

The Utah Health Exchange – A Brief Overview

The overarching philosophy of Utah's approach to health reform is that the invisible hand of the marketplace, rather than the heavy hand of government is the most effective means whereby reform may take place. The Utah Health Exchange is part of Utah's overall health system reform effort and is designed to enhance consumer choice and the ability of the private sector to meet consumer needs.

The Exchange formally opened in August 2009 for the individual/family product market as well as a limited launch for the small group market. A full launch of the small group market and a pilot version for the large group market took place in September 2010.

What is the Exchange?

The exchange is an internet-based information portal. It connects consumers to information they need to make an informed choice, and in many cases allows them to execute that choice electronically.

Why do we need an exchange?

Utah's approach to health system reform is to move toward a consumer-based system, where individuals are responsible for their health, health care, and health care financing. A major step in that direction is the development of a workable defined contribution system.

The Exchange is a critical component in moving towards a consumer-based system. For example, in order for a defined contribution system to function efficiently, consumers need a single shopping point where they can evaluate their options and execute an informed purchasing decision. For a consumer-based market to succeed, brokers, agents, employers, and individuals must have access to reliable information to allow consumers to make side-by-side comparisons of their options.

What is the overall goal of the Exchange?

The overall goal of the Exchange is to serve as the technology backbone to enable the implementation of consumer-based health system reforms.

How does the Exchange accomplish that goal?

To accomplish this goal, the Exchange has three core functions:

1. Provide consumers with helpful information about their health care and health care financing,
2. Provide a mechanism for consumers to compare and choose a health insurance policy that meets their families' needs
3. Provide a standardized electronic application and enrollment system

Doesn't this exist already in the private sector?

It could be argued that the information that a consumer needs exists in the present system, however, in Utah we are missing two key elements. In order for consumerism to really take hold, we need to create a system where the information is available in a standardized format that allows comparisons and is located at a single shopping point.

Why did Utah choose to go with an exchange model?

Utah's approach to health system reform relies on the fundamental principles of personal responsibility, private markets, and competition. To promote competition in the health care system, consumers need three things – accurate and relevant information, real choice, and the opportunity to benefit from making good choices. The exchange model enhances private competition in the health care system by providing all three elements of increased competition.

In addition to the benefits to the consumer, the exchange model also offers relief to employers who will no longer need to bear the full burden of running a health plan for their employees.

What is unique about Utah's approach?

Utah's approach to developing an exchange is unique in that it builds on existing technology instead of starting from scratch. This allows the state to incorporate and build on private solutions. Utah's approach is also designed to support the existing roles of entities in the health system, including insurers, producers, and health care providers.

What is a defined contribution market?

When it comes to employment-based health insurance, Utah recognizes that the traditional approach to purchasing a group plan is not consistent with our underlying philosophies of health system reform. In 2009, Utah created a new defined contribution market for health insurance. In this market, employees choose their own insurance company, network, and benefit structure and employers simply decide how much to contribute toward the employee's policy. It is apparent that while this market greatly enhances consumer choice and competition among insurers, it is also a more complicated system with many more people needing information than in the traditional group market.

What functions can the Exchange actually do now?

At present, the Exchange is ready and able to support the new defined contribution market for Utah's small employers. The Exchange serves as the technology backbone that makes such an innovative market possible. The Exchange has the capacity to handle employer enrollment, communicating information to insurers about risk, compiling and displaying price information to employees, executing the employees' enrollment in their choice of plan, and facilitating the collection and distribution of premiums. The end result is that employees have the necessary information and purchasing power to make an informed health insurance choice.

In addition to supporting the defined contribution market, the exchange also supports consumer choice in the traditional individual market. In this regard, the primary role of the Exchange is to connect consumers with private companies that can help them identify and purchase the product they need. On the Exchange, consumers are given three options to shop for and buy a policy – use a private online shopping service, buy direct from a participating insurer, or search for an agent to get in-person assistance. Currently, there are four private online shopping services, five insurers and hundreds of agents available through the Exchange.

Where will the Exchange take us in the future?

It is important to remember that a robust Exchange will be more than just a place to “apply for health insurance”. While the initial focus of setting up the Exchange has been to establish a stable defined contribution market, this is just the first stepping stone in the process toward a consumer-oriented system.

In order to facilitate consumer choice in the long run, it is clear that the Exchange must provide information that is relevant to not only health care financing but also quality and transparency of the health care system. The Exchange will also evolve into a tool for patients to make better decisions about their health and health care by providing access to information about cost and quality and health and wellness.

The value of the Exchange is the sum of all its parts and each “part” is essential to the long term success of the Exchange and to the success of Health System Reform.