Analysis of the Health Care Connector bill
HB 1569, an act relating to the health care system in Washington

by Paul Guppy, Vice President for Research

The intent section of this proposal expresses laudable goals – to create a state-run Connector agency to link more people in Washington to affordable health care coverage. The major weakness of the proposal, however, is that it forces its targeted population to drop any coverage they may already have, and choose among just four or five pre-determined plans, even though a simple internet search already provides information about hundreds of existing health plans. Given these limits, the new agency runs the risk of becoming better known as The Constrictor, rather than a connector.

Intent and Short Description

The bill states its intent is to use, “...the public/private partnership reflected in this act to improve our current health care system so that:

(1) Health insurance coverage is more affordable for employers, employees, self-employed people and other individuals;

(2) The process of choosing and purchasing health insurance coverage is well-informed, clearer, and simpler;

(3) Prevention, chronic care management, wellness and improved quality of care are a fundamental part of our health care system, and;

(4) As a result of these changes, more people in Washington state have access to affordable health insurance coverage and health outcomes in Washington state are improved.”

The Short Description section of the bill says that beginning on January 1, 2009, all individual, small employer (2 to 50) employees and association plan coverage would be purchased through the Connector, a state agency that would provide one stop shopping for coverage and premium assistance. This pool would include about 800,000 people.

• Either four or five plans would be offered through the Connector. One plan would be a Health Savings Account plan with a high-deductible insurance policy.

• Small employers would not be required to offer coverage. If they do, however, it must be through the Connector.
Employers who participate could determine the amount they want to contribute toward employee health insurance costs, and send that amount to the Connector agency.

In the future, state employees, state retirees, county and municipal employees and K-12 school employees might be put into the Connector pool.

**Bill Analysis**

The bill proposes the most sweeping change in health care policy since passage of the health care reform act of 1993. The thing that would happen under the bill is that everyone holding an individual policy or covered by an association plan or a small business would lose his or her current health benefits, and be required to purchase insurance through a state agency.

The Connector bill adds two huge mandates to state law: 1) individuals and small business employees must buy coverage through a state agency and, 2) they must buy no less than the full range of benefits required by that agency, since no low-cost, basic value health plan is allowed.

These two new mandates would be imposed on top of the 50 mandates state law already requires for every health policy sold in Washington. Even if each mandate adds on average one half of one percent to the cost of health coverage (although many mandates, such as mental health parity are much more costly than that), the cumulative impact of Washington’s mandates adds an estimated 25% to the cost of every health insurance policy sold in the state. Even by the most conservative analysis, state mandates add at least 15% to 20% to the cost of health coverage.

In addition to added mandates, the bill sharply limits choices for program participants. Section 205 of the bill says the Connector shall, “develop and approve a benefit design for health benefit plans that will be sold by carriers as individual health plans through the connector. The connector shall offer at least four, but no more than five, benefit packages.”

This provision works against the bill’s intent to “make the process of choosing and purchasing health insurance clearer and simpler.” By approving only four or five plans, the Connector would act, not as a facilitator, but as a filter between consumers and the market, blocking out coverage options that people might otherwise want.

It is good that, of the four or five plans allowed, a high-deductible Health Savings Account - qualified plan is allowed. This option will probably be the one most people could afford. But only one is allowed – no broader choice for individuals is permitted, even though hundreds of HSA plans exist in the private market.

Also, requiring Connector pre-approval for health plans for 800,000 people, does not allow the program to adapt to people’s changing health needs. If a person found an alternative health care policy that he wanted instead, under this plan he would not be allowed to purchase it, because that plan had not been cleared first by Connector agency staff.

In practice what is intended to be an agile, flexible and innovative health care reform could degenerate into just another clunky, slow-moving, top-down government program.
Three Improvements

There are three ways the Connector idea as proposed by the bill could be improved to meet its goal of connecting people to affordable health care choices.

