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Insurance exchange Process launched

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Michigan is taking the first steps toward creation of a health insurance exchange, mandated to debut in 2014 under health care reform.

Exchanges are a central health insurance reform under the federal Patient Protection and Affordable Care Act of 2009.

An Internet-based exchange would fundamentally alter how small businesses and individuals procure health insurance in the state, said Scott Lyon, vice president of small business services for the Small Business Association of Michigan.

"There's a lot to it. It's definitely something that could be a real game changer in the way small business and individuals buy their insurance," said Lyon.

Lyon said he's hopeful that SBAM will be at the table when five work groups, comprising representatives of business, health care, insurers, consumers in the public, private and nonprofit sectors from across the state, start meeting in February.

The state in December awarded a \$650,000 contract to Lansing consultant Health Management Associates to manage the planning process and work groups and to analyze Michigan's options and current insurance market. The contract calls for recommendations to be completed by the end of April.

Michigan Department of Community Health Director Olga Dazzo said Gov. Rick Snyder's administration is committed to the exchange concept.

"We're going to continue with it," Dazzo said. "We believe this will be very important and the planning process will let us know the next steps that we need to take."

The Michigan Exchange Steering Committee, which has representatives of the Department of Community Health, the Office of Financial and Insurance Regulation and the Department of Technology, Management and Budget, and a state project manager will oversee the process for an American Health Benefits Exchange, for the individual market, and a Small Business Health Options Program, according to the state's contract with HMA.

HMA, along with Public Sector Consultants as a subcontractor, is coordinating meetings for the work groups, HMA Managing Principal Eileen Ellis said.

"Our primary tasks are developing background papers for them, doing a lot of crunching of the data of the current coverage situation in Michigan," Ellis said. "The largest single task is convening the five stakeholder groups."

According to Ellis and to the contract, the state has three basic choices: let the federal government run the exchange, join with several other midwestern states in a joint exchange or run an exchange just for Michigan.

If the choice is for Michigan to run its own exchange, HMA will help to determine whether the state government or a nonprofit entity should run it. It will consider the impact on Medicaid, other government programs and other health insurers in the state. It will also consider exchange models, governance, structure, staffing needs and operations.

Dominic Siciliano, president of the West Michigan Association of Health Underwriters, said the exchanges already in use in Massachusetts and Utah provide two examples for the state follow. He said he favors the Utah model as a streamlined approach that works for consumers and employers — keeps insurance agents employed.

"It's truly consumerism," he said.

The Utah model is generating a lot of buzz in health care circles, especially because Snyder tabbed that state's budget director, John Nixon, for the same job in Lansing. But Dazzo said she has an open mind.

"We are going to have to look at the facts and what is best for Michigan," Dazzo said. "Our people in the state of Michigan could determine what is best is perhaps not any of those two. We are looking for innovation."

Rick Murdock, executive director of the Michigan Association of Health Plans, said a standing committee has discussed exchanges and members have been surveyed. They are hoping to be represented on all the work groups, he said.

"We're anxious for it to get going, given the pretty ambitious time line that's involved for some of the activities," Murdock said. "We are trying to anticipate where this planning process is going to be going and be ready to offer suggestions as opposed to reacting to what the process will give us. We'd hope to guide it as much as we can."

Murdock said the survey revealed strong support among MAHP members for Michigan running its own exchange.

"We should start with something that's a little more minimalist and build off of that rather than trying to be too aggressive at this stage," he added. "If we're going to do an exchange, it should be something Michigan should do anyway, regardless of federal law."

Kirk Roy, director of the Office of National Health Care Reform for Blue Cross Blue Shield of Michigan, noted that some state, notably California, are farther along in the planning process and others are trying to angle their way out of having an exchange.

The Michigan Legislature would need to create new laws to enable an exchange to exist, he added.

"A lot of that depends on what these work groups come back and recommend. We'll have to see if that fits with what the Republican administration wants to do," Roy said.