

# Regulatory Changes Necessary in a Reformed Health Insurance Market

Presentation to the  
Finance Committee

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March 19, 2008

# Tasks of the Exchange Work Group

- Evaluate options and develop recommendations regarding how to organize and regulate a reformed individual market
- Make recommendations for the implementation of a health insurance exchange
  - who could participate
  - what services an exchange should provide

# Oregon's Current Individual Market

Size	233,000, including OMIP & portability (6% of total OR population)
Guaranteed issue and renewability?	<b>Guaranteed Issue? No</b> Guaranteed Renewability? Yes
Rating regulation	Rates can not be based on individual's health experience or other factors; may use age factor Portability products: for individuals rated on all groups
Coverage regulation	May exclude pre-existing conditions up to 6 mos.
Benefit regulation	Certain benefits mandated
Other	Oregon Medical Insurance Pool (OMIP) for individuals denied coverage

# Oregon's Current Small Group Market (2 to 50 employees)

Size	268,000, including portability (8% of Oregon population)
Guaranteed issue and renewability?	Guaranteed Issue? Yes Guaranteed Renewability? Yes
Rating regulation	Rates pooled for all small groups. Allowed factors: benefit design, geography, age, family coverage, participation rate. Max band for age factor: 3:1
Coverage regulation	May exclude coverage of pre-existing conditions up to 6 mos. (excl. pregnancy)
Benefit regulation	Must include mandated benefits

## Working Assumptions (from SB 329)

- Individual mandate → 571K uninsured will gain coverage
- State premium contribution for low-income
- Guaranteed issue, or a modified individual market
- Availability of a range of affordable plans with attractive benefits and a choice of carriers
- Risk adjustment or reinsurance

# Who will enter the individual market?

- With an individual insurance requirement and guaranteed issue, enrollment in the individual market will grow.
- Over 100,000 currently uninsured people will enter the individual market and access state contributions, both
  - Directly through state premium contribution
  - Indirectly through affordability tax credit
- 50,000 new individual market enrollees not eligible for state contribution

# Goals of Market Reforms

- Provide access to affordable coverage for individuals
- Make it easy for people to quickly become insured
- Create a stable and sustainable market: stable rates, participation by numerous insurers
- Mitigate effect of adverse risk events on insurers
- Provide sustainable financing for high risk segment
- Minimize impact on people who currently have coverage

# Two Possible Routes for Achieving These Goals

1. Maintain medical underwriting with some changes in the individual market and OMIP
2. Establish guaranteed issue, using a robust risk adjustment mechanism and state premium contributions to ensure all Oregonians access to coverage

# Work Group Recommendation

- In an environment with an individual insurance requirement, implement guaranteed issue and no medical underwriting in the individual market
- Want to see modeling results – rate impact of merging all individuals in one pool

# Overview: Recommendations for Implementing Guaranteed Issue

- Single risk pool for individual insurance market
- Establish robust risk adjustment
- Limit market disruption by maintaining OMIP for enrollees for a period of time; close entry to program
- Self-employed sole workers stay in individual market

# Overview: Recommendations for Implementing Guaranteed Issue, cont.

- Use a plan enrollment period to facilitate universal coverage and avoid system gaming
- Limit transition period disruption for current individual market enrollees
- Establish consistent rating rules for all carriers in this segment
- “Essential Services Benefit” definition will establish product baseline and tiers

# Make the Individual Insurance Market a Single Risk Pool

- Establish a single risk pool for individual insurance market (Include: existing, new, portability, OMIP)
- Implement guaranteed issue & guaranteed renewability
- Do not use medical risk to determine insurability or risk
- Close enrollment in the high risk pool (Oregon Medical Insurance Pool – OMIP)
- To maintain carrier participation in individual market:
  - Strong enforcement rules for individual health insurance requirement
  - Strong risk adjustment mechanism

# Establish Strong Risk Adjustment

- Establish a risk adjustment mechanism that adjusts revenue based on carriers' enrolled risk
- Establish an oversight methodology to review the value and efficacy of the risk adjustment mechanism, adjust the mechanism as needed

