



State of Illinois
Health Care Implementation Council

The Affordable Care Act: Key Issues for Public Comment

Health Insurance Reform and the Option of Establishing an Insurance Exchange in Illinois

Response from Illinois Coalition of Agents & Brokers
Illinois Association of Health Underwriters
Independent Insurance Agents of Illinois
NAIFA Illinois

The Illinois Coalition of Agents & Brokers respectfully submits the comments below in response to the Health Care Implementation Council's request for comment. Our coalition and its membership appreciates the opportunity to submit our comments regarding the establishment of an American Health Benefit Exchange in this state pursuant to the federal Patient Protection and Affordable Care Act ("PPACA" or "the Act").

The Illinois State Association of Health Underwriters (ISAHU) is the all-volunteer, statewide organization of the National Association of health Underwriters (NAHU). ISAHU's 3,000 agents and brokers are dedicated to the highest ethical standard and professional development. ISAHU's mission is to improve its members' ability to meet the health, financial and retirement security needs of all Americans through education, advocacy and professional development. All of the local chapters of NAHU (Chicago & Northeastern IL AHU; DuPage Co. AHU, Central IL AHU, Chicago Southland AHU, and Northern IL AHU) hold monthly educational meetings and engage in other educational, social and charitable events throughout the year.

The Independent Insurance Agents of Illinois (IIA of Illinois) is an association of independent insurance agents throughout the state. The membership is engaged in all facets of the insurance industry, giving consumers a choice of products, services and prices as they represent more than one insurance company. In addition to serving the professional needs of its members, the IIA of Illinois works for the betterment of the insurance business and consumer interests in the state by advocating the highest ethical standards for all licensed insurance producers in Illinois.

NAIFA Illinois promotes professionalism of all insurance and financial advisors in the state through ethical standards and licensed business practices. The mission of NAIFA IL is to advocate legislative awareness and involvement, facilitate professional growth and provide leadership development opportunities to licensed providers of financial products and services.

Functions of a Health Benefit Exchange

As an initial matter and consistent with our coalition's longstanding support for state oversight of the insurance industry, we strongly encourage the State of Illinois to establish and operate its own exchange. The development of a state-based exchange is the only way for policymakers to ensure the

interests of our state's consumers are best met. The State of Illinois knows the needs of our diverse constituency and how best to serve the population. It is also advantageous in order to maintain control of the State's private insurance market and maintain authority over public health assistance programs.

The Exchange should be developed with the goal of providing Illinoisans with access to quality health insurance options. Insurance agents and brokers have long served consumers as sources of counsel throughout the insurance sale and claims process. It is critical for the Exchange's success to be structured to incorporate the producer community. Producers provide technical support to individuals and small businesses and help consumers to choose the product which will best fit their current and future benefit needs. Working with agents and brokers will also bolster enrollment and awareness of the Exchange and its products.

Section 1311(d)(4) and other provisions of the Act assign certain responsibilities and duties to state exchanges, and these functions can and should be performed in a manner that is both efficient and consistent with Act's goal of fostering competition. While certain of these tasks will be completed by the exchange directly, there will be other activities that will likely be performed by existing state agencies. The exchange, for example, will likely need to work in cooperation with several state agencies, including the Department of Insurance and the Department of Healthcare and Family Services to make determinations concerning Medicaid eligibility and enroll individuals who are found to be eligible. Section 1311(f)(3) of Act also enables exchanges to contract with private sector entities, and the state should consider whether such entities can efficiently provide certain administrative- and technology-related functions that will be necessary for the operation of the exchange. It may be more cost-effective, in some instances, for private sector businesses to perform some of the non-essential work and provide the behind-the-scenes technological infrastructure needed by a functioning exchange.

State hiring and procurement rules will lead to high costs and a time-consuming bureaucracy. A not-for-profit with an independent board will have greater flexibility and speed to implement health benefit choices for all Illinois' citizens.

Eligibility

Our coalition believes Illinois should utilize the discretion provided by Section 1304(b)(3) of the Act and limit group eligibility to employers with 50 or less employees during the exchange's first two years. Establishing an exchange and getting it operational will be a daunting and complex task for the state, and the effort will inevitably confront unanticipated challenges along the way. Expanding the eligibility threshold at the outset is likely to undermine the exchange's chances of success in its early years.

