



Health Insurance Reforms: A Conversation with Insurance Commissioner Kreidler

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Noon to 1 pm





Presenters



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Washington's role in implementing the Affordable Care Act (ACA)

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www.insurance.wa.gov

December 1, 2010



Affordable Care Act

- ACA enacted on March 23, 2010
- Status quo is unacceptable
- ACA is meaningful reform
- Moves us in the right direction
- The role of states in implementation



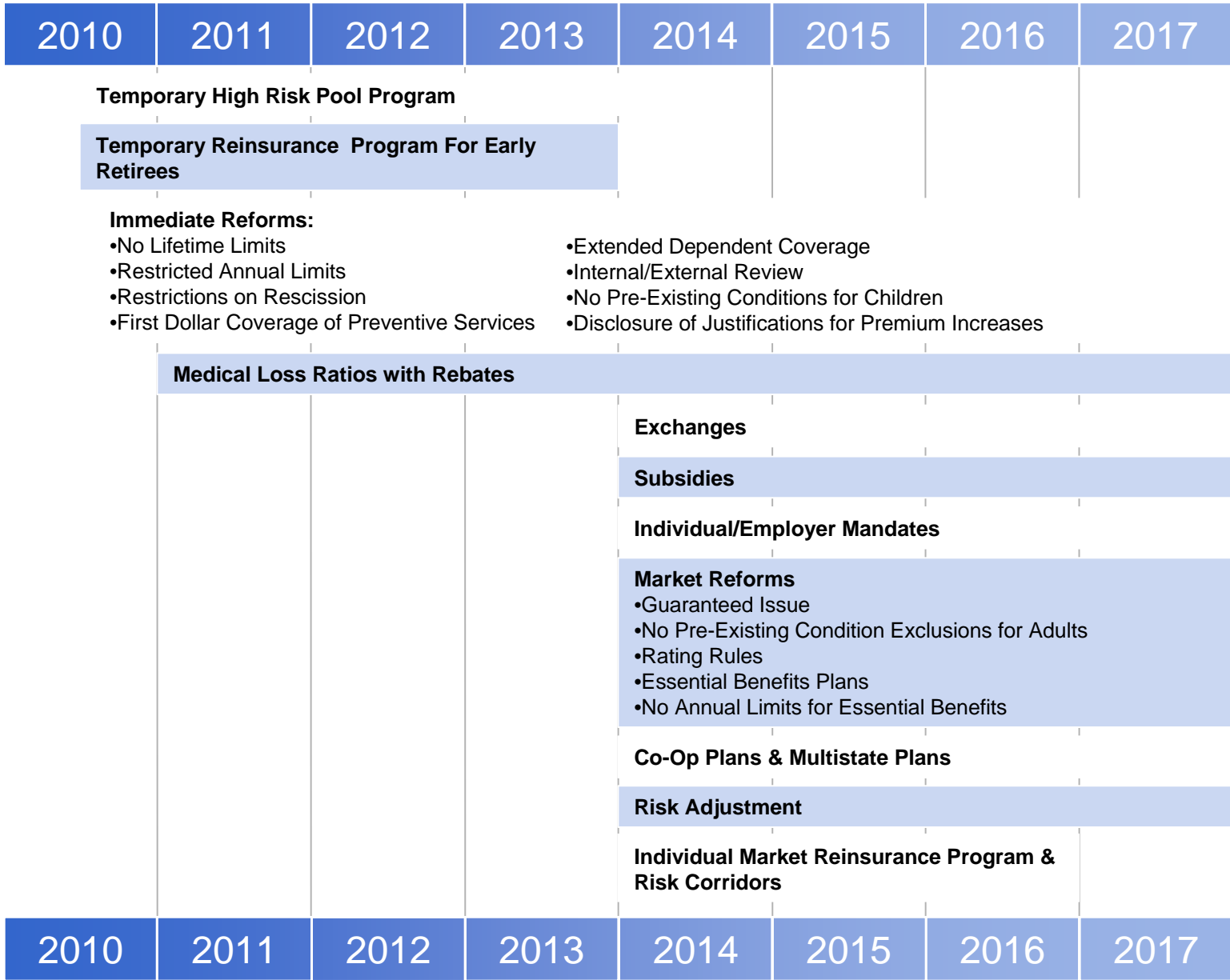
Washington's Uninsured: Who are they?

13.5% of our state's population (915,000) is uninsured

The uninsured are:

- Poor (under 200% FPL) = 71%
- Of working age (19-64) = 90%
 - 39.5% are between 19 and 30
 - 28.5% are between 31 and 45
 - 21% are between 46 and 65
- Employed = 65% have at least one FT worker in household (18% have part time worker(s))
- State's budget deficit & slow economy means the number of uninsured Washingtonians will rise.

Health Reform Implementation Timeline





Pre-existing Condition Insurance Plan
WASHINGTON STATE

Health Insurance with No Waiting Period

Eligibility:

- Individuals must be a resident of Washington, citizen, national or lawfully present in US,
- Be uninsured for at least 6 months, and
- Have a pre-existing condition.

Benefits/Coverage:

Two plan options: \$2,500 and a \$500 deductible. Both plans include comprehensive coverage, disease management programs, and case management services. In addition, there are:

- no pre-existing condition waiting periods
- no deductible for pharmacy benefits,
- no lifetime maximum,
- no minimum enrollment period.

