Health Care Reform Review Committee Testimony
February 2, 2012

Chairman Keiser and committee members, for the record I am Rod St. Aubyn representing Blue Cross Blue Shield of North Dakota (BCBSND). I was asked to provide information for your committee regarding the impact of the ACA on CHAND. CHAND is the Comprehensive Health Association of North Dakota, our state's high risk pool. BCBSND administers the CHAND program for the CHAND Board. Most states have a high risk pool like CHAND, but not all of them.

Before I explain the possible impacts, I think it would be helpful to explain CHAND. You can find the law regarding CHAND in NDCC 26.1-08. In ND, there are two types of insurance coverages – **individual** (non-group) and **group**. **Group** coverage, which is what employers offer for their employees, is what is called "guaranteed issued". What that means is that no matter what the risk may be in an employer's group the insurer must accept all applicants. In the **individual** market, the insurer is permitted to determine how much risk they want to accept, so they can determine medical enrollment policies to ensure affordable rates for those applying for these insurance products. As a result the insurer can reject applications from individuals who are considered "high risk". However anyone rejected for coverage is informed of their option to apply for CHAND. A resident applicant is guaranteed coverage under CHAND if they have been denied coverage by another insurer. Even though these individuals are guaranteed coverage under CHAND, the premiums are higher than comparable products. The rates are set by statute (NDCC 26.1-08-08) at 135% of a comparable product in the individual market. Even with these higher premiums, CHAND loses money every year in the range of $5 to $5.5 million dollars. That shortfall is assessed to health insurers proportionately to the amount of business they do in the state.

CHAND's governing board is comprised of the Insurance Commissioner, the State Health Officer, the director of OMB, one state senator (Sen. Judy Lee), one state representative (Rep. Nancy Johnson), and one representative from each of the 3 largest insurers providing coverage in the individual market.

There are 4 types of CHAND applicants –

- Traditional Applicant (1,077 current members)
    - One who has been denied coverage due to health reasons
    - One who has received a restrictive "rider" on the policy
    - One whose rates are higher than CHAND
    - One who has reached their lifetime maximum in another health insurance policy
    - One who is a resident spouse or dependent of a CHAND member
- HIPAA Applicant (50 current members)
- An applicant who is age 65 or older or disabled (a Medicare Supplement–like product) (315 current members)
- A TAARA applicant (Trade Adjustment Assistance Reform Act of 2002) (4 current members)

According to the ACA, beginning on January 1, 2014 all eligible health insurance coverage will be "guaranteed issue". As a result no individual will be denied coverage and be forced to go to a "high risk" product like CHAND. High risk products like CHAND do **not** have to comply with provisions within the ACA. As a result, CHAND does not have to comply with the Essential Health Benefits and other provisions of the ACA. Once all provisions of the ACA go into effect in 2014 it is expected that health insurance premiums will increase significantly. However with subsidies within the exchange it does not necessarily mean that each person's net premium will increase dramatically. With these expected increases and lesser benefits within CHAND, it is possible that the cost of a CHAND premium may be lower than that offered within the exchange. However with the full implementation of the ACA in 2014 there will be no new applicants that will eligible for enrollment into CHAND as a "Traditional Applicant" or as a "HIPAA Applicant" because they will not be able to be rejected or denied coverage. It is very probable that Traditional CHAND members will elect to apply for products within the exchange so they can get more benefits and be eligible for individual subsidies. As result it is expected that enrollment within CHAND will most likely decrease significantly.

As your committee considers the issue regarding CHAND and its impact due to the ACA, the following questions should be considered:

- Should all current CHAND "Traditional" and "HIPAA" members be transitioned to other coverage within the exchange in 2014? If not, will the cost for those that remain members be so costly that maintaining CHAND for that group could be prohibitive?
- If the "Traditional" and "HIPAA" CHAND products are maintained, how should the assessments be done – ie based on all insurers both in and outside the exchange, just within the exchange, etc.?
- Should the Meicare Supplement-like product and the TAARA product be maintained and how should the assessments be established?
- If the "Traditional" and "HIPAA" CHAND program is eliminated, what date should be established for this change?

Decisions regarding CHAND will need to be made in the 2013 Legislative Session since the ACA will be fully implemented on January 1, 2014, unless changes are made by the Supreme Court or Congress.

Mr. Chairman and committee members, I am sure there are other questions that will need to be addressed that we have not discovered yet, but this issue must be studied thoroughly to determine the Legislature's intention with the state's high risk pool. I would be willing to answer any questions the committee may have.