1. Include state employees in the Connector.

Dropping current health coverage for state employees and placing them in the Connector program, as is being proposed for 800,000 other people, would add some 200,000 covered lives to the pool. The larger pool would make it much more attractive to insurers, thus encouraging them to submit competitively priced plans for review by Connector staff.

If the Connector would indeed be offering access to the best deals on health coverage, as the bill envisions, state employees and their families should be granted equal access to it.

At some point large employers may have their employees purchase coverage through the Connector, resulting in an even larger insurance pool. The largest employer in the state is state government. Adding state employees to the Connector would show leadership to other large employers, who would then be encouraged to move in the same direction.

2. Administering the Connector through a chartered non-profit.

The Connector should not be just another state agency, which would quickly become part of the routine culture of government. Instead, the Connector could be administered by a designated non-profit chartered by the state for this purpose. Then the only mission of the administering organization would be to make health care more available and affordable for Washington residents.

State agencies are insulated from the natural discipline of the marketplace, and they are seldom held accountable for the failure of the programs they administer. The success of a separate non-profit, however, would be directly tied to the success of the Connector, resulting in better accountability both to the legislature and to the public.

A further shortcoming of the proposal is that the Connector board includes no expert from the insurance industry, even though consumers, labor unions, small employers, and the Department of Social and Health Service and the Insurance Commissioner’s office are all represented.

3. Don’t limit available health plans – use the power of the internet to give Washington citizens access to a nationwide market in affordable health care.

Right now state law makes it illegal for people in Washington to buy health insurance in another state, no matter how good a deal that policy might be for them. This prohibition generally does not apply to other types of insurance, like auto, homeowners and life insurance.

Today the innovative and fast-moving internet makes access to choice, price competition and product information easier than ever. Dozens of easy-to-use websites provide health coverage information. Examples of consumer-based health insurance websites are:

- eHealthInsurance.com.
- HealthQuoteUSA (at nwinc.com)
- HealthInsuranceSort.com. (BlueCross)
These websites allow consumers to shop among a wide range of health coverage options, all with varying prices and benefit levels. One site alone (eHealthInsurance) lists at least 215 plans.

But because the sites must comply with state law, Washington residents are often not permitted to buy the insurance policy they might otherwise choose. A major improvement would be for the proposed Connector to serve as a clearinghouse that allows Washington residents to buy a qualified health insurance plan in any state.

Often the same insurance policy is much cheaper in other states than in Washington. A typical low-deductible plan for a family of four costs $964 a month in Washington, but only $637 a month in Kansas. In Oregon the same plan costs just $601 a month.

Maintaining consumer protections

The Connector would only allow access to policies sold by legitimate insurance companies that are legally chartered and meet basic reserve and financial auditing requirements. Such companies would also be liable to civil suits, filed either by individual consumers or by the state on their behalf, if these companies fail to meet their legal obligations to Washington residents.

In this way consumer protections would be maintained, while allowing Washington residents to tap a national market. This would give people access to hundreds of affordable health care options, not just the four or five screened through the Connector in Olympia.

Other insurance models work this way. Multi-state companies selling auto, homeowners and life insurance offer choice, good prices and quality service for one reason only. The consumer is in charge, and insurers know they have to please the customer, not government regulators or company benefits managers, in order to get business.

Conclusion:

Greater market choice and better prices in health care are available across the country and accessible through the internet, regardless of what the legislature in Washington does. If the Connector really connects people to more choice and affordability, people will flock to it and the plan will be a success.

If, however, the Connector is seen as a process for limiting choice and access, there would be nothing for people to Connect to. In that case, people would not be inclined to participate, even if forced to drop their existing coverage, and the intent of the policy would fail.

People may simply conclude that the administrator and staff at the Connector agency are not improving their access to choice and affordability in health care coverage. Since the proposal also eliminates the current individual, association and small group markets, people who choose not to participate in the Connector would have no place to go, and the number of uninsured may actually increase as a result.
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