

November 6, 2011

The Honorable Frank J. Mautino
Deputy Majority Leader
Illinois House of Representatives
300 Capitol Building
Springfield, IL 62706

Dear Leader Mautino:

On behalf of the more than 200 hospitals and health systems that comprise the Illinois Hospital Association (IHA), we would like to take this opportunity to comment on the proposed establishment of an Illinois Insurance Exchange (Exchange) for individuals and small employers as proposed in House Amendment 2 to Senate Bill 1313 (HA2).

IHA commends you for introducing a comprehensive Exchange proposal that not only develops the broad outline of the duties and responsibilities of the Exchange, but also goes a long way toward meeting the requirements of the federal Patient Protection and Affordable Care Act (ACA). IHA and our member hospitals continue to support efforts to ensure the development of a state Exchange. As you are aware, hospitals have much invested in the Exchange process, not only in terms of changes to Medicare contained in the ACA which will reduce payments to Illinois hospitals by \$8 billion by 2020, but also in terms of the role hospitals will play as providers of care for the influx of new enrollees under Medicaid and Exchange insurance coverage.

While we support the establishment of a state Exchange, there are elements in the proposed amendment to SB 1313 that cause us to be concerned with the ability of the Exchange to function efficiently and professionally in providing coverage for the uninsured in Illinois. Our concerns fall into four categories: the Exchange Board of Directors (Board), the Exchange as an "active purchaser," financing of the Exchange, and the establishment of advisory boards.

Exchange Board of Directors – Hospitals Need to be Represented

While we understand the desire to ensure that conflicts of interest are minimized when appointing directors to the board, IHA feels that the proposed representation as provided in HA2 is not sufficient to fully appreciate the complexities associated with running what will be, in essence, a multi-million dollar organization and the concomitant duties of understanding the commercial insurance market, the Medicaid system, and the difficulties associated with providing medical care to the newly covered consumers. We understand the need for representation by those who will be able to enroll for services under the Exchange, **but we feel strongly that the professional insights that managers of hospitals would bring is a requirement for the Board.** Not only do hospitals work with Medicaid and insurers on a daily bases, but all hospitals have some form of governing body themselves. Having such representation on the Exchange Board would add

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invaluable expertise to the functioning of the Exchange. Similar arguments could be made for other stakeholders and we would not oppose representation by those groups. As the Exchange is developed we feel that any conflicts of interest can be addressed by strong governing language in the Exchange Act.

Exchange as “Active Purchaser” – Do Not Create Barriers to Market Participation

As envisioned by HA2, the Exchange is granted enormous, undefined powers to create barriers to establishing a qualified health plan (QHP). The commercial insurance market is a competitive, yet fragile market. We would point to the number of insurers that have left the market over the last decade, as well as the possible loss of other plans due to the new medical-loss-ratio requirements and other provisions contained in the ACA that will affect the ability of insurers to remain competitive. Illinois policymakers have already created substantial barriers to participation in the commercial market through the Illinois Insurance Code. To allow an extra-governmental body to establish what very well could be arbitrary barriers to participation in the Exchange will only erode the competitiveness of the Illinois insurance market causing stress not only on insurers, but on individuals and health care providers. **We would argue that any insurer that establishes coverage that meets the federal requirements for the Bronze, Silver, Gold and Platinum plans be allowed to participate in the Exchange, unless specifically prohibited from doing so by changes in the Insurance Code or in the Exchange Act.** These changes would require legislative and gubernatorial approval and would represent the only meaningful way to ensure the Exchange is working within the parameters established in law.

Exchange Financing – the Exchange Should be Funded by Broadly-Applied Assessments on the Health Insurance Industry

As we have argued before, in establishing the Exchange, Illinois should specifically define how the Exchange is to be funded. This decision should not be left to an extra-governmental body. The least disruptive way of doing this would be to establish an assessment much like that currently in place for the Illinois Comprehensive Health Insurance Plan (CHIP). Indeed, while the exchange is a completely different entity than CHIP, the amounts necessary to fund the Exchange appear to fall within amounts recently assessed on insurers to fund CHIP. Additionally, as is true with CHIP, such an assessment should be applied to all health insurers. Applying such an assessment only to insurers participating in the Exchange will act as a barrier to Exchange participation.

Advisory Boards – Advisory Boards Should be Established in Law, Not Left to the Discretion of the Exchange

Currently, HA2 states the Board “may” establish advisory boards. Given such language it is also possible the Board may decide not to establish such advisory boards. **We believe at a minimum the Exchange Act should require advisory boards that include health care providers and insurers.** Further, we would suggest that any recommendation provided by an advisory board to the Board should be adopted, rejected or amended by the Board only if such action is accompanied by a mandatory specific explanation of why an action was taken.

We appreciate the opportunity to provide these comments and would be happy to discuss them with you or your staff. If you have any questions, please contact Bill McAndrew at (217) 541-1179 or at bmcandrew@ihastaff.org.

Sincerely,

A handwritten signature in cursive script that reads "Kathleen Dunn" followed by a stylized flourish.

Kathleen Dunn
Vice President, Government Relations