

Brokers' Use of Health Insurance Exchanges: Lessons from Massachusetts

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Key Elements of Mass. Reform

- Guaranteed issue, comm'y rating (x2 for age), merged individual and small group risk pools
- Individual mandate. Employer “play or pay.”
- Subsidized public plan for <300% FPL if no ESI.
- “Health Connector” = exchange.
 - Offers subsidized coverage only to near-poor (<300% FPL), through Medicaid MCOs (CommCare).
 - Non-subsidized standardized plans to individuals and groups through private plans (CommChoice)

Connector's Employer Programs

- 2009: “Contributory Plan” piloted, modeled on Conn’s CBIA
 - Employer picks “reference plan,” determines contribution amount (at least 50% of base prem.)
 - Employee selects any carrier within same benefit tier
- 2010/2012: “Business Express” -- conventional “sole source” structure: employer picks single plan

Brokers' Views:

- Ranged from hostile to neutral. Almost none were strongly supportive
- Initially, commissions were below market. Also, general agents lose “override” bonus commissions.
 - But they like that Connector pays \$10/month for sole proprietors
- They see Connector as added work, not easier
 - Lots of complaints about TPA service and web interface
- Some fear that Connector might put them out of business

Value Proposition: Better price?

- Community-wide rating prevents discounts
- Adverse selection concerns led to somewhat higher prices by some leading carriers
- Without subsidies, no real potential for large influx of business
- Wellness rebate of 15% is too new to know effect, but appears similar to ACA's small firm tax credit

Value Proposition: Better Choice?

- Contributory Plan was too complicated for many
 - Composite rating vs. list billing (and age discrimination)
 - Wasn't true "defined contribution"
- Missteps reported:
 - Pilot nature limited it to 20 brokers, and only for existing clients, not new business. And no broad advertising.
 - TPA software and service had bugs
- Don't see any choice advantages
 - Coverage isn't innovative; mainly just HMOs
 - Standardization means more conventional and fewer options (e.g., the newest limited benefit plans)
 - Feel they can offer more choice outside the Connector, where expertise is needed to sort through more complicated options

Ancillary Products

- Dental, life insurance, long-term care, etc.
- Not available in Connector, but that wasn't an issue for anyone

Lessons for the ACA

- Pay near-market commissions
- Involve brokers constructively in planning, advising
- Employee choice aspect could be simplified
 - TPA functions could be done better
- Strike the right balance between: choice and standardization, familiarity and innovation, industry cooperation and cooption.