Federal Health Reform and State Insurance Regulation

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Overview

- Preemption
- Immediate Market Reforms
- · 2014 Market Reforms
- State-Based Exchanges
- Grandfathering
- Flexibility
- Implementation Process



Preemption

Provisions of PPACA will potentially preempt state laws

Similar to HIPAA:

Nothing in this title shall be construed to preempt any State law that does not prevent the application of the provisions of this title.

PPACA § 1321(d)

Exceptions:

- Mandated benefits: States must cover cost of mandated benefits beyond essential benefits package
- Grandfathered plans: States may not require grandfathered plans to be pooled with post-reform plans.



Federal Fallback

HHS could be responsible for:

- High risk pool program
- Exchange operation
- Rate and form review
- Market conduct
- Internal / external review of disputes
- MLR enforcement



Immediate Reforms

High risk pool program

Consumer protections:

- Extended dependent coverage to age 26
- · No preexisting condition exclusions for children
- Restrictions on rescissions
- · No lifetime limits, restricted annual limits
- Internal and external appeals
- First dollar coverage of preventive services
- Medical loss ratios

HHS web portal

Disclosure of premium increases and other data

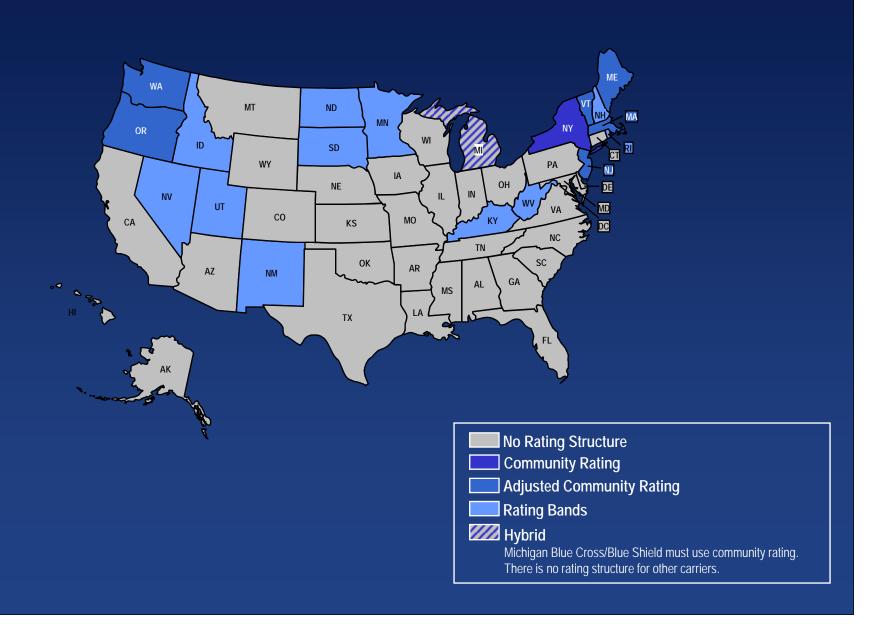


2014 Reforms

- Exchanges open and provide subsidies
- · Individual mandate
- Employer responsibilities
- · Essential benefits package
- Single risk pools in individual and small group markets
- · No preexisting condition exclusions
- Guaranteed issue
- · Rating rules:
 - No health status
 - 3:1 maximum age rating
 - 1.5:1 tobacco use



Individual Market Rating





Exchanges

- Facilitate comparison and purchase of coverage
- Administer subsidies
- Mandatory Core functions:
 - Certify qualified plans
 - Operate toll-free hotline
 - Provide standard comparative information on qualified plans
 - Rate plans based upon cost and quality
 - Certify exemptions from individual mandate
 - Establish "Navigators" program
 - Coordinate with Medicaid & CHIP programs to provide eligibility determinations
- · Outside market remains intact



Grandfathered Plans

 Coverage in which individuals were enrolled prior to March 23, 2010 are exempt from most provisions of the bill.

Exceptions:

- Lifetime limits
- Restrictions on rescissions
- Extension of dependent coverage
- Minimum loss ratios
- Annual limits (group only)
- Preexisting condition exclusions (group only)
- Pooled separately from newly sold plans.
 - State laws that attempt to include them in single risk pools are preempted.
- Grandfathered plans will satisfy individual mandate.



Areas of Flexibility

- High risk pool program
- Exchanges
- Basic Health Plans for individuals between 100% and 200% FPL
- · Waivers of requirements for:
 - Plans offered through the Exchanges
 - Administration of the Exchanges
 - Reduced cost-sharing in plans offered through the Exchanges
 - Premium subsidies
 - Employer and individual mandates



Implementation

- HHS Office of Consumer Information and Insurance Oversight (OCIIO) opened April 19
- · Formal rulemaking has begun on several issues:
 - Medical loss ratios
 - Rate review procedures
- NAIC is responsible for:
 - Uniform definitions of insurance terms
 - Minimum loss ratio definitions and methodologies
 - Development of rate review standards
 - Standards for interstate compacts
 - Temporary individual market reinsurance program
- NAIC is updating model laws and regulations to reflect federal minimum standards
- NAIC is providing technical assistance to states and HHS as requested



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