

The passage of federal reform brings unprecedented opportunity to foster key improvements to the health insurance system. At the core of this prospect is the emergence of state- and regional-based health insurance exchanges. In the exchanges, individuals with incomes between 133-400% of poverty will receive refundable tax credits in order to purchase private health insurance and will pay affordable sliding-scale premiums capped at 2% - 9.5% of income. Small employers will also be able to participate in the Exchange, and low wage small businesses can receive tax credits up to 50% of the employer share of premium. Based on the data of the UCLA Center for Health Policy Research, the California exchange will ultimately subsidize up to 45% of individuals purchasing private insurance and cover 2.3 million of our uninsured.

The federal reform law requires states to have fully functioning exchanges by January 2014. It specifies that the exchanges offer coverage for individuals and small businesses, and that it be operated by a government agency or non-profit entity. Health plans must adhere to the exchange guidelines in order to offer subsidized coverage through the Exchange. Purchase of insurance through the exchanges will be available for U.S. citizens and legal permanent residents. The exchanges will also contain new consumer protections that health plans must adhere to in order to take advantage of the new market.

While states will be obliged to adhere to those federal requirements, the law leaves a majority of the construction of the exchanges to the states. Some of these large questions include:

- Should the state establish its own pool or be part of the federal pool?
- Should the exchange be statewide or a regional consortium of neighboring states?
- Should the entity be a public agency, or public-private partnership, or a private non-profit organization?
- Should the exchange be a web-portal, like E-Insurance or an active price and coverage negotiator?
- Should a Board govern the exchange? If so, how? Make-up? Selection?
- What will be the relationship between the exchange, private insurance and public programs?
- Should there be a separate small employer pool or should individuals and small employers buy as part of the same pool?
- Can there be a public option in the exchange?
- How do we maximize participation and outreach?
- What will be the roll of brokers? CAA's?

Because of the scope and importance of the California Health Benefits Exchange, the state's elected officials are already moving forward to initiate the Exchange this year and begin its construction in January 2011. Two pieces of legislation currently moving through the

legislature, AB 1602 (Perez) and SB 900 (Alquist & Steinberg), would, if passed, establish the Exchange and set forth its foundation and scope. While the bills are very similar, they do contain notable differences.

The table below is meant to outline what policies the bills currently contain and help compare their differences.

	<b>Assembly Bill 1602 (Perez)</b>	<b>Senate Bill 900 (Alquist &amp; Steinberg)</b>
<b>Over-all Legislative Intent for the Exchange</b>	<ul style="list-style-type: none"> <li>• Establish the Exchange and the California Health Benefits Exchange Fund to support the administration of the Exchange.</li> <li>• Provide millions of Californians the opportunity to purchase coverage through the Exchange.</li> <li>• Reduce number of uninsured Californians by creating an organized, transparent marketplace for people to purchase affordable, quality healthcare coverage.</li> <li>• Strengthen the health care delivery system.</li> <li>• Guarantee availability and renewability of coverage for qualified individuals and small businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• Make available quality and affordable health care coverage to all eligible Californians, thus meeting the requirements of the PPACA.</li> <li>• Create an easily understandable marketplace where consumers can come and seek out their choices for affordable healthcare coverage, and if eligible, claim their federal tax and cost-sharing subsidy.</li> <li>• Organize Exchange so that the health coverage and cost choices foster competition based on price and quality.</li> <li>• Specify all of the requirements and permissions given to the Exchange to operate in accordance with the PPACA.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Governed by an Executive Board of 5 members. 2 appointed by the Governor, 1 appointed by the Speaker of the Assembly, and 1 appointed by Senate Rules Committee. The 5<sup>th</sup> shall be the Secretary of California HHS or her designee.</li> <li>• Members must have demonstrated expertise in at least two of these areas: the health care coverage market, the small group health care coverage market, health benefits plan administration, health care finance, administering a public or private health care delivery system, or health plan purchasing.</li> <li>• Members serve 4-year terms.</li> </ul>	<ul style="list-style-type: none"> <li>• Governed by an Executive Board of 5 members. 2 appointed by the Governor, 1 appointed by the Speaker of the Assembly, and 1 appointed by Senate Rules Committee. The 5<sup>th</sup> shall be the Secretary of California HHS or her designee.</li> <li>• Members must have demonstrated expertise in at least two of these areas: the health care coverage market, the small group health care coverage market, health benefits plan administration, health care finance, administering a public or private health care delivery system, or health plan purchasing.</li> <li>• Members serve 4-year terms.</li> </ul>

<p><b>Structure</b></p>	<ul style="list-style-type: none"> <li>• Exchange will be “an independent public entity”</li> <li>• The Executive Board will hire an Executive Director to organize, administer and manage the Exchange. The Director will be an <i>ex officio</i>, non-voting member of the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• The Executive Board will hire an Executive Director to organize, administer and manage the Exchange. The Director will be an <i>ex officio</i>, non-voting member of the Board.</li> </ul>
<p><b>Requirements on Plans Participating in the Exchange</b></p>	<ul style="list-style-type: none"> <li>• Plans must disclose all information as deemed relevant to insure transparency of the marketplace (i.e. periodic financial disclosures, data on the number of claims denied, etc).</li> <li>• Plans must report to individuals the amount of cost sharing when requested with additional post on websites, which must be plainly worded and easily understood.</li> <li>• The justification for any premium increase must be submitted to the Board before implementation. Such increases must be quickly posted on the Exchange website.</li> <li>• Plans must make available: claims payment policies and practices, periodic financial disclosures, data on enrollment, data on disenrollment, data on the number of claims that are denied, data on rating practices, information on cost sharing and payments with respect to any out-of-network coverage, Information on enrollee and participant rights under the federal act.</li> </ul>	<ul style="list-style-type: none"> <li>• Carriers participating in the Exchange will be required to fairly and affirmatively offer, market, and sell all products to both individuals and small businesses seeking coverage inside and outside the Exchange.</li> <li>• Plans must use a standardized format for presenting health benefits plan options in the Exchange.</li> <li>• Carriers contracting with the Exchange shall be in good standing with the Dept. of Insurance and Dept of Managed Health Care.</li> </ul>

