

## **Reply to request for comments regarding Exchange-related provisions of the ACA**

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Commenter: The RUPRI (RUPRI) Health Panel: Andrew Coburn, Timothy McBride, Keith Mueller, A Clinton MacKinney, Jennifer Lundblad

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The Health Panel for the Rural Policy Research Institute (RUPRI) is pleased to submit the following comments in response to the request for comments regarding “Exchange-Related Provisions in Title I of the Patient Protection and Affordable Care Act”, at the invitation of the Department of Health and Human Services (HHS), sought in the Federal Register notice dated August 3, 2010. The RUPRI Rural Health Panel was established in 1993 to provide science-based, objective policy analysis to federal policy makers.

The Panel’s comments fall into two broad categories suggested by the HHS request for comments that we feel are important for the effective implementation of Health Insurance Exchanges (HIEs) for rural employers and individuals: (a) the structure and functions of the HIEs (including the establishment of rating areas) and (b) enrollment, choices and outreach.

### **RUPRI HEALTH PANEL COMMENTS**

#### **HIE Structure and Functions**

*Question I-1. To what extent do States currently utilize established premium rating areas? What are the typical geographical boundaries of these premium rating areas (e.g., Statewide, regional, county, etc.)? What are the pros and cons associated with interstate, statewide, and sub-State premium rating areas? What insurance markets are typically required to utilize these premium rating areas?*

RUPRI Panel Comment I-1: The setting of geographic boundaries for risk rating areas could have a significant effect on premium rates in rural areas. In general, the larger the risk rating areas the less likely that rural employers and individual could be adversely affected by risk rating, relative to other areas. Based on the known characteristics of rural employers and individuals, and especially those in the small group and individual market (e.g. smaller firms, lower wages, lower incomes, more part-time and seasonal workers, more high risk industries) we can expect that geographic rating that segments rural and urban employers and individuals could result in higher rural than urban higher premiums (if risk adjustment does not adequately distribute risk). A key consideration will be in how states determine the boundaries of rating areas – that is, boundaries set as: statewide, sub-state, county, regional, or multi-state. In general, the smaller the geographic rating area, the more likely this is to lead to volatility and variation in premium

rates, and potential adverse selection in the HIE. Developing effective risk adjustment methods for spreading risk across plans would be a preferable mechanism for addressing any differences in risk across geographic areas and populations.

*Question B-3. What potential criteria could be considered in determining whether an electing State is making sufficient progress in establishing an Exchange and implementing the insurance market reforms in Subtitles A and C of Title I of the Affordable Care Act? What are important milestones for States to show they are making steady and sufficient progress to implement reforms by the statutory deadlines?*

RUPRI Panel Comment B-3. In setting milestones and criteria for assessing the performance of the HIEs, it is important that HIEs be held accountable for achieving those milestones in all areas of the state, including rural areas (for example, the percentage of persons covered by insurance).

*Question D-1&2. What are some of the major considerations involved in certifying QHPs under the Exchanges, and how do those considerations differ in the context of individual and SHOP State Exchanges, subsidiary Exchanges, regional or interstate Exchanges, or an Exchange operated by the Federal government on behalf of States that do not elect to establish an Exchange? What factors should be considered in developing the Section 1311(c) certification criteria? To what extent do States currently have similar requirements or standards for plans in the individual and group markets? a. What issues need to be considered in establishing appropriate standards for ensuring a sufficient choice of providers and providing information on the availability of providers?*

RUPRI Panel Comment D-1&2: The establishment of multiple exchanges in states raises the possibility of geographic segmentation of the insurance markets that could result in variations in products and premiums across rural and urban markets. Choices among competing health plans, an objective the ACA, would be quite limited if the geographic coverage of a given exchange is exclusively or predominantly rural. There is evidence of greater churning among individual, group and public coverage in rural areas that would suggest that exchanges that combine individual and group products would offer greater efficiency and convenience for rural businesses and individuals. Adequacy of provider network and access standards will be critical in ensuring that plans offered in rural and urban markets are comparable. In addition, marketing and enrollment materials and activities need to be carefully monitored to ensure that plans offered through the HIEs do not engage in practices aimed at selectively enrolling individuals or firms.

