

Health Reform Implementation: Regulatory & Timeline Challenges

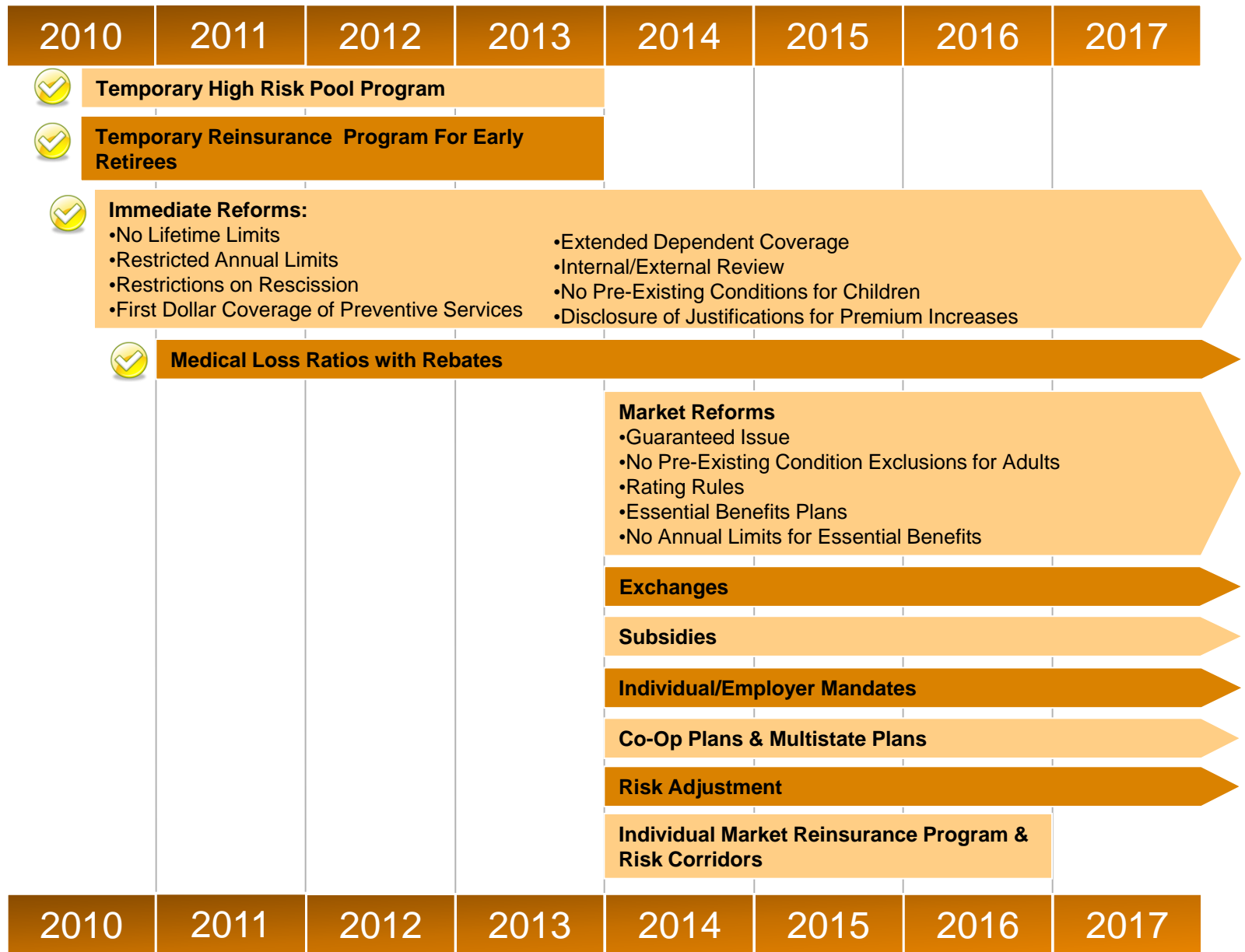
