KELCH POLICY GROUP

HEALTH INSURANCE ALIGNMENT PROJECT

Making Sense of Health Insurance Oversight in California

Federal Affordable Care Act

Reforms of the Individual Insurance Market

Senate Health Committee

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Health Insurance Alignment Project

- Independent, California-specific policy research, analysis and technical assistance
- Focus on state implementation of the Affordable Care Act and coordination of health insurance regulation and oversight
- Supported by a grant from the California HealthCare Foundation

California Individual Market Rules

Pre-Affordable Care Act

- Carriers can deny coverage or charge higher rates based on health status or claims experience
- Guaranteed availability in limited programs for people moving from job-based to individual coverage (COBRA, Cal-COBRA, HIPAA, conversion)
- Coverage is generally guaranteed renewable

California Individual Market Rules

Pre-Affordable Care Act

- Pre-existing condition exclusions are limited to 12 months with credit for prior coverage
- No rating factors or rules in the general individual market
- State-administered and funded high risk pool, Major Risk Medical Insurance Program

Early Federal Individual Market Reforms

- Guaranteed coverage for children
- No pre-existing condition exclusions for children
- Dependent coverage through age 26
- No lifetime coverage limits
- Phase out of annual coverage limits leading to no limits by 2014
- Restrictions on rescissions of coverage
- Temporary, federally funded high risk pool
- Medical loss ratio, requires 80% of premium be spent on clinical services (2011)

2014 Individual Market Reforms

- Guaranteed availability for adults and children
- Specific prohibited factors for health insurance eligibility (health status, medical or mental health condition, genetic information, claims experience, domestic violence, etc.)
- No pre-existing condition exclusions

2014 Individual Market Reforms

- Authorization for carriers to conduct open enrollment but not required
- If carrier limits availability to open enrollment, must have special enrollment periods similar to COBRA
- Exchange rules specify open enrollment /special enrollment periods and circumstances for Exchange plans
- Guaranteed renewal, except for fraud or nonpayment of premiums

2014 Individual Market Reforms

- Exceptions to guaranteed issue and renewal only with protections:
  - Uniform application without regard to health status
  - Lack of sufficient delivery system (180 day bar to market)
  - Lack of adequate financial capacity
    - 180 day bar or until regulator approves, whichever is later
  - Carrier discontinues a specific product
    - 90 days notice
    - Must offer and guarantee all products offered in that area
  - Carrier stops selling all individual coverage
    - 180 day notice
    - Five year bar

2014 Individual Market Reforms

- Rating factors – Rates may vary by:
  - Family or individual
  - Age (3:1)
  - Geographic regions (state established)
  - Tobacco use (1.5:1)

2014 Individual Market Reforms

- Rating factors
  - Age
    - Proposed one year increments using a standard age curve developed by the state or using the federal default
    - Proposed uniform age bands: 0-20, 21-63, and 64 and over
  - Geographic regions
    - State established regions
    - Up to seven per state based on county, zip code or MSA
    - States can propose more than seven for federal approval

Programs to stabilize the market

- Temporary reinsurance
  - Three-year transitional program to partially offset risk of high-cost enrollees
  - State or federal administration at state option
- Risk adjustment
  - Charges plans with lower-than-average risk to make payments to plans with higher-than-average risk
  - State or federal administration at state option
- Risk corridors
  - Federal three-year transitional program for Exchange qualified health plans and substantially similar plans outside of the Exchange

Other related federal reforms

- Coverage tiers (Platinum, Gold, Silver, Bronze and catastrophic)
  - Process for determining actuarial values to inform consumer choices
  - Existing state law on products than can or must be sold inside and outside
- Exchange qualified health plan detailed requirements with potential impact on outside market
- Minimum essential coverage definition
- Standardized summary of benefits and coverage
- Essential health benefits (state legislation enacted in 2012)
- Cost sharing limits

State Role

- May enact stronger standards than federal law if it does not prevent the application of federal provisions
- Traditional insurance regulatory and oversight role remains and applies to federal reforms
- Harmonize application of market rules inside and outside of the Exchange

- Areas for state action
  - Enact / enforce implementing state law, reconcile existing state law
  - Establish geographic rating regions
  - Choose to administer risk adjustment / reinsurance or allow federal government to do it

QUESTIONS?

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