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Healthcare Reform Update

This issue of Vista's focuses on two key areas of Healthcare Reform: Insurance Exchanges and Medical Loss Ratios. You will also note a summary of what may evolve in Colorado related to possible healthcare reform and finally, some observations on both state and national reform. As always, feel free to contact your Van Gilder team with any questions or if we may clarify any aspect of healthcare reform.

Insurance Exchanges

Effective in 2014:

- Insurance Exchanges will act as a new distribution channel beginning in 2014
- Requires states to establish Exchanges for individuals & state employers
 - State-level legislation will be introduced as early as 2011 to establish the rules for Exchanges
- Subsidies for individuals up to 400% of the federal poverty level, only available in Exchange

Exchange administrative functions:

- Operate a toll-free telephone hotline to respond to requests for assistance
- Maintain a website to shop for plans
- Enroll applicants in their plan of choice
- Coordinate with federal and state agencies regarding subsidies and tax credits
- Coordinate tracking and enrollment of Medicaid-eligible into Medicaid
- Establish an initial and annual open Enrollment Period and special Enrollment Periods
- Certification and rating of plans

Much will be the same for products offered inside and outside the Exchanges:

Products/Benefits:

- Must include Essential Health Benefits
- Must comply with one of the four Benefit Tiers
- Provides option for fifth tier for <30 year old Individual coverage only
- Must comply with HDHP Cost Sharing Limits and small employers must limit deductibles to \$2,000 Individual / \$4,000 Family
- All 2010 HCR benefit mandates apply equally inside and outside the Exchange (e.g., preventive care, lifetime limits, etc.)

Much will be the same for products offered inside and outside the Exchanges:

Pricing/Rating:

- Minimum Medical Loss Ratio of 80%
 - Single, combined risk pool inside & outside the Exchanges (Individual and Small Group separately or together)



> 100 years
of building
relationships
of trust



> 100 years of building relationships of trust

- States would have the option to set higher Minimum Loss Ratio requirements
- Modified Community Rating
- Pricing only based on actuarial value of plans, not risk selection
- Guaranteed Issue and Renewability; no pre-existing condition exclusions
- Requires a Rate Review of “unreasonable” premium increases
- All insurers must participate in Risk-Adjustment and temporary Reinsurance programs established at the state level



There may be some differences inside and outside the Exchanges:

- Plans may offer different combinations of plans inside and outside the Exchange (Exchange participating insurers must offer at least one Silver and one Gold level package on the Exchange)
- Exchange requires plans to meet additional criteria for certification as a ‘Qualified Health Benefit Plan’
- Requires the Office of Personnel Management to offer at least two multi- state plans in each Exchange
- Federal framework calls for Co-op plans (new health plans that are not- for-profits and governed by a Board made up by its members) to be sold in the Exchange
- Exchanges will have initial and annual open Enrollment Period and special Enrollment Periods, but the guaranteed issue law is silent on open enrollment periods off Exchange
- State mandates above the federal minimums must be paid for by the State on Exchange products, but not on off-Exchange products

Medical Loss Ratio

Health Plans and carriers must meet stipulated medical loss ratios as follows:

- 2011: 85% in Large Group market
- 2011: 80% in Small Group and Individual markets
- Does not apply to ASO/partially self-funded groups
- Awaiting additional federal guidance as to how it will be calculated and what will be included

Possible 2011 Colorado Legislation

Mandates in Colorado:

- Expect new mandates coming from advocacy groups wanting further coverage, including possible increased autism coverage
- Very likely another decrease in provider Medicaid payments because of further budget cuts
- Will be on the lookout for bills that “jump the PPACA gun” or push implementation timelines
- Medical Loss Ratio; public option; guarantee issue



Implementation of National Reform

Interagency Board on Reform

- Eleven members appointed by Governor
- The board members are executive cabinet members and Governor's Office staff including
 - HCPF Director Joan Hennebery;
 - Commissioner of Insurance Marcy Morrison;
 - Lorez Meinhold under new title, Director of National Health Reform Implementation
- The Board meets regularly with public input

State Action on Exchanges

- Meetings were held over the summer and this fall to create a set of recommendations on Exchanges and submit a plan for the next Governor



- The Governor's Office delegated the role of facilitator of the Exchange meetings to the Colorado Consumer Health Initiative and the Colorado Coalition for the Medically Underserved. The meetings have

become consumer-dominated, anti-insurance and negative toward any business voice

- It is likely that insurance concerns and recommendations will not be taken into account at these meetings
- Legislation establishing Exchanges will be difficult, time-consuming, and extremely politicized during the 2011 session
- Colorado will need to evaluate its current mandated benefits

- The State of Colorado will have to assume the costs for any premium tax credit or cost-sharing increase for any benefit that is an add-on to the "essential benefits package"
- The legislature will also have to decide whether to utilize brokers within the Exchange to:
 - (a) help enroll individuals and employers
 - (b) assist them in applying for subsidies

General Observations: Wish List

- We hope states will not establish more regulatory rules than were already established in PPACA which currently offers strong consumer protections
- The Exchange should not design benefits or approve rates or products. Rate approvals and denials should stay within the Division of Insurance
- Funding for the Exchange should be broad-based so that it is sustainable and any insurance assessment should be a reasonable percentage of premium (1% suggested)
- Allow for numerous plans in the Exchange to foster competition
 - Have the same rules and regulations for plans offered inside and outside of the Exchange, but still allow for plans to be offered outside of the Exchange
 - The state and HHS must work together to create a fair risk adjustment system
 - Start with a manageable level of employer participation of groups up to 50 before increasing to larger groups