

**Preliminary Report  
Joint Select Committee  
Health Insurance Exchange Governance and Administration Subgroup  
October 21, 2010**

The Governance and Administration Subgroup of the Health Insurance Exchange Workgroup has met twice and includes *Karen Merrikin* (Group Health), *Nancy Ellison* (United Health Group), *Dyhan Lal* (Payor Contracting Providence) and *Sue Sharpe* (St. Luke's Foundation & Whatcom Alliance for Healthcare Access).

The group reviewed different governance models for existing exchanges including the Massachusetts Health Connector Authority, the Utah Health Exchange, Washington's Health Insurance Partnership Board and a brief discussion of the proposed California exchange. They also reviewed the preliminary work of the OIC Realization Committee Governance work group which has developed a set of principles for guiding exchange governance and administration decisions. *The Commonwealth Fund – Eight Difficult Issues for Health Insurance Exchanges* was also a resource.

What follows is the preliminary thinking of the group around a number of key questions.

- 1. What principles should guide decisions around governance and administration of the exchange?** The subgroup in general endorsed the principles developed and adopted by the OIC Realization Committee with some minor wording changes.

**RECOMMENDATION:**

- *Publicly accountable & transparent*
- *Insulated from political and other special interests*
- *Administratively efficient, value added*
- *Broadly representative of the interests of the users of the exchange, individuals and employers; and supportive of the goals of the exchange.*
- *Separate regulation of the insurance market from the exchange administration and governance by continuing to have regulation under the responsibility of the OIC.*
- *Promote a culture of regular self and outside assessment, evaluation and continuous improvement*
- *Builds on existing models that work*

- 2. What model best addresses these principles and what are the pros and cons of each?**

- a. **Public model** -governed and administered by a state agency (Ex: the Utah Health Exchange)
- **Pros:** most effectively aligns state policy objectives around quality and value, close to practice and knowledge of public programs that are part of exchange
  - **Cons:** Bureaucracy, subject to the influences of special interests, reduces political viability, insulated from private sector opportunities
- b. **Private model** -independent nonprofit or authority separate from state government (Ex: Massachusetts Health Connector Authority)

- **Pros:** Initially most publicly accountable and transparent option insulated from political interests. Potentially most nimble and responsive structure that could best uphold the virtues of the exchange.
  - **Cons:** Creates new potentially costly infrastructure that needs to be supported (may not be most efficient), could lack alignment with state policy objectives and lack expertise to navigate legislative issues. Could lack expertise as it relates to integrating public and private plans as part of the exchange. Once established could lose public accountability
- c. **Public/private model** - administered by a state agency and governed by an independent board (Ex: Washington Health Insurance Partnership)
- **Pros:** Good blend of public and private (inside and outside) expertise and perspective, legislative and procedural expertise, potentially more efficient than establishing a new non-profit entity. Builds on a model that is already working in this state with the HIP
  - **Cons:** Board make up and appointment process and how stakeholder input is solicited as part of the decision making process is key to success. The role of state agency and their understanding and expertise dealing with the private sector would be key to success.

**PRELIMINARY RECOMMENDATION:** There was consensus that the public/private model is in the greatest alignment with the governance and administrative principles. There was also agreement that additional work was needed on defining the parameters for establishing a private/private model.

**3. What should be the makeup, criteria for selection and the selection process for an exchange board? What is the appropriate role of users and (public and private) purchasers, providers, health plans and regulators?**

**PRELIMINARY THINKING:**

- Board should represent broad perspective of exchange users and purchasers with an emphasis on individuals and small business who have expertise or insurance and exchange knowledge.
- Health plans (public and private) and providers need a significant role in the governance of the exchange whether it be serving on the board (appointment similar to the WSHIP appointment process) or through a well structured and legislated technical advisory committee)
- Issue of conflict of interest and the protection of confidential and proprietary information an issue with plans and providers serving on board and would need to be addressed
- Strong chair with leadership abilities key to success...selection needs to be thought through and not necessarily the agency head.
- Need to look at what is working and not working with HIP which is an existing model to build from.
- Regulator (OIC) should not sit on the board and insurance regulation should remain separate from the governance and administration of the exchange.
- General consensus that there should be general guidelines for appointment but not prescriptive and that appointments should be made by the governor with nominations coming from the public and stakeholders. A hybrid approach would have governor making part of the appointments and the balance coming from a separate process.

**Next Steps:** There was not a consensus on whether plans and providers should actually serve on the board vs. a robust technical advisory mechanism. There was agreement that input from plans and providers were a critical component to successful administration and governance of the exchange. The subgroup will be exploring this issue further and will make a more refined recommendation at the next meeting.

**4. What would be the best approach or mechanism for insuring the level of expert and technical expertise and key interests in the operations of the exchange? (Ex: health plans, producers and providers)**

This issue will be developed further in addressing the unresolved issues in Question #3.

**5. How should the costs of administration and governance of the exchange be evaluated and covered?**

**PRELIMINARY THINKING:** Costs of administration and governance need to be subject to a regular review and audit and part of the board's responsibility and accountability.

Expenses could to be addressed through a mechanism that looks at three sources of funding:

- **Allocation of the state general fund:** to address public benefit offered by the exchange including outreach and enrollment for state programs and the benefit of a fully insured market via the exchange.
- **Some contribution from the market inside and outside the exchange who all benefit from the exchange**
- **Per enrollee fee for plans securing subscribers through the exchange**

The group intends to further develop the thinking on this issue as part of their next meeting.

The subgroup welcomes the thinking and input from the Joint Select Committee in further exploring and developing responses to these issues.