

Market-Friendly Health Insurance Exchanges & Other State Alternatives:

“and now for something completely different”

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National Congress on Health Insurance Reform

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Exchanges – PPACA Style

- The benign cover story
- Gateway to the regulatory web
- Transitional beachhead
- Capturing larger market share
- Exclusive contracting leverage
- Flammable firewalls
- States as “branch offices”
-

Exchanges – Early Implementation

- PPACA choke points
- Early HHS guidance
- NAIC model act
- Initial state legislation
- Seed money for planning
- January 2013 certification
- No real \$\$\$ till 2014



Political Role Reversal

“It follows that we have no parliament to make use of and no legal right to organize the workers to strike. Basically, the task of the ... Party here is not to go through a long period of legal struggle before launching insurrection and war, and not to seize the big cities first and then occupy the countryside, but the reverse.”

PROBLEMS OF WAR AND STRATEGY

November 6, 1938

Pre-Chairman Mao

States Have More Leverage: Use It or Lose It

- Roll over, or roll back
- Fulcrum for future shape of private insurance markets
- Demonstrate early versions of alternative models
- Maintain integrated control of eligibility & subsidies
- Anti-commandeering legal challenge
- HHS really can't run everything from DC
- What works here may not work there

The List

112th Congress

• OUT

- Firewalls
- Mandates
- Managed Competition
- Bronze Plan Minimums
- Medicaid on Steroids

- High Minimum Standards
- Cost Shifting
- Losses
- Top Down
- Front Loading, Back Loading
- Expert Theories
- Exchanges

IN

- Retargeting
- Incentives
- Competition
- Zirconium Plans
- Maintenance of Everything Else
- Flexible Minimal Standards
- Cost Sharing
- Profits
- Bottom Up
- Unloading
- Proof in Practice

The List

112th Congress

- **OUT**

- You break it...

IN

- You own it.

Real Health Reforms

Alternative model of health benefits exchanges

- Info heavy/regulation light
- State leverage pre-2014 (new governors, positive action)
- Structural chokepoints

Inside/Outside

Keep insurance reg elsewhere

Actuarial equivalence

Compare vs.censor

Menu sans prix fixe

Integrated eligibilty determinations

Plus Other Real Health Reforms

- Alternative risk protection package (high-risk pools, continuous coverage incentives, front end rules for pools)
- Competition & entry (interstate sales/domicile reg; anti-tying for hospital services; data aggregation w/competitive perf measurement for outcomes & experience; AWB/AWS; Medicare competitive bidding)
- Lower subsidies, spread based on income/risk (def contrib, no net tax increase, front-end unsubsidized cost sharing, no mo MOE)
- Focus on 90 percent of avoidable mortality factors not involving health care services
- Decentralize level at which mistakes are made

Outlook:

Cloudy, Chance of Thunder Showers

- Battlefield gridlock
- Permanent law has high ground
- Core problems still need solutions
- Will some governors put different facts on ground
- Don't go away mad; stay mad and do something else
- Remember administrability
- Real versus hypothetical
- Early games of political "chicken"
- Countdown to 2013
- Abstractions don't translate or sustain well
- The overall economy trumps all

Discuss among Yourselves

- “What Republicans Need to Do about ObamaCare”

<http://www.forbes.com/2010/11/03/elections-republicans-obamacare-opinions-contributors-tom-miller-html>

- “How to Reform ObamaCare Starting Now”

<http://www.aei.org/article/102656>

- “How to Cover Preexisting Conditions”

<http://www.aei.org/article/102211>

- “A Better Prescription”

<http://www.aei.org/docLib/ABetterPrescription.pdf>