

# Blue Perspective



**BlueCross BlueShield  
Association**

An Association of Independent  
Blue Cross and Blue Shield Plans

1310 G Street, N.W.  
Washington, D.C. 20005  
202.626.4780  
Fax 202.626.4833

## **State Insurance Marts: A Place to Shop, Compare, and Enroll**

*State-based approach would be less costly than creating federal agency*

**Issue:** Today, individuals and small businesses often find it difficult to shop for health insurance and compare plans based on important features such as cost, quality and provider networks. Some health reform proposals would create a new federal agency called a “connector” or “exchange” to facilitate shopping. Certain proposals would provide strong incentives to purchase through the new entity, such as making it the sole source for obtaining subsidies.

**Position:** BCBSA agrees reforms are needed to address the challenges individuals and small businesses face when purchasing health coverage. BCBSA proposes State Insurance Marts (SIMs) to:

- Simplify shopping for coverage for individuals and small businesses;
- Provide a less costly, less complex and faster alternative to a new federal bureaucracy;
- Encourage transparency and competition in health insurance markets; and
- Complement other reforms under consideration.

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### **Simplify Shopping for Coverage for Individuals and Small Businesses**

One-stop State Insurance Marts would make it easier to shop for coverage by creating a central point in each state where individuals and small businesses could compare coverage options and apply for both policies and subsidies.

Each state – building on their expertise as the regulators of health insurance markets today – would develop a central Web portal listing all products for sale to individuals and small groups. These sites could be linked via a national framework and would enable:

- **Comparison of all insurance options** in a state based on key factors, including benefits, price, quality and provider networks. Each state would develop easy-to-understand comparison templates.
- **Real-time price quotes** from multiple insurers. Each state would develop standard applications that individuals and small businesses could use to apply to several insurers at one time to obtain instant premium quotes instead of filling out multiple applications.
- **Calculation of any tax benefits and subsidies** available or determination of eligibility for public programs (described in greater detail below).
- **Simplified enrollment** in the plan of choice. Individual and small businesses could easily enroll online for coverage or apply for subsidies.

- **Easy access to brokers** through a “Find a Broker” icon if additional help is needed.
- **Greater protection from fraud and abuse** since only legitimate insurance products approved for sale to individuals and small groups in each state would be listed.

### **Provide a Less Costly, Less Complex and Faster Alternative to a New Federal Bureaucracy**

- Creating an entirely new federal agency requires significant resources and staff to build regulatory functions that already exist at the state level. States are best positioned to oversee insurance and assure consumer protection. State-designed programs are also more likely to be responsive to local market differences and consumer needs.
- A new federal or state exchange entity would increase premiums by unnecessarily duplicating administrative functions, such as collecting premiums and marketing coverage. For example, the Massachusetts connector adds a surcharge of 4.5 percent to cover its administrative costs.
- A recent study by Oliver Wyman Actuarial Consulting looked at past experience with “exchange”-type entities and found they increase premiums by as much as 6 percent by duplicating administrative functions and turning the group market into an individual market.
- It would be most efficient to use State Insurance Marts to simplify shopping. State Insurance Marts could be implemented rapidly and would not delay health reform.

### **Encourage Transparency and Competition in the Health Insurance Market**

- Under most proposals, a new government agency would determine which plans are offered, limiting choice and competition. State Insurance Marts would list all products for sale to individuals and small groups by all insurers in the state.
- For the first time, consumers and small businesses could compare all plans in a state on price and other important factors. This would increase competition among insurers and create downward price pressure on premiums.

### **Complement Other Reforms Under Consideration**

- State Insurance Marts would complement other federal reforms under discussion, such as insurance reforms or minimum benefits. These federal requirements can be put in place independent of the creation of a connector or exchange.
- Many purchasers today are unaware of the tax advantages for purchasing health insurance, the availability of public programs, and other options for obtaining coverage. With any new subsidy program, the need to provide outreach would only increase. State Insurance Marts would address these needs by providing:
  - A central online site in each state (with a national landing pad for nationwide advertising) where consumers and small employers could learn about coverage and subsidies.
  - Online calculators to estimate the tax benefits and subsidies available to purchasers.
  - Subsidy application assistance so that people could enter basic financial information, learn about the final cost of coverage (considering any applicable subsidies) and then apply for subsidies directly (through interface with the agency that verifies eligibility).
  - Information/assistance with eligibility and enrollment in public programs, including Medicaid and SCHIP.