*Question D-3. What factors are needed to facilitate participation of a sufficient mix of QHPs in the Exchanges to meet the needs of consumers? (a.) What timeframes and key milestones will be most important in assessing plans' participation in Exchanges? (b.) What kinds of factors are likely to encourage or discourage competition among plans in the Exchanges based on price, quality, value, and other factors?*

RUPRI Panel Comment D-3. To encourage competition among plans, Exchanges should be structured to provide comparable choices (that is, rural persons need to have access to comparable numbers of plans offering comparable benefits) throughout the whole HIE market area, including in rural areas. Given previous experience with limited availability of health insurance plans in rural areas (e.g. Medicare Advantage, managed care), there are reasons to be

concerned about how many plans will be offered in some rural areas, and whether the plans will offer comparable benefits.

*Question D-5. What factors are important in establishing minimum requirements for the actuarial value/level of coverage?*

RUPRI Panel Comment D-5: There is some evidence that the actuarial value of plans available in rural markets is less than that in urban markets (see Gabel J, McDevitt R, Gandolfo L, et al. Generosity and adjusted premiums in job-based insurance: Hawaii is up, Wyoming is down. *Health Affairs*. 2006;25:832-843). Allowing premium rating to vary by geography may lead to significant variation in plan choices and plan benefit structures, resulting in limited choices for rural residents, particularly if sub-state rating regions are allowed that then tend to isolate rural areas.

### **Enrollment, Eligibility and Outreach**

*Question G-2&3. What are some of the key considerations associated with conducting online enrollment? How can eligibility and enrollment be effectively coordinated between Medicaid, CHIP, and Exchanges? How could eligibility systems be designed or adapted to accomplish this? What steps can be taken to ease consumer navigation between the programs and ease administrative burden? What are the key considerations related to States using Exchange or Medicaid/CHIP application information to determine eligibility for all three programs?*

RUPRI Panel Comments G2&3: Differences in broadband access and computer use suggest the need for physical outreach and enrollment strategies in rural areas. Developing mechanisms to coordinate public (Medicaid, CHIP) and private coverage in the Exchanges (and the transitions from one to the other) will be important in rural populations due to higher levels of public coverage (largely due to their lower incomes) and frequent coverage transitions. The population groups not currently eligible for Medicaid, but who will become eligible for Medicaid under ACA (up to 133% of the FPL), include population groups who largely have not been eligible for Medicaid coverage before. Thus, outreach to these groups to ensure that they are aware of coverage opportunities will be crucial. The strategies to reach these population groups may need to be tailored to reach rural people and places.

*Question H-1. What kinds of consumer enrollment, outreach, and educational activities are States and other entities likely to conduct relating to Exchanges, insurance market reforms, premium tax credits and cost-sharing reductions, available plan choices, etc., and what Federal resources or technical assistance are likely to be beneficial? Question H-3. What kinds of outreach strategies are likely to be most successful in enrolling individuals who are eligible for tax credits and cost-sharing reductions to purchase coverage through an Exchange, and retaining these individuals? How can these outreach efforts be coordinated with efforts for other public programs?*

RUPRI Panel Comment H-1&3: Outreach to rural population groups eligible for subsidies (generally lower income persons 133-399% of the FPL) and employer tax credits will be crucial to ensure that these individuals and their employers are aware of coverage opportunities. Rural persons are more likely to fall in these groups due to their lower incomes and their greater likelihood of working for smaller employers. The strategies to reach these population groups

may need to be tailored to rural people and places. For example, rural employers may be fundamentally different in some ways from urban employers (e.g., be smaller in size, be focused in different industries, have different cost structures), and rural individuals may also be different from urban persons in key ways. These suggest that consideration in outreach activities should be given to the audience for these outreach materials. In addition, targeted assistance to brokers serving rural areas and employers may be needed.

*Question K-3. What considerations are important in facilitating coordination between employers and Exchanges? What key issues will require collaboration?*

RUPRI Panel Comment K-3. When setting policies and procedures to coordinate between the Exchanges and employers, it will be important to consider the unique characteristics of the employers of rural persons. Employers of rural persons tend to have fewer employees and pay lower wages, and tend to be focused disproportionately in certain industry categories that may face more employment risks (e.g. farming, mining). This all suggests that rural employers (and their employees) will have significant burdens that urban employers may not be as likely to face, and may have less experience with the employer-sponsored insurance market. Also rural workers and their employers may have been more likely to date to have used brokers to buy insurance than others.