Cost:

- Federal law requires that premiums be no higher than 100% of the average premium in the individual market. Premiums range from \$177 - \$769 per month in the \$2,500 deductible plan and \$371 - \$1,577 in the \$500 deductible plan.
- Premiums can be paid by third parties as otherwise allowed by law.

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Insurance Reforms: Terms

- Individual market
- Small group market
- Large group market
- Fully insured
- Grandfathered health plan
- Non grandfathered health plan



Immediate Benefits: Insurance Reforms

Beginning Sept. 23, 2010:

When your **health plan** renews, it cannot:

- **Cap lifetime benefits** (all plans)
- **Charge out of pocket costs for preventive services** (new plans only)
- **And young adults may be covered on their parents' plan** if it already offers dependent coverage, until the age of 26 (all plans)
- **Cancel or rescind a policy**, except in the case of fraud or misrepresentation (all plans)



Immediate Benefits: Insurance Reforms

Beginning Sept. 23, 2010:

When your **health plan** renews, it cannot:

- **Put in place unreasonable annual benefit limits** (all plans except grandfathered individual)
- **Refuse to cover pre-existing conditions** of enrollees under age 19 (all plans except grandfathered individual)



Immediate Benefits: Insurance Reforms

Additional provisions that kick in prior to 2014:

- Establish a temporary reinsurance program for early retirees (in place now)
- Require a review of all “unreasonable” rate increases (all fully insured non grandfathered plans)
- Establish Medical Loss Ratios for all fully insured plans:
 - Definition
 - 80% for individual & small group
 - 85% for large group
 - Insurers must provide a rebate to consumers if they don’t meet the MLR



Impact of the ACA on Insurance Premiums

The Affordable Care Act will have an impact on rates, but is not a major cost driver.

- Average increase of 2-5%, depending on how comprehensive your policy is today.
- That increase gives you greater consumer protections and additional health benefits.
- Biggest contributor to rate increases are claims experience and health care cost trends
- It will take time to see the cost benefits of the ACA
- Consumers are likely to continue to see annual increases in premiums



What Happens in 2014?

You **get all of the immediate benefits**, such as no lifetime caps on benefits, PLUS...

- You **can't be denied coverage because of a pre-existing condition** (all plans except grandfathered individual)
- **Guaranteed availability & renewability** (all non grandfathered fully insured)
- Your **out-of-pocket costs are capped** (all non grandfathered plans)
- **No excessive waiting periods** (all group plans)



What Happens in 2014?

- Plans must include the **“essential health benefits”** (all non grandfathered plans)
- **You may be able to keep your current coverage**
- **Health Insurance Exchanges**
- **Individual mandate** phased in. Exemptions include:
 - Member of a recognized Indian tribe
 - Religious objections
 - Uninsured for less than 3 months
 - Lowest cost plan exceeds 8% of your income



What Happens in 2014?

- **Adjusted community rating goes into effect** (non grandfathered fully insured small group & individual; large group if allowed to be offered in exchange)

Premiums may only vary by:

- Age (3:1 maximum)
- Tobacco use (1.5:1 maximum)
- Geographic rating area
- Whether coverage is for individual or family



What is a Health Insurance Exchange?

- Facilitates the purchase of “qualified health plans” for individuals and small businesses
- Includes standardized, easy to understand information on health insurance options
- Makes it easy for consumers to compare plans based on price, benefits, and performance
- Determines eligibility for Medicaid, CHIP & other state health care programs
- Determines eligibility for subsidies



What are the Requirements for the Exchange?

- Limit access to citizens & legal residents
- Make coverage available to individuals & small groups
- Establish four tiers of plans from bronze to platinum, plus a catastrophic plan for those under 30
- Large employers may join beginning in 2017
- Must be self sustaining beginning in 2015



Questions for Washington State

- Does WA want to establish the exchange(s) or let federal government do it?
- What is the purpose of the exchange?
- What is the governance of the exchange?
- Should there be one exchange or two?
- Should WA pursue a regional or subsidiary exchange(s)?



Questions for Washington State

- Should the state merge the individual & small group markets for pooling purposes?
- Should the population between 133-200% FPL be served through the exchange or a federal Basic Health Plan option?
- Should the state maintain its benefit mandates?
- What will be the “rules of the game” for carriers operating inside and/or outside the exchange?



The Work of the Office of Insurance Commissioner

- Implement insurance reforms
- Engage in stakeholder outreach
- Participate in Governor's Health Cabinet
- Realization Committee on Exchange & Insurance Reforms
- Coordinate with Joint Legislative Select Committee & its advisory groups
- Policy work related to implementation
- Participate in National Association of Insurance Commissioner activities
- Communication & participation in HHS rules & grants



OIC Recommendations

- Washington State should operate the exchange.
- Washington's exchange should be more than simply a "market organizer."
- The regulatory framework should be the same inside and outside of the exchange.
 - Independent of exchange governance



For More Information

Office of Insurance Commissioner

www.insurance.wa.gov or

Call 1-800-562-6900

National Association of Insurance Commissioners

www.naic.org

U.S. Secretary of Health and Human Services

www.healthcare.gov

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