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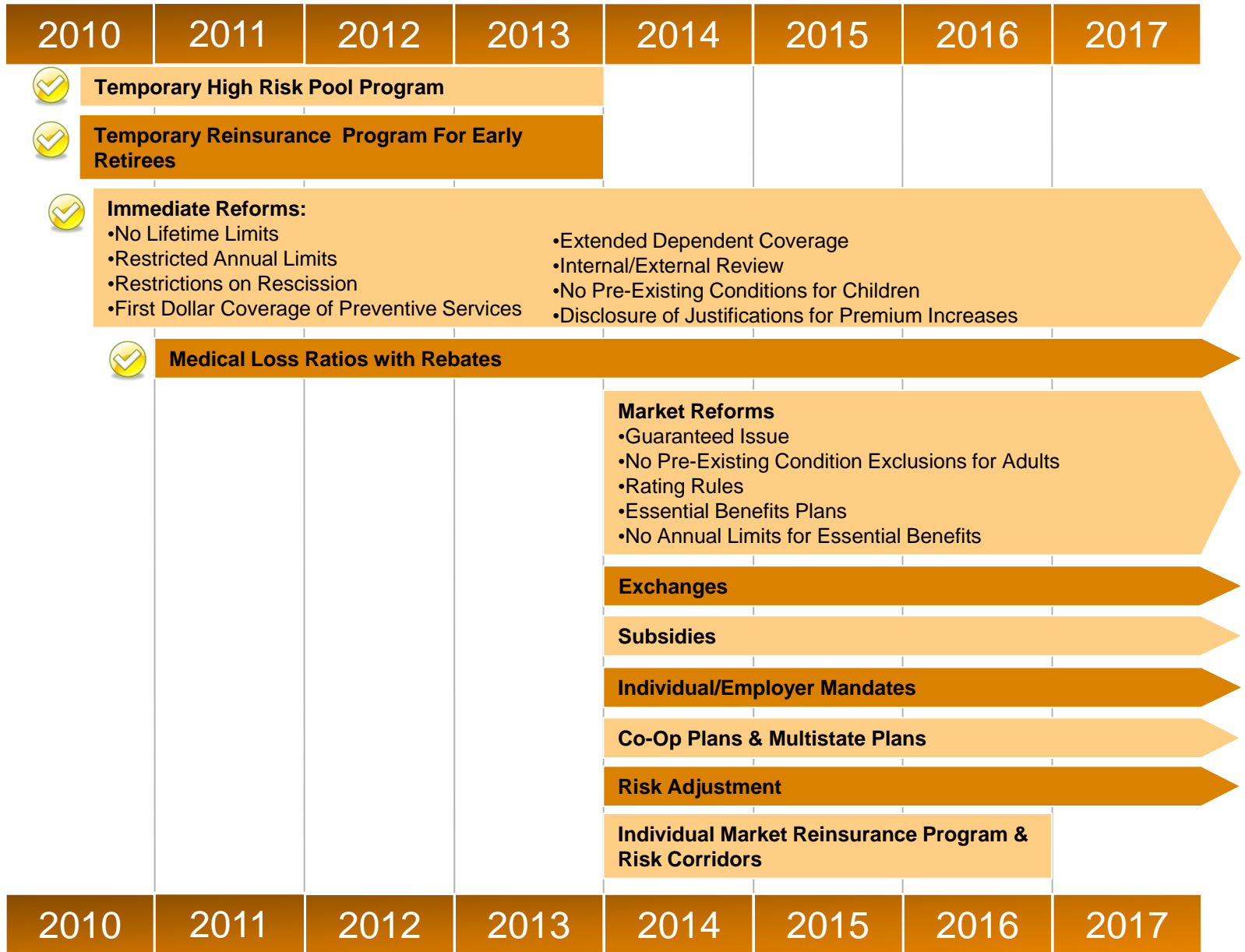
Implementation Timeline



