative structure, but two markets, one for individual coverage and one for small groups each with their own risk pool.</p>
Exchange Governance	<p>Who would be responsible for governing the Idaho Exchange?</p> <p>RECOMMENDATION:</p> <p>The Exchange should be governed by a corporate in body politic entity, and that legislation should specify the scope of authority for the governing entity and the method for appointing and removing members of its board.</p>
Financing	<p>How will the start-up and ongoing costs of the Idaho Exchange be financed?</p> <p>RECOMMENDATION:</p> <p>One source of funding for ongoing costs should be the premium taxes currently dedicated to the High Risk Pool, which will cease to exist once the Exchange begins operation. Since we do not know the magnitude of the operating costs for the Exchange, we do not know whether there will be a need for additional funding, but suspect that there will. We did not discuss a recommended source for start-up funds.</p>
Market Role	<p>Should the Idaho Exchange be a “market maker”—selecting health insurers and certain qualified health plans through procurement process—or a “market organizer”—open to all health insurers and all of their qualified health plans?</p> <p>RECOMMENDATION:</p> <p>The Idaho Exchange should be a “market organizer” rather than a “market regulator.” The Department of Insurance should retain the role of a market regulator. The Exchange should NOT create competing programs with the private sector.</p>

Issue	Decision / Recommendation
<p>Navigators & Brokers</p>	<p>What organizations should the Idaho Exchange engage as navigators and how should navigators be compensated by the Idaho Exchange?</p> <p>RECOMMENDATION:</p> <p>The state should evaluate other state models for navigators. A navigator should have a minimal role in assisting people in walking through the system without any specific bias to particular products.</p> <p>The state should also seek input from brokers, but IACI recommends the exchange not interfere or attempt to regulate the contractual agreements between insurance providers and brokerage firms.</p> <p>Should the Exchange pay commissions to brokers for enrolling eligible individuals into qualified health plans made available through the Exchange?</p> <p>RECOMMENDATION:</p> <p>The state should not interfere with existing broker/carrier commission agreements.</p>
<p>Exchange Functions</p>	<p>What functions, if any, should the Idaho Exchange carry out (beyond minimum functions required by PPACA) to accomplish its purpose(s)?</p> <p>The minimum functions for the Exchange required by PPACA are:</p> <ol style="list-style-type: none"> 1. Certify, recertify and decertify health plans as qualified health plans; 2. Operate a toll-free consumer assistance telephone hotline; 3. Maintain an Internet portal displaying standardized comparative information; 4. Assign a quality/price rating to each qualified health plan; 5. Present information about qualified health plans utilizing a standard format; 6. Provide an online calculator for determining an individual's actual cost of coverage after applying any applicable federal premium tax credit and cost-sharing subsidy; 7. Provide for the PPACA-required open enrollment periods; 8. Provide information about the eligibility requirement for Medicaid, CHIP and any other state or local public health program and enroll individuals identified through the Idaho Exchange's application screening process as eligible for such program in the applicable program; 9. Grant individuals certifications of exemption from PPACA's individual mandate' 10. Transmit specified information about certain individuals to the Department of Treasury and to employers; 11. Establish a navigator program; and 12. Publish information about exchange-related costs. <p>RECOMMENDATION:</p> <p>Idaho should establish an effective, but streamlined exchange that will enhance the market availability for individuals and small businesses. The functions should not exceed the minimum functions required.</p>