

A Look at Massachusetts' Health Insurance Exchange

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While the exact features of Massachusetts' Connector might not be applicable nationwide, it can serve as a model for other states working to implement an insurance exchange by the 2014 deadline.

Central to the Commonwealth's 2006 reforms was the establishment of the Commonwealth Health Insurance Connector Authority, referred to as **Connector**. Connector is an independent, quasi-governmental agency created by the state legislature and is governed by a ten member board consisting of both private and public representatives appointed by the governor or attorney general. Connector is essentially a marketplace for managed competition that facilitates the purchase of affordable, quality health insurance for individuals and small businesses without access to employer sponsored coverage. The overarching goal was to restructure how private insurance is purchased, sold, administered and delivered. Currently, Connector manages Commonwealth Care and Commonwealth Choice, two programs developed to expand state coverage options. Revenue sources are a mixture of state funding and profits generated from operations; however, to jumpstart the entity there was an initial infusion of \$25 million in state appropriations. However, as the cost of health care continues to increase so does the cost of insurance which challenges the sustainability of these types of programs. For additional information on Connector's structure please see The Commonwealth Fund's **Issue Brief**.

Other states, including **Rhode Island** have previously considered implementing a similar reform. The federal government will create and maintain exchanges for any states that don't meet the deadline, as well as, develop rules and regulations for states to follow. It is important to note that state insurance exchanges are prohibited from setting premiums, but they can ask insurers to justify rate hikes. The Commonwealth has rejected **235** rate hikes to date.

What role do vendors play in Connector? Similar to state Medicaid programs, the agency contracts with "subconnectors" for administrative functions, including customer support services, eligibility and enrollment, and premium billing, collection and remittance services. Eligibility determinations consist of data-matching to ensure an applicant is not enrolled in an alternative commercial insurance or has access to employer sponsored insurance. In addition, the Commonwealth contracted with CSC to design, develop and launch a website for consumers to shop for coverage.

GovWin's Take:

Over the next several months the federal government will address state lawsuits brought against the health care reform bill. As those reservations are addressed states' plans for the exchange will begin to take shape. Cash strapped states may look to implement a scaled down version of the Commonwealth's Connector. Depending on how states elect to structure their exchanges, there will likely be a steady flow of business opportunities for consulting services and operations assistance.