Early Challenges

- Child-Only Coverage
 - Some or all carriers in most states have halted new sales of child-only policies.
 - States have enacted laws and regulations in response:
 - Establishing open enrollment periods
 - Requiring sales to children
 - No problems in guaranteed-issue states
- Medical Loss Ratios
 - 14 states have applied for adjustments, 5 approved to date, 1 rejected
 - Insurers have been reducing producer commissions in response to MLR requirements
 - Congress is discussing potential revisions to MLR formula in response
- Annual Limits
 - This could force limited benefits plans out of the marketplace or lead to large premium increases for these plans.
 - HHS is issuing waivers to limited benefits plans to allow them to remain in the market.
 - 4 states have received waivers for laws or programs that require or encourage insurers to offer limited plans.

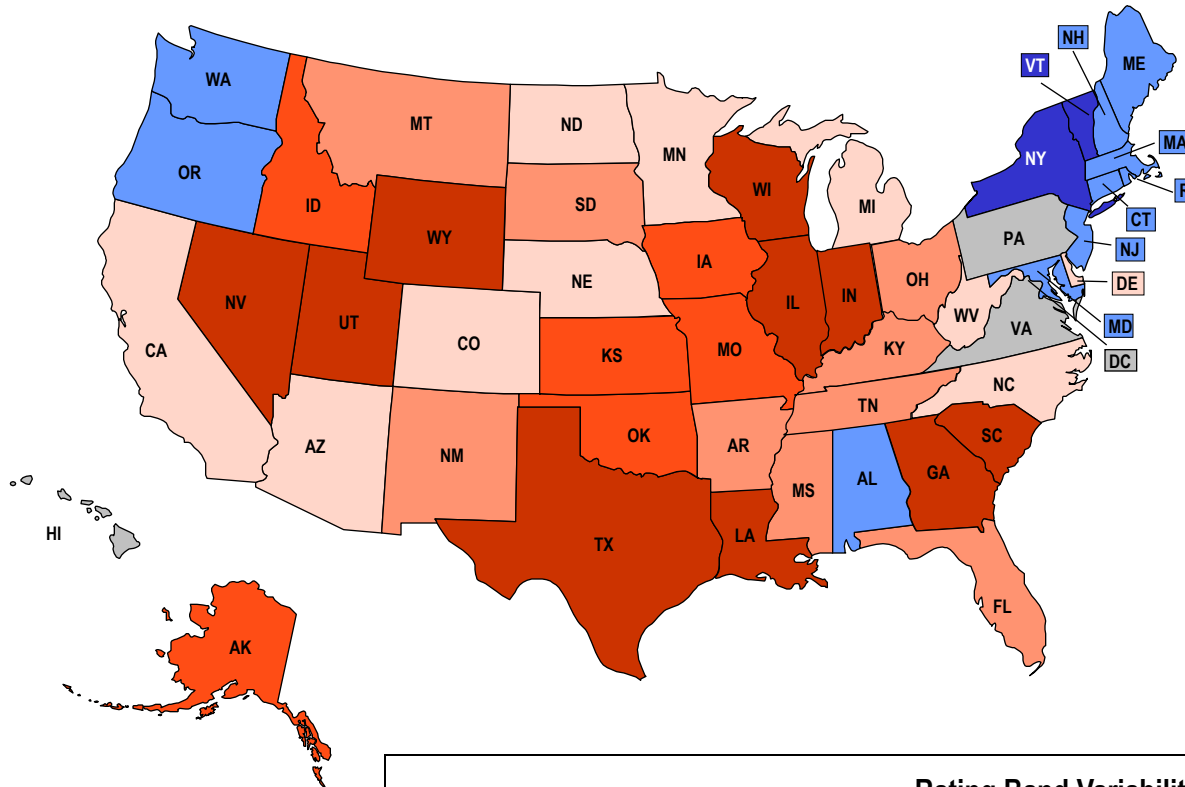
Implementation Timeline










2014 Challenges: Market Reforms

- Adverse selection
 - Guaranteed Issue/Modified Community Rating
 - No Preexisting Condition Exclusions
 - Single Risk Pool
- Will the Mandate be effective?
 - \$295 / 2.5% of income penalty
 - \$4200 annual premium
- How effective will reinsurance, risk adjustment and risk corridors be?

