States Setting Up Exchanges Examine Massachusetts and Utah Versions

Health Care > **Obama Plan**
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As state officials work to find the best path to take in erecting the health exchanges required by President Obama's law, they are looking to two states which already enacted exchanges prior to the law's passage: Utah and Massachusetts. These two states illustrate very different experiences in setting up the exchanges, and it's possible neither provides a good example of how states should proceed.

Free Market Alternative?

Utah's exchange allows employees of small businesses to visit an online state Web site with insurance coverage options. Initially hailed as a free-market alternative to the Massachusetts plan, it allows businesses to avoid the administration of health benefits while providing consumers with health insurance choices.

Devon Herrick, a senior fellow at the DC-based National Center for Policy Analysis, explains the difference between the two states' approaches.

"Architects of the Utah Exchange tried to create a free-market, one-stop shop for consumers and small business to purchase health coverage. The point was to make it easier to compare and select health coverage that meets consumers' needs," Herrick said. "By contrast, the Massachusetts Exchange mostly offers over-regulated policies saddled with mandates that few people can afford without state subsidies. Less than 10 percent of the newly insured are people who purchased health coverage in the Exchange using their own money."

The exchanges differ greatly in size and cost. The Utah exchange currently costs the state roughly $600,000 per year while serving only a little more than 600 people—whereas the Massachusetts Connector is serving roughly 25,000 at a cost of more than $40 million.

Or Artificial Marketplaces?

Beverly Gossage, founder of HSA Benefits Consulting, does not think other states should follow in either Utah's or Massachusetts's steps.

"Most states already have an open marketplace where carriers offer a variety of products and compete for your business," Gossage said. "Creating an artificial marketplace opens the Pandora's box of allowing the government even more authority in making decisions about which carriers can operate in this arena, the type of products they can offer, the price range allowed, etc. Eventually the open market is closed."

Michael Cannon, director of Health Policy Studies at the Cato Institute, agrees.

"The Utah exchange is really kind of useless. They already have an individual health insurance market," Cannon said. "What we really need in order to give consumers more choice is federal tax reform that shifts control to consumers and away from employers."

Cannon maintains exchanges are necessarily enacted with the explicit purpose of increasing regulation of the health insurance market.

"Massachusetts already had the most expensive health insurance in the nation. Now not only is it still the most expensive but the cost is rising faster than health insurance anywhere," Cannon said. "Setting up an exchange could be worse than doing nothing, because it is just an invitation to more regulation."

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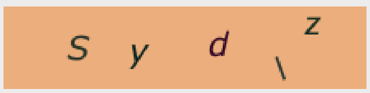

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