Health Plan Participation

There are competing visions and philosophies about how state exchanges should operate, and our coalition strongly supports a model that enables competition and innovation to flourish and provides insurance consumers with a broad array of choices. In our view, any health plan that satisfies the relevant federal certification criteria and meets existing state licensing and solvency requirements should be permitted to participate in the exchange. Such an approach will ensure that consumers have the opportunity to review the widest possible variety of options and identify a plan – perhaps with the assistance and guidance of an insurance agent – that best suits their needs and objectives.

Some have alternatively suggested that the new exchange take on a highly regulated approach in determining exactly what insurance products or plans shall be offered via the exchange. Our coalition

does not support this so-called “selective contracting” approach and opposes efforts that would restrict public access to only those plans selected by the government. The exchange should not become an active marketplace participant or possess the power to arbitrarily exclude qualified health plans and limit consumer choice. The most effective way to promote marketplace competition, maintain a level playing field, and avoid any appearance of impropriety or preferential treatment is to permit all qualified health plans to access the exchange.

The state should be careful not to unnecessarily or inadvertently hamper competition within the exchange environment, and we urge caution on imposing any additional requirements as they would be likely to limit health plan access and reduce competition. As a general matter, carriers operating within the exchange must be subject to the same regulation, requirements, and consumer protections that apply outside the exchange.

Market Rules

Again, as a general matter, our coalition believes the requirements imposed on plans offered through the exchange should be equivalent to those that apply to plans offered outside the exchange. We see the exchanges as an addition to a private marketplace that already works efficiently in Illinois. We believe the exchanges should supplement and not supplant the existing market. If such parity is not maintained, adverse selection and undesirable marketplace outcomes are likely to occur. It will be critical for policymakers to establish and maintain a level playing field and avoid tipping the balance in a manner that encourages certain purchasers to move into or out of the exchange for inappropriate reasons.

Financing

The Act requires state exchanges to become financially self-sufficient by 2015, and we urge the State of Illinois to consider and examine a wide range of possible funding sources, including those not targeted exclusively at employers and health insurers.

Additional Required Benefits

The Act provides states with the option of requiring health plans participating in the exchange to offer certain benefits that extend beyond the essential health benefits outlined in Section 1302; however, any state that imposes more stringent coverage requirements must cover the cost of these additional benefits for individuals securing coverage through the exchange. Market disruption and unanticipated consequences could arise if additional benefit mandates are imposed only on plans operating outside the exchange, and we think it most appropriate to establish a level playing field with regard to benefit levels inside and outside the exchange.

Our coalition believes that individuals and small groups examining their alternatives and securing coverage via the exchange should have the ability to do so with the assistance and guidance of a licensed insurance producer. Thousands of licensed insurance professionals in this state have dedicated their careers to effectively serving the insurance needs of their customers, and they bring unmatched experience and expertise to their work. The Act recognizes the benefits provided to consumers by the agent and broker community and permits producers to enroll individuals and small groups in plans offered through the exchange and help consumers apply for applicable tax subsidies. Our coalition believes that any exchange established in Illinois should enable producers to continue to provide these integral and valuable services and provide interested consumers with the capability to contact and work

with a qualified agent.

We strongly concur with the sentiments expressed by the NAIC's recently adopted resolution and agree that employers and consumers will need the professional guidance provided by agents and brokers more than ever. The resolution accurately notes that insurance producers play an "indispensible role" in the health insurance arena, and it is essential that any new exchange environment provide agents and brokers with the opportunity to compete fairly, provide the level of service and responsiveness expected by clients, and be "adequately compensated for the services they provide." As you consider the establishment of the exchange, it is critically important to ensure that producers are appropriately and fairly compensated for the level of service they provide. Finally, it is vital that any person who sells insurance coverage, enrolls purchasers in plans, or confers with or offers advice to consumers about coverage options be required to comply with existing state licensing and marketplace requirements.

Conclusion

On behalf of the thousands of licensed and professionally trained insurance agents and brokers operating throughout Illinois, we sincerely thank you for the opportunity to submit these comments.