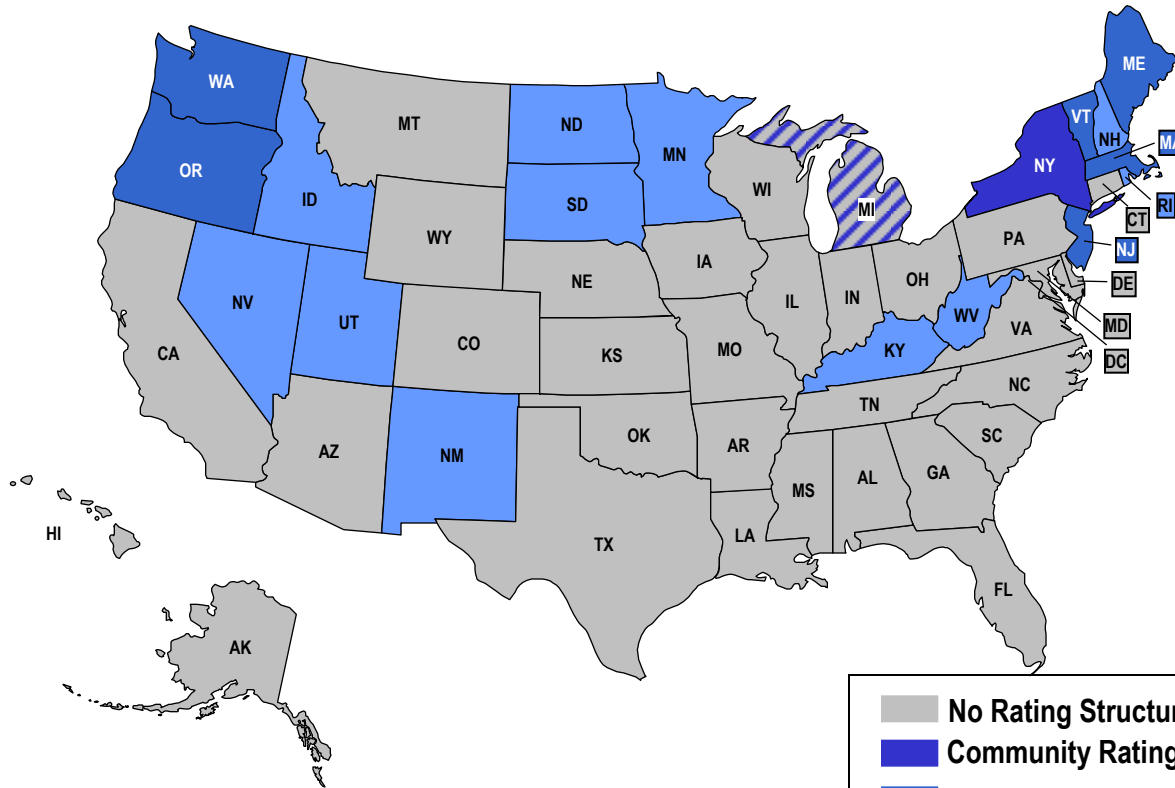
Small Group Premium Variation



*Note: Michigan HMOs and Blue Cross/Blue Shield are restricted to 3.12:1 maximum variation. All others may use 3.96 maximum variation

Rating Band Variability:	
	Community Rating
	Adjusted Community Rating
	No Rating Structure
	13:1 or less
	13.1:1 – 19:1
	19.1:1 – 25:1
	25.1:1 or greater

Individual Market Rating



- No Rating Structure
- Community Rating
- Adjusted Community Rating
- Rating Bands
- Hybrid

Michigan Blue Cross/Blue Shield must use community rating.
There is no rating structure for other carriers.

2014 Challenges: Fuzzy Market Boundaries

PPACA and Regulations change and blur the boundaries between market segments

- Small group market expands from 2-50 to 1-100
 - Counting rules will change
 - Different counting rules may apply for different provisions
- Employer may remain in small group market when it grows beyond upper limit

