



**Public Forum on the Establishment of a
Health Insurance Exchange in New York State**

Testimony of the Greater New York Hospital Association

May 18, 2011

Good morning. I am Kathleen Shure, Senior Vice President of Managed Care and Insurance Expansion for the Greater New York Hospital Association (GNYHA). GNYHA represents 250 not-for-profit and public hospitals and continuing care facilities concentrated in the New York City region but also located throughout New York State, New Jersey, Pennsylvania, Connecticut and Rhode Island. All of GNYHA's members are either not-for-profit, charitable organizations or publicly-sponsored institutions that provide services ranging from state-of-the-art tertiary services to basic primary care necessary to support their surrounding communities, many of which are medically underserved. GNYHA members and their affiliated medical schools also provide extensive medical education and training and undertake cutting-edge medical research benefitting patients all over the world. We greatly appreciate the opportunity to testify today on the subject of a health insurance exchange (the Exchange) for New York.

The ACA and the Exchange

Although the Patient Protection and Affordable Care Act (ACA) includes painful Medicare and Medicaid reimbursement reductions to GNYHA member facilities, we strongly supported its passage because of the promise it affords to extend health coverage to millions of Americans. Financial support for that coverage is provided under the ACA through Medicaid expansion and the establishment of premium subsidies for individuals earning up to 400% of the Federal poverty level. But the ACA mechanism

for ensuring that people can access health coverage that provides the most value is the creation of state-based insurance exchanges.

Exchanges are organizations intended to create a more organized and competitive market for buying health insurance. They will offer a choice of different health plans and be required to certify plans that are offered. Exchanges will also be responsible for determining eligibility for public programs and premium subsidies and will provide consumers with information and assistance to help them better understand their coverage options.

The ACA requires states to establish insurance exchanges through which individuals and small businesses can purchase affordable coverage that meets standards set forth in the law and in implementing regulations. If a state is unwilling or unable to establish an exchange, the Secretary of the Department of Health and Human Services (HHS) is required to establish one. Decisions as to whether a state's exchange will be locally or federally run will be made by the Secretary in January 2013, only 19 months away. The ACA's success in fulfilling its promise of extending health coverage will be determined in part by the effectiveness of the insurance exchanges and by decisions about how, and the rules under which, they will operate.

New York's Exchange

In the case of New York, GNYHA believes these decisions are best made at the State level, where there is ample opportunity for stakeholder input and where government officials are knowledgeable about local insurance markets, the health care delivery system, and consumer needs. Since there appears to be widespread agreement on this point within the State, it is

important that we begin to move forward in establishing the framework for operation of New York's Exchange so that Federal approval can be secured in January 2013. Important initial decisions that must be made include:

Should there be one statewide Exchange or multiple regional exchanges?

Under what auspices should the Exchange operate and how should it be governed?

These are the critical issues that require policy determinations now and should guide the framework for enabling statute to be enacted this year. Our recommendations on these issues are as follows:

- ***A Single Statewide Exchange***

GNVHA believes there should be a single statewide Exchange to ensure maximum efficiency and uniform standards. However, we must also recognize that New York State is extremely diverse in terms of geography, population, insurance markets and provider delivery systems. One of the critical functions to be performed by the Exchange is assisting consumers in navigating their coverage options. Because numerous local government and community-based organizations with expertise in providing this assistance already exist, we believe that a statewide Exchange that taps into these existing resources would be most effective.

- ***A Public Authority***

New York has options under the ACA to establish its Exchange within a State agency, as a public authority, or as an independent not-

for-profit entity. To ensure public accountability, New York's Exchange should be either a State agency or a public authority. In weighing these two options, the public authority appears to provide more flexibility and nimbleness than a State agency, which would be more completely bound by cumbersome procurement and civil service policies and procedures. We therefore recommend that New York's Exchange operate as a public authority.

- ***Stakeholder Representation on Board***

With respect to governance, GNYHA believes the Exchange should have a board comprised of representatives of relevant State agencies, consumer groups, the insurance industry, health care providers, business and labor. This would likely require a board of approximately 12–18 members. We understand that the Secretary may issue guidance on Exchange board governance. Should that guidance place restrictions on stakeholder participation, GNYHA recommends the statutory creation of a stakeholder advisory group to provide input to the Exchange board. At a minimum, the advisory group should include provider, insurer, employer and labor representatives but should also be small enough to ensure meaningful dialogue and input.

Future Policy Considerations

There are numerous other policy decisions that must be made prior to the Exchange becoming operational in January 2014. These include many of the questions the State is seeking comment on in these public forums such as whether or not the small group and individual markets should be merged, the number of plans to be offered through the Exchange, how to ensure

affordability, and how to prevent adverse risk selection. Other issues that will require consideration include what to do about State mandates and whether or not to modify State community rating rules. GNYHA agrees that these are issues of both vital importance and significant complexity that will require additional research and analysis and will also benefit from guidance expected this year from the Federal government. GNYHA therefore believes that decisions on these issues can be postponed for the time being. That does not mean we think these decisions should be left to the Exchange board, but rather that they can be deferred to future legislation and/or regulation. There is ample time for continued robust public discussion of these issues over the coming months, and GNYHA will participate actively in the debate, approaching it with the perspective described below.

The success of health care reform will be measured by the reduction in the number of uninsured and also by the extent to which we succeed in bending the health care cost curve. The hospital community is doing its part to achieve both goals by absorbing significant reimbursement reductions under both the Medicare and Medicaid programs and by engaging in delivery system and other reforms authorized nationally under the ACA and locally through the work of the Medicaid Redesign Team (MRT). These delivery system reforms are critical to reducing the actual cost of delivering health care.

GNYHA believes that the primary role of the Exchange is to provide a competitive marketplace for insurance that provides consumers and small businesses with affordable coverage options. The Exchange should function as a clearinghouse with uniform rules, standardized products and consumer

friendly materials and processes. Limiting the number of plans participating in the Exchange is probably less important than limiting and standardizing the number of products offered. We believe the Exchange can also contribute to affordability by fostering robust market competition based on value and by creating a large insurance pool for spreading risk. We do not believe the Exchange should attempt to impose artificial affordability through price controls for insurers or providers, nor do we believe it should interfere in the business relationships between insurers and providers. Under the ACA, the Exchange is intended to be a marketplace and should function like one. We also believe that it is important that the Exchange not be invested with significant regulatory or policy making responsibilities. New York already has two State agencies (the departments of Health and Insurance) charged with regulating the health insurance industry. Those agencies should be provided with the resources they need to fulfill their oversight responsibilities. There is no need for a third regulatory body.

Thank you for the opportunity to share our thoughts. The health reforms enacted through the ACA hold the promise to truly transform our health care system. GNYHA looks forward to continuing to work with State government and stakeholders throughout the State on reform implementation.