



The District's Dime

Going Beyond the Budget Book

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Tax that Funds DC Health Link Will Keep Health Plans Affordable for All District Residents

By Wes Rivers

The District recently adopted a plan to finance its online health insurance exchange, www.dchealthlink.com, in a way that spreads costs among consumers and taxpayers broadly. Some insurers are [challenging](#) that plan, because the new tax covers health plans sold outside the exchange in addition to those sold through the exchange, but the new broad-based revenue stream makes sense. That's because all insurers and consumers will benefit from the success of DC's exchange, which has been [lauded](#) as a national model, and because other financing options would result in very high costs for affected consumers.



Source: Getty Images

The funding plan will assess, or tax, the premiums of all health insurance companies in the District, including companies operating inside and outside DC Health Link. The tax also will apply to Managed Care Organizations and companies that sell supplemental products like disability or long-term care insurance. The broad-based assessment is logical because:

- A broad assessment will keep costs to individuals and small businesses as low as possible. Insurance carriers will pass on the assessment costs to consumers in the form of higher premiums, but if the assessment is broad, each individual premium will be affected minimally.
- All health carriers will benefit from expanded access to health coverage through DC Health Link. As more residents have health insurance, their health outcomes are likely to improve, and health providers will see a reduction in uncompensated care costs, which have to be spread among those with insurance. This means that DC Health Link should reduce average health costs, which helps all insurers.
- Insurers that sell indemnity or supplemental products outside of the exchange will benefit, because those supplemental plans are mostly sold to people who already have major medical coverage. As more residents have basic coverage, demand for supplemental coverage will increase.

These benefits are possible only if DC Health Link has the resources needed to operate the complex site and provide assistance to help individuals and businesses sign up. A broad-based tax makes that possible. If the exchange had to be funded solely through fees on plans sold on the exchange, the costs to consumers could be very high or could leave the exchange without the resources it needs.

DC's exchange financing plan is a sustainable model that other states are also exploring. Colorado's exchange board adopted a [similar](#) broad-based approach in addition to a user fee for people purchasing inside the exchange. All insurers, businesses, and individual consumers benefit from a well-functioning health exchange. DC's funding stream recognizes these benefits and effectively spreads the costs.