

HEALTHCARE FACTSHEET

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HEALTH EXCHANGE

PART THREE IN A FIVE PART
PRIMER SERIES

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Designing a Health Insurance Exchange: The Right Choices for Texas

The Affordable Care Act (federal health reform) creates new health insurance “exchanges” or marketplaces that will open in 2014. Each state will have an exchange, and will decide whether to design and run its own exchange, or turn that job over to the federal government.

If Texas chooses to set up and run its exchange, the state will have broad flexibility to design a health insurance marketplace that meets the needs of Texans. If Texas leaders do not act soon, the federal government will have the responsibility of designing Texas’ exchange. Whether decisions are ultimately made by the Texas Legislature or the Obama administration, Texas’ exchange should be designed to give Texas families and small businesses more control, high-quality choices, and better protections when buying health insurance.

Designing an Exchange that Works for Consumers

A Texas-run exchange or a federally run exchange in the state should meet these standards to best serve Texas consumers.

- 1 Good governance without conflicts of interest.** To ensure that the exchange marketplace meets the needs of its purchasers, consumers and small businesses should have strong representation on the board. Entities that stand to profit from the exchange, such as insurance companies and agents, should be on an advisory panel, not on the exchange governing board. The exchange should be operated in a manner that ensures transparency and public accountability.
- 2 Ensure stability and affordability.** Insurers selling coverage outside of the exchange should not be allowed to sell lower-quality, pared-down coverage to divert younger and healthier people away from the exchange. This will raise premiums and threaten the stability of the exchange. To succeed, the insurance market outside of the exchange should compete on a level playing field with the exchange.

WHAT IS A HEALTH INSURANCE EXCHANGE?

An exchange is a competitive marketplace for health insurance—think of Travelocity for airplane tickets and Amazon for books—that will give consumers more control, quality choices, and better protections when buying health insurance. Individuals, small businesses, and members of Congress will be able to buy coverage in the exchange starting in 2014. Sliding-scale federal subsidies will be available through the exchange to low- and moderate-income families to help ensure coverage is affordable.

For more background on exchanges, see [Part One in our Primer Series](#).



- 3 Robust navigator program.** The exchange should contract with a diverse array of “navigators” to help enroll people in hard-to-reach communities. Navigators should be trained in public and commercial coverage and certified by the exchange. Navigators will not sell insurance like health insurance agents and should not be required to get an agent’s license.
- 4 Clear, consumer-friendly information.** Information on benefits and how to enroll should be easy-to-understand and available in multiple languages. The exchange should provide online decision-making tools and a manageable number of plan choices that allow for apples-to-apples comparisons of the benefits and costs.
- 5 No wrong door.** Exchange eligibility functions should be fully interoperable with the existing Medicaid and CHIP system for a no wrong door approach that can provide seamless transitions as families move between Medicaid, CHIP, and the exchange.
- 6 Maximize value for consumers.** The exchange should ensure the choice of quality plans at good prices by setting minimum standards for plans and leveraging its market power, just as larger employers do, to get the best deals for Texans.
- 7 One statewide exchange.** A single statewide exchange will be more cost effective to build and ensure consistency across the state. One exchange will also ensure a larger pool of enrollees, attracting more insurers and maximizing the exchange’s bargaining power.
- 8 Sustainable funding.** Exchange planning and operations will be fully federally funded through 2014, after which the exchange must be self-sustaining. It should generate funding that is adequate, sustainable, and results in an exchange that Texas consumers can trust and use to find good-quality, affordable coverage.

Texas Leadership Must Act Soon to Develop a State-based Exchange

The surest route to a Texas-based exchange is for the Texas Legislature to pass a bill authorizing an exchange during the 2011 regular session (ends on May, 30 2011). Several exchange bills have been introduced. As of April 15, only one bill, House Bill 636 by Representative Zerwas, has had a hearing. But it is stuck in committee because of a potential veto threat from the Governor.¹

To be sure Texas has a state-run exchange, Texas has to demonstrate to the federal government by January 1, 2013 that the state will be ready to launch an exchange one year later. If a bill is not passed during the regular 2011 session, one would have to be passed in a special session before 2013. But to be judged ready, Texas will have to do much more than just have a law on the books. We will also have to have the necessary planning, design, and IT systems work done.

If Texas leaders choose to postpone 2011 legislative action on a Texas exchange, at a minimum, the state must continue to apply for and use federal exchange establishment grants. This funding will allow Texas state agencies to do the extensive background work and preparation needed in 2011 and 2012 to demonstrate that Texas could be ready to open a state-run exchange on January 1, 2014.

Endnotes

- 1 Sarah Kliff, “Texas-sized problems with the health law,” *POLITICO Pro*, April, 4, 2011.

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