# Limit Market Disruption

- Initially keep current OMIP enrollees in their current coverage and set OMIP rates to mirror those in the reformed individual market
- Close OMIP to new enrollment
- Initially maintain OMIP assessment; determine if assessment is necessary long-term with adoption of risk adjustment mechanism
- Assess impact of enrolling high risk uninsured and portability market enrollees into main individual insurance market
- Assess impact of newly eligible population on risk pool

# Maintain Current Treatment of Self-Employed Sole Employees

- Continue to allow self-employed persons with no other employees to access insurance in the individual market, but not in the group market
- Once an essential services benefit is established, revisit discussion of differences between the group and individual markets

# Rating Rules Should Be Consistent and Support Enrollment

- Base the medical component of rates on a carrier's experience with all enrollees, whether they are enrolled through the Exchange or not.
- Use statute or regulation to increase transparency of medical cost and administrative cost components of rates.
- Utilize natural rate band based on the actual experience of the overall individual market.
- Allow age, but not gender or health to influence rates in individual market.

# Rating Rules Should Be Consistent and Support Enrollment

- Allow, but do not require carriers to implement premium discounts for healthy behaviors.
- Continue to allow geography-based rating.
- Do not change small group rating rules to match the rules in the individual market. Evaluate over time to see if changes are needed.
- Continue DCBS review of carrier rates.

# Use Essential Services Benefit Definition to Establish Product Baseline and Tiers

- All carriers must offer a plan at least equal to the essential services benefit defined by the Benefits Committee and at least one buy up option
- DCBS will continue to review carrier products. Review will include check that plan benefits meet or exceed essential services benefit.
- Establish several benefit tiers, with greater benefits/cost for higher benefit tiers.
- Do not establish a low cost/reduced benefit plan for young adults.

## Use a Plan Enrollment Period to Facilitate Universal Coverage and Avoid System Gaming

- Assumes all can access easy enrollment into affordable coverage; effective marketing plan
- Establish open enrollment period for individual insurance
- Identify exceptions to open enrollment limitation; establish appeals and exceptions process.

# Limit Transition Period Disruption for Current Individual Market Enrollees

- Keep insurance affordable for current enrollees—need modeling
- Pair easy access to affordable, consumer valued coverage with penalty for non-coverage to encourage new and current enrollees to get and keep coverage.
- Determine which low income enrollees will be eligible for state premium contributions.
- Phase in reforms to protect individual market participants. Delay merging current OMIP enrollees with overall individual market.

# The Individual Insurance Requirement: Ensuring Participation

**OHFB Design Principle:** The responsibility and accountability for the financing and delivery of health care is shared by all Oregonians.

## **Compliance Design & Enforcement Principles**

- **KIS** – make it easy to administer, comply, verify coverage.
- **Fairness** – people who can afford coverage should buy it, while lower-income people may need assistance to make coverage affordable.
- **Flat of the curve** –Recognize that getting 100% compliance is probably impossible and very expensive; 99% may be sufficient to meet the goals of reducing the cost shift and minimizing adverse selection.
- **Others?**

# Administering Compliance with Individual Insurance Requirement

- Make enrollment simple, provide incentives for enrollment
- Annual open enrollment period
- Significant financial penalty for non-coverage (50% or more of benchmark plan annual premium)
- Consider other incentives (e.g., require proof of insurance to get driver's license)
- Enforcement is key
- Additional issues:
  - Who, how and how often to assess compliance & impose penalties
  - What period counts for having insurance
  - Exceptions and appeal process
  - Who is responsible for coverage of minors, other dependents

# Next Steps

- Review modeling results of this plan—especially impact on currently enrolled
- Based on that input and input from Finance committee, finalize Market Reform Recommendations report
- Finalize draft Exchange recommendations, including:
  - What groups will utilize an exchange?
  - What functions will an exchange perform?
  - What will be the Exchange’s governing structure?
  - How will the exchange be funded?