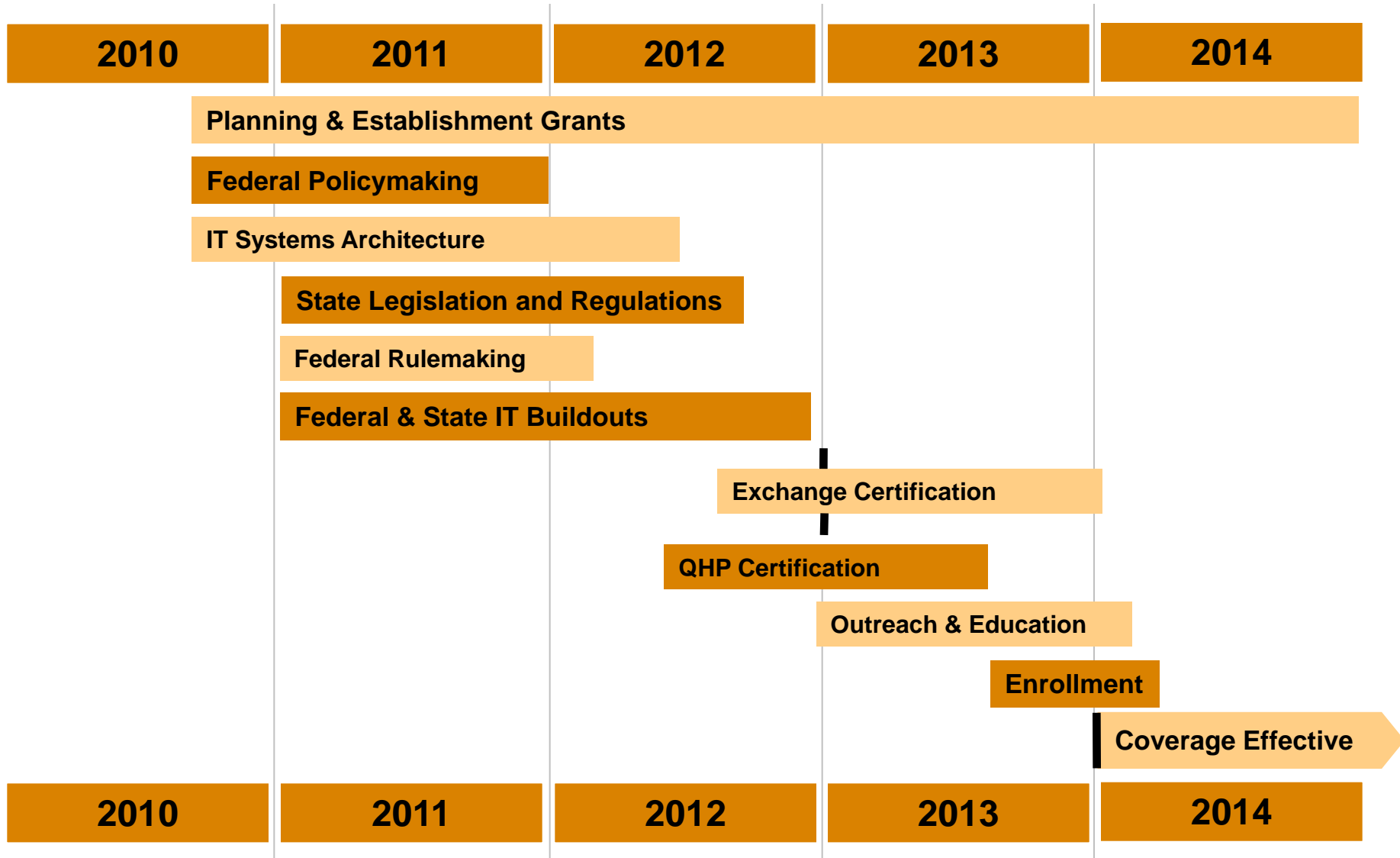
2014 Challenges: Exchanges

- Time
- Money
- Regulatory Issues

Exchanges: Time

- Coverage through Exchanges must be effective January 1, 2014
- Exchanges must be up and running for initial open enrollment October 15, 2013
- HHS must certify that the State will be able to meet this timeframe by January 1, 2013

Exchange Implementation Timeline



Exchanges: Money

- Federal grants will fund establishment of Exchanges through 2014.
- How will they be funded after 2015?
- How will Navigators be funded in 2013 and 2014?

Exchange Regulatory Issues

- Preemption
- Employee Choice
- Multi-State Plans

Exchanges: Preemption

- If states do not establish Exchanges, the Federal government will.
- Federal government would conduct Medicaid and CHIP eligibility determinations, impacting state budgets
- Could cause some regulatory challenges:
 - Coordination between state and federal government
 - Federal government intervening in state insurance markets

Exchanges: Employee Choice

- Employer selects tier of coverage
- Employee selects QHP within that tier
- States may allow employers to select other methods of plan selection:
 - Traditional composite employer plan
 - Employee selects plan from *any* tier of coverage

Multi-State Plans (MSPs)

- US OPM will contract for plans to be sold nationwide through Exchanges
 - Must be licensed in each state and follow all state laws not inconsistent with MSP provision
- BUT...
 - MSPs will be deemed qualified for Exchanges
 - Contracting process will be similar to FEHBP
 - All other plans are exempted from any state or federal requirement that MSPs are not subject to

MSP Concerns

- Preemption
- Solvency
- Pooling of Risk
- Consumer Assistance

NAIC Work

- Models
 - Early reforms
 - Exchanges
 - 2014 market reforms
- Exchange white papers
 - Governance
 - Financing
 - Adverse Selection
 - Role of Producers and Navigators
- SERFF support for states

NAIC Website Special Section



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SPECIAL SECTION: *Patient Protection and Affordable Care Act* & **STATE INSURANCE REGULATION**

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LATEST NEWS: NAIC APPROVES FORM FOR MLR FINANCIAL REPORTING REQUIREMENTS.

The National Association of Insurance Commissioners (NAIC) Executive Committee/Plenary adopted final implementation of a Blanks Proposal reflecting changes required to implement the Patient Protection and Affordable Care Act (PPACA). [Read the full release.](#)

Audio files now available for Health Care Reform Implementation Interim Meeting, July 22-23, 2010, Washington, D.C. ([Meeting Agenda](#)).

Health Care Reform (PPACA) Issues - Master Issue Resolution Document (IRD) [PDF] (updated 8/10/10) For more recent updates to individual issues see the Advance Call and Meeting Material section of the [Accident and Health \(LHATF\) Working Group page](#).

For all conference calls and meetings, including those on health care reform implementation go to:



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Questions?

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