HB188: HEALTH REFORM - INSURANCE MARKET

Results from Efforts to Amend and Next Steps

A Utah Health Policy Project Policy Development Tool February 12, 2009

OVERVIEW

Speaker David Clark's HB188 Health System Reform – Insurance Market bill has gone through a number of revisions since the first draft was given to stakeholders. UHPP has had the opportunity to provide feedback on each draft. This "Scorecard" shows what we have asked for, what amendments were adopted, and what changes we are asking for now. UHPP is supporting the bill as a foundation for comprehensive reforms in the coming year. We plan to continue our work with the Speaker and stakeholders to strengthen HB188.

What we asked for	What we got	What we are asking for now
NetCare, a high deductible limited benefit plan that will be offered as a COBRA alternative and conversion plan, should not be the basic benefit plan. The basic plan should be more reflective of products that are actually purchased in the current market.	**Win** – the basic benefit plan will now be the lowest deductible plan that qualifies under the federally qualified high deductible health plans ($1,150 individual & $2,300 for family) with an annual out of pocket max that does not exceed 3X the annual deductible.	*Over the next year we will work with stakeholders to define a basic creditable coverage level that is aligned with evidence-based medicine.*
The mandate-lite plan should not be implemented until a review of the costs and benefits can be completed, determining the value of each. If mandate-lite benefits are going to be allowed then the impact must be closely monitored. The mandate-lite plan should only be implemented as a pilot demonstration project.	**Partial Win, then Loss** – the mandate-lite section has been scaled back to only include some of the provider mandates. The impacts will be closely monitored by the Insurance Department. **Yet** there is a section later in the bill that allows insurers to offer products that are exempt from the mandate's NetCare is exempt from. See the next row for details.	**PG 38 Lines 116 and 1174** (referred to in the next row) should be changed to **only allow insurers to offer ONE** additional plan that is not subject to the list of mandates. This would make the bill consistent with the second draft of the bill. Insurers argue that only allowing them to offer one plan that is exempt from the mandates limits their ability to innovate. Yet there is nothing in law that says they cannot be innovative. By limiting them to one plan, it ensures that all of the coverage mandates are not stripped from packages.

NetCare should only be offered as a pilot project and should not be exempt from additional mandates. These mandates include: adoption indemnity benefits, inborn metabolic errors, primary care physicians definition, coverage of diabetes, standing referral to a specialist and any coverage mandates enacted after 1/1/09.	**Loss** –This is not reform, in that there is nothing in law prohibiting insurers from offering NetCare on the current market. Without a better understanding of the cost shifts and other consequences of mandate-lite plans, the proposed exemptions from additional mandates are concerning. Mandate-lite plans are known to undermining current coverage plans and invite *adverse selection*, whereby the older and unhealthy choose more comprehensive packages and the younger and healthy choose the stripped down, cheaper packages. NetCare will be closely monitored.	
Broker Transparency- This section of the bill requires a broker to disclose to a purchaser any potential compensation they may receive for providing services. The original bill required disclosure at both the original purchase and annual renewals.	**Loss** – The second draft of the bill amended the disclosure requirements at renewals, requiring a letter to be sent as opposed to a signature collected. UHPP supported this amendment. Yet, in the numbered bill another amendment was made that weakens the reporting requirements. Currently the bill requires a broker to only disclose potential compensation on annual renewals *every three years*.	**PG 28 Lines 841-845** changes broker transparency so that disclosures only have to be made every three years on annual renewals. This should be changed back to be consistent with the second draft where brokers have to send a letter of disclosure at *annual* renewals.
Increased insurer transparency including: • A requirement to publish *medical loss ratios* (the portion of the premium dollar that is devoted to patient care) • Administrative overhead as % of total revenues • Wellness outcomes	**Win** – These items will be defined and reviewed by the Task Force for the next legislative session.	
On the risk adjuster board there should be one employee representative AND one employer representative	**Loss –** the language only has either/or.	UHPP is still pushing to include a representative from each group.

Reporting and monitoring requirements of the changes to the market.	**Win** - Many of the reporting requirements now incorporated are based on UHPP amendments	
A new section should be created called the *Health System Reform Oversight and Review Committee*. The Committee should be made up of legislators, experts, consumers, providers. This entity should analyze, review and report on all of the changes made and make recommendations for additional changes, tweeks…	**Partial win** – the Task Force is going to be continued for another year to monitor, review and analyze the changes and make further recommendations. Given that many changes will not be implemented immediately, there should be an ongoing solution seeking and monitoring entity.	Stakeholders and experts need to work together to figure out the details of moving the reforms forward during the interim.
UHPP asked for the creation of an entity that develops the minimum standard benefit package according to evidence based medicine. This standard should be updated periodically as data is collected on the impact of proposed changes on the overall system, health care costs, and the general health of the population.	**Loss with the potential for a win** – While a benefits commission is not in any of the bills, this bill and another reform bill (Administrative Simplification) have windows of opportunity in this area.	UHPP will try to open up these windows of opportunity.
Specify how the wellness incentives will be designed. There is a right way and wrong way to do this. Generally, you only want to reward changes made by the enrollees. You must avoid punishing enrollees for conditions they may be born with or that may be related to socio-economic disadvantages (factors beyond the person's control). Also, as legislative research has shown, people with disabilities will need alternatives for acceptable wellness activities.	**Loss** – nothing specific has been added. Wellness program designs are left up to the insurer's discretion.	

The original draft of the bill included a reinsurance pool for the defined contribution market. UHPP wanted to see this expanded to markets outside of the defined contribution market.	Reinsurance has been replaced with a risk adjuster. There are some similarities, but they differ in that the risk adjuster will be prospective and based on diagnoses within the given small group. Therefore it will not apply to accidents or costly catastrophic situations, including: premature births, cancer, burn victims. Additionally, a health diagnosis risk adjuster can set up a system where insurers are making lots of money off of the sick without any guarantee that they are providing an appropriate level of care.	The reinsurance pool should replace the risk adjuster and be expanded to include the entire small group market. The reinsurance mechanism will stabilize the private market and curb premium spikes for small groups. We have seen a general increase in the number of small businesses dropping their health benefits. In the recession this number will become even larger if small businesses receive large premium increases. In order to keep small businesses in the private market, we must stabilize their premium increases through proven approaches like reinsurance.
The first draft bill expanded the small group to include sole proprietors. This has since been removed.	UHPP continues to argue for sole proprietors to be included in the small group market. Adverse selection will not be a problem with a robust risk adjuster like reinsurance in place (see above), requiring all sole proprietors to participate in the small group and by expanding the small group segmentation. By spreading ALL sole proprietors across ALL small groups adverse selection is minimized.	

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