

HEALTHCARE REFORM

General Introduction & What's New in 2007 (Relative to Health Reform Discussions and Proposals of 15 Years Ago)

Daniel Bailey, MAAA

Prepared for Session 15 of the 2007 SOA Annual Spring Health Meeting, Seattle WA
Based on a presentation given to Hartford/Springfield Actuaries Club, 5/21/2007

Health Coverage Reform

- Governmental Changes in Health Policy that MAY Affect the Scope, Nature, or Regulation of Commercial Health Insurance as well as Self Funded Employer Health Plans and Possibly Even Government Programs.

THREE CRITICAL ISSUES

Pertaining to the Finance & Delivery of Health Care & the **Health Security** of the US Populace

- **COST**: \$2 tril for 300 mil in '06; 16% GDP.
Who Pays? 45% is Private; 55% is Public.
Health Cost increased at 2x COL over past 40 yrs.
Unit cost & util. trend. Advances in med science.
- **ACCESS**: to provider of choice or to any provider; to health insurance. Delay in treatment.
- **QUALITY**: ??????

STATE vs. FEDERAL

- Federal Reform—enacted through federal government, such as COBRA, HIPAA, Mental Health Parity, the “Enzi” Bill. Thus MHP, etc apply to self-funded groups as well.
Federal law supersedes state.
- State Reform—enacted through state govts. States have differing regulations on health insurance, such as **benefit mandates**, rating methods, min. loss ratios, eligibility, ...

Health Ins. Reform circa 2007

WHAT'S NEW (compared with early to mid-1990's)?

- States are not waiting for federal solutions and are drafting their own reform plans. State reform has taken center stage over federal. About half of the states are actively considering mandates, which in this case refers to mandatory health insurance coverage—pay or play reform, similar to MA. (Not to be confused with more benefit mandates.) **ERISA, however, likely precludes states from reform as sweeping as federal.**

FEDERAL REFORM

HOW IT OCCURS:

- Legislative process—
 - Originate and draft proposal or bill
 - Introduce to Committee
 - Action on the floor of Congress
 - Conference Committee action
 - Presidential action

FEDERAL POLICY

Congressional Committees w/ Health Jurisdiction:

A. SENATE--

- Committee on Finance
- Committee on Health, Education, Labor & Pensions
- Committee on Appropriations

B. HOUSE—

- Committee on Ways and Means
- Committee on Energy and Commerce
- Committee on Appropriations

FEDERAL POLICY (2)

- Were often directed at Small Group & Indiv.
Question: Were early 90's NAIC state-specific efforts to reform Small Group (SG) sufficient? Why so much variation by state?
- Various federal proposals have been put forward and discussed, over past 5 to 10 years, to expand coverage in the SG market through Association business. AAA Issue Brief—see Appendix.

STATE MARKET REFORMS

(From the National Conference of State Legislators):

Number of States	<u>ENACTED</u>	<u>PROPOSED</u>
Single Payer	0	3
Subsidized Health Insurance	3	9
Insurance Market Reforms	2	10
“Connector” Purchasing Pool	1	9
Individual Mandate	1	3
Employer Assessment	3	5
Tax Credit	0	2

What States Have Done To Make Health Insurance More Affordable/Accessible

- Small Group Reform; Loss Ratio Limits
- High Risk Pool for Uninsurable Individuals
- Restricted Rating—Community Rating or Modified Community Rating
- Insurer of Last Resort (non-profit BCBS)
- Encourage Limited (High Ded.) Coverage

--See Handouts, Session 79, 2005 SOA Health Spring Meeting, Jay Angoff presentation

Academy of Actuaries

- Issue Brief on Association Health Plans.
- Publication on Points to Consider When Evaluating Political Candidates' Platforms on Health Coverage and the Uninsured.
- The Role of the Actuary.
- Letters, Summary, Review of Gov't Actuarial work, such as Medicare Trustees Report.
- Traditionally involved with Federal Reform, but new Workgroup formed on State Reform.

THE UNINSURED

- AAA Workgroup—2 Issue Briefs @ actuary.org (See links in Appendix)
- Five categories of Uninsured:
 - Financially Uninsured– Voluntary
 - Financially Uninsured– Unaffordable
 - High Risk (the “Uninsurable”)
 - Low Income and Eligible for Public Programs but not Enrolled
 - Low Income and NOT Eligible for Public Progs. (100%+ to 300% of FPL)

Appendix

- LINKS TO AAA Websites:

http://www.actuary.org/pdf/health/pools_sep06.pdf

http://www.actuary.org/pdf/health/uninsured_dec05.pdf

http://www.actuary.org/pdf/health/enzi_may06.pdf

http://www.actuary.org/pdf/health/ahp_mar05.pdf

http://www.actuary.org/pdf/health/parity_1204.pdf

http://www.actuary.org/pdf/health/uninsured_guide.pdf

- OTHER LINKS:

<http://www.ncsl.org/programs/health/h-primary.htm>

Session 15 WS, Small Group Medical Market Watch Wednesday, June 13, 1:30-3:00 p.m.

Items for Discussion:

- Regulatory issues impacting small group health insurance
- Both issues specific to small group, and market-wide (e.g. new mandated benefits, mental health parity, etc.)
- Changes in Medicare, and their impact on small group health insurance
- New plan designs (especially consumer directed plans), and their impact on small group health insurance
- The competitive environment for small group health insurance
- Changing numbers of players in the market, typical average premium rate increases, anticipated lapsation, and anticipated changes in profit margin
- The impact of mergers and acquisitions by major plans on regional competition
- Cost trends, and their impact on small group health insurance
- Changes in utilization
- Developments in provider contracting
- Renewal Rating practices and Risk Assessment