<p style="text-align: center;"><b>Key Exchange Functions</b></p>	<ul style="list-style-type: none"> <li>• The Exchange will determine the minimum requirements for health plans to meet in order to participate.</li> <li>• The Exchange will implement procedures for the certification, recertification, and decertification of plans as qualified plans.</li> <li>• The Exchange will determine eligibility, enrollment, and disenrollment criteria for enrollees and potential enrollees.</li> <li>• The Exchange will offer the five levels of coverage (platinum, gold, silver, bronze, catastrophic) in each region of the state.</li> <li>• All products offered inside the Exchange will also be offered outside of the Exchange for both individuals and small businesses. There shall be a toll-free hotline to respond to request for assistance.</li> <li>• The Exchange will maintain an Internet Website for enrollees and perspective enrollees to obtain standardized and comparative information about health plans.</li> <li>• The Exchange will assign a rating to each qualified health plan offered in the Exchange as specified by the PPACA.</li> <li>• The Exchange will utilize a standardized format for presenting health benefits plan options.</li> <li>• Establish the Navigator Program and ensure navigators: conduct public outreach and education, distribute fair information, facilitate enrollment, provide referrals, and are culturally and linguistically literate.</li> </ul>	<ul style="list-style-type: none"> <li>• There will be a standardized format for presenting the benefits of health plans offered in the Exchange.</li> <li>• The Exchange will inform individuals of the eligibility for Medi-Cal program, Healthy Families program, and all other applicable state or local public health care programs, enrolling each individual, if applicable after a screening process.</li> <li>• There shall be a toll-free hotline to respond to request for assistance.</li> <li>• The Exchange will maintain an Internet Website for enrollees and perspective enrollees to obtain standardized and comparative information about health plans.</li> <li>• The Exchange will assign a rating to each qualified health plan offered in the Exchange as specified by the PPACA.</li> <li>• There will be available (by electronic means) a calculator to determine the cost of actual coverage.</li> <li>• The Exchange shall make a certification explaining all of the reasons an individual may be exempt from the individual responsibility requirement or the imposed penalty.</li> <li>• The Exchange shall maintain an electronic clearinghouse of all products offered to individuals and small employers inside and outside of the Exchange.</li> <li>• The Exchange will negotiate and enter into contracts, including selective carrier contracts, with carriers seeking to offer coverage in the Exchange.</li> <li>• The Exchange will determine the participation requirements, standards, and selection criteria for carriers and products offered through the Exchange.</li> </ul>
<p style="text-align: center;"><b>Individual Market and Small Employer Market</b></p>	<ul style="list-style-type: none"> <li>• The Exchange will establish a <i>Small Business Health Options Program</i> that is separate from the activities of the Board related to the individual market.</li> </ul>	<ul style="list-style-type: none"> <li>• There will be a separate <i>Small Business Health Options Program</i> that helps employers facilitate the enrollment of their employees in products offered in the small group market of the Exchange.</li> </ul>

<b>Tax Credits</b>	<ul style="list-style-type: none"> <li>• A refundable tax credit to individuals 100% to 400% of the FPL for the percentage of the cost of premiums for coverage</li> <li>• Allows a tax credit up to 35% (and 50% in 2014) of small business health insurance premium cost for qualified small employers.</li> </ul>	N/A
<b>Non-Exchange Policies in the Bill</b>	<ul style="list-style-type: none"> <li>• Allows an individual to stay on parent's plans until age 26.</li> <li>• Prohibits pre-existing exclusion of children (Sep. 2010) and adults (Jan. 2014).</li> <li>• Requires plans to include preventative services.</li> <li>• Prohibits annual and lifetime benefit limits in private plans.</li> </ul>	N/A
<b>Fiscal</b>	<ul style="list-style-type: none"> <li>• Makes federal funding available from 2011 to January 1, 2015, at which time the Exchange must be self-sustaining.</li> <li>• The Board will apply for federal monies made available by the PPACA.</li> </ul>	<ul style="list-style-type: none"> <li>• Start-up costs likely to be in the millions of dollars.</li> <li>• The Exchange fund will be fully supported by an assessment on participant premiums.</li> </ul>
<b>Misc.</b>		<ul style="list-style-type: none"> <li>• Allows the Exchange to issue rules and regulations as needed.</li> <li>• Allows the Exchange to apply for grants from private foundations.</li> <li>• The Exchange is explicitly not subject to licensure or regulation by the Dept. of Insurance and Dept of Managed Health Care.</li> <li>• Allows individuals and employers the right of appeal if they are dissatisfied with the act or failure to act that has occurred as it relates to eligibility and enrollment in the Exchange.</li> </ul>