

CRITICAL EXCHANGE QUESTIONS AND ANSWERS

1. Question: What is a health benefit exchange?

Answer: A health benefit exchange is a consumer tool that organizes the health insurance market place for individuals and small businesses. The health benefit exchange is not an insurance carrier. An exchange provides a platform by which consumers can purchase the coverage of their choice from the private market.

2. Question: What does pooling risk mean? Do consumers in the exchange benefit from the pooling of risk?

Answer: Pooling risk means that individuals and small groups are considered for premium setting purposes to be a part of a large group. Insurance carriers in the exchange will pool the risk of all individual and small group consumers separately. The State has an option to combine the risk pools of the small group and individual markets. By spreading risk across a larger number of consumers, small businesses and individuals will benefit from more stable rates. In addition, pooling risks together allows the costs of those at higher risk of high medical costs to be subsidized by those at lower risk. By increasing the number of low risk consumers buying coverage those with higher risk may see reductions in premiums.

3. Question: How is the West Virginia Health Benefit Exchange Board structured?

Answer: The WV Health Benefit Exchange Board was designed to maximize the benefit of a diverse group of stakeholders. While dominated by consumer interests, West Virginia's Board structure also benefits from the expertise and experience of insurance agents, medical providers, and provides for insurance carriers to select their own representative to the Board (carrier Board member cannot be employee of carrier or carrier affiliate). West Virginia's health benefit exchange has been noted for having the most balanced stakeholder representation in the country.

4. Question: Can consumers access premium tax credits for individuals and small businesses by going through the exchange?

Answer: Yes. Consumers can only access tax credits by going through a federally certified health benefit exchange.

5. Question: What will the Exchange cost the State?

Answer: Development and sustainability of the Exchange will not cost the State of West Virginia any money. Federal funding is available for full capitalization of the exchange and the first year of operations in 2014. The exchange must be self-sustaining by January 2015. Regardless of whether or not the State or Federal government operates the exchange, the exchange must be sustained by a fee structure from the jurisdiction where the exchange is being operated. Controlling the policies that may increase the costs of the exchange at the State level would better protect the citizens of the State.

6. Question: How many consumers will access the exchange in 2014?

Answer: All individual consumers and small groups in WV will be able to access the exchange in 2014. This could amount to several hundred thousand citizens accessing their coverage through the exchange. To get a sense of the volume anticipated, the Lewin group estimates that of just individuals accessing the federal premium tax credit through the exchange (citizens between 133-400FPL) to be 178,000 West Virginians. Federal premium assistance for these 178,000 policies amounts to an estimated \$687 million in 2014 alone. These projections, and projections for the small group market and those not eligible for subsidies, will be further researched in the coming months.

7. Question: During the OICs Statewide stakeholder meetings, were there any prevailing messages from stakeholders?

Answer: Surveys at meetings across the State in late 2010 through early 2011 indicated that 98% of those responding felt the Exchange should be operated in West Virginia, while 80% of those responding felt the Exchange would benefit consumers in the State.

8. Question: What if the Legislature did not pass exchange legislation in 2011?

Answer: Enabling authority and a governance structure are prerequisites to draw down maximum federal funding under the exchange implementation grants that were announced January 2011. The grant has two levels of funding available- Level 1 for additional research and planning for approximately \$5 million and Level 2 for 100% Exchange costs from award through December 31, 2014 for approximately \$50 million.

In addition, there is consensus amongst insurance regulators and State policymakers across the country that unless a State starts the process of developing operations and information technology infrastructure in 2011 there will simply not be time to have the exchange operational by the required federal timelines. In this scenario, the State may be forced to cede authority over the exchange to the federal government and all policy decisions that are related.

9. Question: Was the State planning an exchange prior to passage of federal health reform?

Answer: Yes. The OIC was working on the exchange concept prior to the passage of the Affordable Care Act. In 2009, West Virginia was awarded a thirty-six million dollar State Health Access Program grant, part of which was dedicated to exchange development. The OIC felt then, as it does now, that a health insurance exchange will benefit the citizens of West Virginia.

10. Question: What happens if federal health reform is repealed or struck down as unconstitutional?

Answer: The Legislature would decide how to proceed. Under 33-16G-4 of the exchange legislation it states, "The implementation of the provisions of this article, other than this

subsection, section three of this article, and section five of this article, shall be contingent on a determination by the board that sufficient financial resources exist or will exist in the fund, which determination shall be based on, at a minimum:

- (A) Financial projections identifying that sufficient resources exist or will exist in the fund to implement the exchange; and
- (B) A comparison of the projected resources available to support the exchange and the projected costs of activities required by this article.
- (C) In the event any portion of the Federal Act or of any regulation or other guidance issued thereunder is legislatively or judicially invalidated and rendered of no effect in this state, the board shall immediately issue a bulletin setting forth its legal opinion as to the effect of such legislative or judicial action on the legal status of the corresponding provisions of such act, regulation or guidance as set forth in this article or in rules promulgated hereunder; the board shall also issue recommendations to the Legislature for amendments to this article necessitated by such judicial or legislative action.”

11. Question: What happens if the Federal government operates West Virginia’s health insurance exchange?

Answer: The Federal government has been repeatedly asked by West Virginia and other states this question but there has yet to be a substantive response. In essence, West Virginia would be ceding all operational control and policymaking authority related to the exchange to the Federal government with no knowledge as to how these policies or operations will be developed in areas where the Affordable Care Act provides for jurisdictional discretion on exchange policies.

12. Question: Does the health insurance industry prefer the State or federal government operating the exchange?

Answer: There is consensus from major insurance carriers in West Virginia that the State should operate the Exchange as opposed to the Federal government. This has been clearly stated on several occasions, including at a public hearing held by the Legislature in March 2011.

13. Question: Do health insurance agents prefer the State or federal government operating the exchange?

Answer: Many agents have indicated during ongoing meetings with the OIC; during statewide stakeholder meetings; and in the WVHIX Request for Comment that they much prefer the State to operate the health insurance exchange as opposed to the federal government.