

Blue Cross Blue Shield of North Dakota Testimony to the Health Care Reform Review Committee
Thursday, July 7, 2011 Bismarck, North Dakota

Chairman Keiser and members of the committee, my name is Brad Bartle and I am the Actuarial and Membership Services Vice President for Blue Cross Blue Shield of North Dakota. Thank you for allowing BCBSND and fellow health insurance providers the opportunity to provide testimony and (hopefully) answer your questions.

Blue Cross Blue Shield of North Dakota is a member-owned, non-profit organization, established 70 years ago. We are a North Dakota based company, employing approximately 1,900 employees and serving more than 450,000 members who pool their insurance dollars together to benefit the entire state. We are dedicated to working with and for our members to provide North Dakotans with accessible, affordable, quality health care. We remain committed to working with North Dakota hospitals, clinics, policymakers, members and non-members to provide local solutions to the challenges that lie ahead in the health care industry.

We appreciate this chance to provide direct feedback on the NAIC Health Exchange Model Act, as well as lay out some guiding principles that we feel are essential to a North Dakota version of the Health Exchanges required by the Patient Protection and Affordable Care Act (PPACA).

Support for a Local Solution

One of the initial questions that this committee addressed in its first meeting dealt with the matter of which entity should operate North Dakota's exchange, the state or federal government. Blue Cross Blue Shield of North Dakota also considered this question as a key starting point to the exchange discussion. We feel that solutions to health care concerns for North Dakotans can best be addressed by a state exchange, instead of a version run by the federal government. This will allow the state to design the exchange based on what is best for North Dakota. The exchange can be flexible and carefully consider local issues or situations that may arise. BCBSND supports a state-run exchange.

National Association of Insurance Commissioners Exchange Model

Late in 2010, the National Association of Insurance Commissioners (NAIC) laid out what they called The American Health Benefit Exchange Model Act "which gives states a framework with which to create a health insurance exchange that is compliant with the federal law" (http://www.naic.org/Releases/2010_docs/naic_adopts_key_health_provisions.htm, December 17, 2010). This model act is designed to provide a base structure that states can repurpose for their particular needs and market conditions. As we heard from former U.S. Secretary for Health and Human Services and governor of Utah Michael Leavitt at your last meeting, we need to "pursue a North Dakota solution" as it relates to Health Exchanges. BCBSND supports the NAIC model and feels that important customizations could be implemented to make this work for North Dakota's unique health care marketplace.

Open Competition with Benefit Flexibility

As has been discussed, there are two states that have already formed a version of the health exchange, Utah and Massachusetts. In general, the Utah version is seen as an exchange that focuses on an efficient marketplace of options, where the consumer's choices are central to the exchange. There is more flexibility for health care insurers to introduce a variety of plans and the emphasis is placed on providing options for consumers. In the Massachusetts version, the exchange board members make the decisions about which health care insurers will be allowed into the exchange and what health benefit plans they will be allowed to sell on the exchange. This type of exchange is often called an "active purchaser" exchange, where the exchange itself owns and operates the specifics of the buying that takes place.

BCBSND feels that North Dakota would best be served by an exchange that promotes open competition and creates the least amount of disruption to the market. In the red-line version of the NAIC Model Act that was distributed, Section 8, entitled "Choice," is where we lay out a number of concepts that we feel will best promote the priority of open competition with benefit flexibility. This will address the public's concern related to having fewer health insurance options with a more controlled exchange. Allowing open competition provides for the needs of North Dakotans.

As part of one health exchange, PPACA creates two separate rate pools, one for individuals and one for small groups. PPACA then allows states to decide whether they want these separate or together. We feel there is a need to keep the individual and small group rate pools separate. If these two are placed within the same pool, we expect small group premiums will go up.

Who Governs the North Dakota Health Exchange?

While the NAIC model offers several options for how to govern the exchange, BCBSND feels a nonprofit governance board is the best choice for North Dakota. A nonprofit board will provide the best chance for open competition and provide the best insulation from politicizing exchange governance. As described in Section 4, under "Establishment of Exchange," the nonprofit entity would be governed by a board of eight members, five of whom would be consumers and insurers – the true market participants in a health exchange. These five voting members would be appointed by the governor. The board would also have three non-voting, ex-officio members that include the state Director of Medicaid, the commissioner of the Insurance Department and the lieutenant governor or their designees. A nonprofit governing board that pulls primarily from the general public will go a long way to ensuring that key decisions are made without undue political pressure or influence.

Set up an Advisory Panel and Start Small

To assist the nonprofit governing board with the monumental task of running a health exchange, we would have the board establish an advisory panel, as laid out in Section 6R of our Health Benefit Exchange Act of North Dakota handout. This panel of stakeholders would provide critical information and perspective to the board and their decisions. This group would again include consumers and insurers, as well as representatives from small businesses, self employed individuals, the Insurance Department, hospitals, the Department of Human Services and others. As an advisory committee, it seems critical to encourage a group made up of a broad range of experience and expertise to ensure that all interested North Dakotans have a voice on this committee.

Another component of starting small is outlined in PPACA, where it lets states determine the size of small groups being allowed to purchase insurance on the health exchange. We support the option of identifying small groups as employers with an average of two to not more than 50 employers, as is outlined in section 3P1.

Actuarially Sound and Level Playing Field

A health exchange will thrive in North Dakota only as long as residents trust that it is based on fairness and accuracy. Toward these ends, BCBSND is promoting two guiding principles:

First, North Dakota's exchange should be based on actuarially sound principles. This is one of the key points that came out of the June committee meeting, and BCBSND hopes it remains a priority as the exchange is formed and governance rules are established. Requiring an analysis consistent with standards of practice and compliance guidelines set up by the Actuarial Standards Board of the American Academy of Actuaries will ensure the highest level of fair play and hold all insurers to the same set of standards.

Secondly, the exchange should not be subject to an inordinate amount of government regulation and restrictions.

Obviously, we recognize and respect the Insurance Department's role in rate and product approval for the state. The exchange should be based on an open, efficient, competitive marketplace. For the health exchange to thrive, it must be a true market environment, where consumers have full access to information and are able to decide what product they want. Choices should be made in an environment that is not overly regulated; where all insurers are allowed to compete fairly.

Closing

In closing, I would again like to thank this Committee for the chance to offer Blue Cross Blue Shield of North Dakota's thoughts and opinions related to the formation of a Health Exchange for North Dakota. Mr. Chairman and Committee Members, I would be willing to answer any questions about my testimony or our red-lined bill draft.