

[back to story page](#)

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## One-Stop Shopping

**[By Story Winthrop Quigley](#)***Of the Journal*

In a matter of a few years, barring congressional action or a successful court challenge, hundreds of thousands of New Mexicans and millions of Americans will begin buying health care coverage through insurance exchanges required by the federal health financing law enacted earlier this year.

No one yet knows exactly how a New Mexico health insurance exchange will work. A multi-agency team of state government officials is studying how to implement the exchange and other components required by the new law. But an exchange established by state law in Massachusetts in 2006, plus analysis from experts at the Cato Institute, the Commonwealth Fund and the Kaiser Family Foundation, provide a glimpse of New Mexico's health insurance purchasing future.

Basically, insurance exchanges are expected to resemble virtual shopping centers for insurance policies. Think of websites that let you select the book you want to buy with the click of a mouse button and you're on the right track. Federal law says each state's exchange, scheduled to start operating on Jan. 1, 2014, has to be run by a government agency or by a nonprofit organization, but the products sold on exchanges are offered by insurance companies. States are allowed to combine to organize regional exchanges.

An estimated 200,000 New Mexicans and 24 million Americans are expected to buy insurance on exchanges.

U.S. citizens and legal immigrants, except for people who are incarcerated, can buy coverage on the exchange if they do not have access to affordable coverage provided by an employer. Businesses with 100 or fewer employees can also use the exchange to obtain coverage for their workforce. Starting in 2017, businesses with more than 100 employees could purchase coverage on the exchange if the state decides to allow it.

The Massachusetts exchange, called the Connector, presents shoppers with a home page inviting them to choose a policy designed for individuals, families and employees of businesses that have chosen to provide health benefits through the

Connector. People who prefer the telephone can call a Connector representative.

To use individuals and families as an example, the website first asks a couple of questions about income and the number of people to be insured by a plan. People who meet income guidelines are redirected to Web pages that help the shopper qualify for publicly subsidized coverage. Shoppers who don't qualify for a subsidy are asked their age, where they live and whether they want lower cost coverage with fewer benefits or richer plans that cost more.

The website shows you the kinds of plans that are available from the companies that sell coverage through the Connector. You look over the benefits each plan offers, compare coverage, check out the prices, and choose the insurance you want with the click of a mouse button. You can enroll and arrange payment on line.

A lot of insurance companies let you buy their products on their own websites. Insurance exchanges allow consumers to compare all available products that meet their needs and budget on a single site.

Giving consumers the ability to comparison shop was a major reason Congress wrote insurance exchanges into the new law. The Kaiser Family Foundation said exchanges set up in each state are supposed to "create a more organized and competitive market for health insurance" by showing consumers what each insurance company offers. Congress wants people to be able to make apples-to-apples comparisons, so companies selling on the exchange have to offer the same basic packages which they can then enhance.

The pricing of each package is up to the company offering the insurance, but the hope is that because consumers will be shopping for insurance the way they shop for cereal on a grocery store aisle, insurance companies will try to restrain price increases. The Massachusetts experience suggests that hope is probably in vain. Connector premiums have risen at about the same rate as other premiums, according to the Cato Institute.

The law requires the exchanges to offer four categories of plans, based on the actuarial value offered in each category. Actuarial value is the amount of a person's health care bill that is expected to be paid by the insurance company. The categories are:

- Bronze. This category is for the lowest cost plans. Bronze plans offer 60 percent of actuarial value.
- Silver, which offer 70 percent of actuarial value.

- Gold, offering 80 percent.
- Platinum. These offer 90 percent of actuarial value.

Insurance companies are required to offer at least one silver and one gold plan in order to be allowed to list on the exchange.

People younger than age 30 and people whose Bronze premium would be greater than 8 percent of their income will be allowed to buy a catastrophic coverage policy that offers fewer benefits at lower cost.

[Back to story page](#)