



OFFICE OF  
INSURANCE COMMISSIONER

October 12, 2010

Senator Karen Keiser, Chair  
Joint Legislative Select Committee  
on Health Reform Implementation  
PO Box 40433  
Olympia, Washington 98504-0433

Representative Eileen Cody, Chair  
Joint Legislative Select Committee  
on Health Reform Implementation  
PO Box 40600  
Olympia, Washington 98504-0600

Dear Senator *Karen* Keiser and Representative *Eileen* Cody:

I am writing to share with you some specific recommendations that my Health Care Reform Realization Committee has approved, for your consideration when developing policies around the creation of a health insurance exchange.

Over the past two and half months, members of the Realization Committee, along with additional stakeholders, have met and discussed in-depth what the goals of a Washington state exchange should be, how to minimize adverse selection – a noted primary reason for exchange failures in the past, and principles for developing a governance structure.

Enclosed is a document outlining the Realization Committee's recommendations, and the reasons why the Committee supports them.

We began our discussions with two assumptions, which are a consensus recommendation from the Committee:

1. Washington should run its own exchange and not rely on the federal government to operate it.
2. A private health insurance market should exist outside of the exchange.

### **What are the goals of a Washington exchange?**

***There was a shared viewpoint that Washington's exchange should be more than simply a "market organizer."***

1. Increase access to quality, affordable health care coverage.
2. Encourage insurance carrier competition based on price and quality, not on risk selection.
3. Promote consumer literacy, empowering consumers to compare plans and make informed decisions about their care and coverage.

4. Provide greater transparency and accountability in the health insurance marketplace.
5. Drive quality improvement, cost containment, and innovation in payment systems throughout our health care system.
6. Promote and encourage innovative efforts to reduce health care costs and ensure sustainability of the system.
7. Effectively and efficiently administer health care subsidies.
8. Seamlessly direct consumers to information about, and enrollment in, programs – in addition to those related to health care – that are available to lower-income individuals and families.

### **Guarding Against Adverse Selection**

How can the state minimize adverse selection, both inside the exchange, and between the exchange and outside markets?

1. Washington should have one exchange that serves the individual and small group markets (the issue of whether to merge markets for pooling purposes was not decided).
2. The regulatory framework should be the same inside and outside of the exchange.
3. The regulation of the insurance market, both inside and outside of the exchange, should continue to be done by the Insurance Commissioner's Office, independent from the governance of the exchange.
4. Premium subsidies should be available for all eligible individuals purchasing coverage in the individual and small group markets inside the exchange.

### **Governance Structure**

What principles for developing a governance structure should Washington state use?

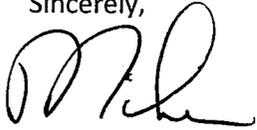
1. Publicly-accountable and transparent
2. Insulated from political and other special interests
3. Administratively-efficient and value-added
4. Broadly representative of the interests of the users of the exchange — individuals and employers — and supportive of the goals of the exchange.
5. Regulation of the insurance market is the responsibility of the Insurance Commissioner's Office, and should be separate from the exchange.
6. Promotes a culture of regular evaluation – self and independent
7. Builds on existing models that work well

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As you can see, a lot of thoughtful work has been done across a broad spectrum of interests. It is my hope that the recommendations made thus far by the Health Care Reform Realization Committee will provide guidance to you as you proceed in the difficult work ahead.

The Realization Committee will hold another meeting prior to the start of the 2011 legislative session. Following it, we hope to have additional recommendations and thoughts to deliver to you. In the meantime, please do not hesitate to contact me or Barb Flye, lead staff for the project, should you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Kreidler". The signature is fluid and cursive, with a large initial "M" and "K".

Mike Kreidler  
Insurance Commissioner

Enclosure

cc: Members, Joint Legislative Select Committee on Health Reform Implementation