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Overlooked Health Exchanges Key To Democrat Reform Plans

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"The public plan, I think, is an important tool to discipline insurance companies," said President Obama at the White House. Obama squared off Tuesday with the insurance lobby over proposed industry charges. AP

be sold, setting everything from deductibles to co-payments to preventive services.

The Massachusetts Health Connector is the only exchange that exists. The MHC was part of the health reform championed by then-Gov. Mitt Romney in 2006.

It offers two basic types of coverage, Commonwealth Care and Commonwealth Choice. Care provides subsidized coverage for people at up to 300% of the federal poverty level. Choice offers options for those individuals who want to buy non-employer coverage but don't qualify for subsidies.

"One of the mistakes they made is that the Connector was invested with regulatory authority," said Michael Tanner, senior fellow at the libertarian Cato Institute. "The Connector almost immediately began adding all sorts of requirements. That limited choice."

The Connector mandated that plans cover preventive services and prescription drugs, with annual out-of-pocket drug expenses limited to \$250 for an individual and \$500 for a family. There was no limit on total annual benefits.

It also limited deductibles to \$2,000 per individual and \$4,000 per family. Under federal law, a policy with a tax-deductible health savings account has a maximum deductible of \$3,000 for an individual and \$5,950 for a family.

Private plans taking part must fall into MHC-OK'd categories. They vary in premiums, deductibles and co-pays. Plans for young adults aged

In the health reform debate, "exchanges" haven't gotten much play.

President Obama mentioned them almost in passing at Tuesday's press conference.

"Let's have a system, the same way that federal employees ... (and) members of Congress do," he said, "where we call it an exchange, but you can call it a marketplace, where, essentially, you've got a whole bunch of different plans."

But despite their low profile, exchanges are key to all the major Democratic proposals in Congress.

Exchanges act as clearinghouses for health insurance policies, making it more convenient to shop — along with generous subsidies for lower-income households that could encourage people to drop existing private coverage.

Setting Benefits

Exchanges also would likely have the power to decide what kind of policies can

18-26 are the only ones that can have annual limits on services.

Some see benefit in this level of choice.

"From the consumer's perspective, we try to keep choice limited," said Lindsey Tucker, policy manager for the liberal Health Care for All. "If there are too many, it gets too confusing and difficult for consumers to understand."

Reform plans being discussed in Congress also involve a good deal of regulation. Sen. Ted Kennedy's proposal provides startup funds for state-based "gateways." A federal Medical Advisory Council would set basic benefits for participating plans.

House Democrats' plan would create one national exchange and allow three types of plans: basic, enhanced and premium. A national Health Choice Commissioner would decide on basic benefits.

Both reforms would require plans to offer some benefits for hospitalization, outpatient services, mental health and substance abuse, maternity and pediatric care, preventive care, drugs, and rehab services.

Senate Finance Chairman Max Baucus, D-Mont., has yet to release exchange details for his plan.

Thus far, the MHC has had some success in keeping premium increases low. Commonwealth Care has averaged 4.5% annual increases so far, while Commonwealth Choice has seen hikes of about 5%.

It's The Subsidies

While proponents tout the easy shopping experience, government subsidies seem to be the big draw.

Commonwealth Care has about 174,000 enrollees, of which 70% do not pay any premium. The rest pay a portion. Commonwealth Choice, where the individual pays the full premium, has just 22,000 enrolled.

"There were more uninsured among the low-income people," said Greg D'Angelo, a policy analyst at the conservative Heritage Foundation. "Auto-enrollment and the individual mandate were also factors. But the subsidies were too generous."

Tucker notes that private plans in the nonsubsidized Choice are available outside, so there's no compelling reason to use the exchange.

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