

Health Care Reform Review Committee July 25, 2012

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Thank you Chairman Keiser and members of the Committee. My name is Geoff Bartsh and I am here today representing Medica. We appreciate the opportunity to provide comments on the implementation of the Affordable Care Act.

As you know the Affordable Care Act has been an implementation challenge for insurers and the health care system since its passage in March 2010. Medica and our industry as a whole has done a tremendous amount of work, with the help of our regulators, to meet all of the implementation timelines to date. More importantly we have done so with minimal disruption to consumers.

The implementation challenges we have faced to date pale in comparison to the challenges that we and the the health care system will undergo over the next fourteen months. It is in that time, by October 1, 2013, that products need to be available for consumers to buy for coverage beginning on January 1, 2014.

The new policies that must be available on October 1, 2013 will require:

- New benefits - As mentioned earlier every policy in the individual and small group market will have to include benefits in the Essential Health Benefit set. For individual policies these benefits will be more generous than what is commonly purchased today.
- New cost sharing designs - Every policy will have to comply with new out of pocket cost limits. Small group policies will have to comply with additional deductible limits. Every individual and small group policy will also have to tailor cost sharing to meet actuarial value measures and limitations.
- Adjustments for Risk - Risk adjustment, risk corridors, and reinsurance mechanisms are three programs that will be put into effect and will impact an insurers rates, profits or losses.
- Decisions regarding availability of products in and/or outside of a health insurance exchange - Small group and individual products may be offered inside an exchange, outside an exchange or both. What model of exchange will a state pursue? How will we connect to an exchange for product availability, enrollment information and payment?

Each of these factors plays a major role in an insurance company's decisions on what products to offer, how products are priced, and how products are offered.

There are just over fourteen months to go before those new products are supposed to be available for consumers and we don't have the rules for how each of the factors I mentioned above will operate.

The normal timeframe to develop, price, file with regulators and get approval for a new product is 12 months. That is the timeline when an insurer knows the regulatory process and rules for product offerings. We are quickly approaching the 12 month timeframe and we still don't know many of the rules for product offerings.

Mr. Chairman and members, this timeline is extremely tight. It will be a huge challenge to get products ready to file and offer to consumers in time for October 1, 2013. I am confident that the industry, working closely with our regulators and the legislature, will meet this challenge and limit the disruption to consumers as much as possible.

One thing that can help us meet this aggressive timeline is answers to the outstanding questions on the rules of operation. My ask to all of you and to our regulators is, when possible, make your decisions timely. Examples of decisions the state can make:

- Determination of the Essential Health Benefits set
- Decision on the model of exchange that will be utilized in North Dakota
- Decisions about whether and how to expand Medicaid eligibility
- Decisions regarding any changes to CHAND and options for current CHAND enrollees

Mr. Chairman and members of the Committee, one of the other challenges we face with the implementation of the Affordable Care Act is providing accurate information to consumers - particularly with regard to the increase in the cost of insurance as a result of the Affordable Care Act and the options that will be available for consumers to help mitigate higher costs.

In addition to the changes regarding benefits and cost sharing I described earlier there are other changes in the Affordable Care Act that will have the effect of increasing the cost of insurance for the majority of consumers. They include:

- Guaranteed coverage - Guaranteed coverage will bring persons into the market, many of whom are expected to come with previous health conditions. The cost associated with this new population will be born by the rest of the market and that impact will have to be reflected in rating.
- New rating rules - Current product rates will have to be adjusted to reflect the limited variation allowed in rating from product to product and person to person.
- Taxes and assessments - New assessments will be place on our industry to help pay for the Affordable Care Act. In addition, insurance companies will likely be assessed for selling products through a health insurance exchange if they chose to do so. These taxes and assessments will be passed through to consumers in increased prices.

The bottom line is that the cost of insurance, especially in the individual market, is going up and could go up significantly. There will be sticker shock. The extent to which we can all understand and help educate consumers about potential changes in the cost of insurance we can help minimize that shock.

We also have a responsibility to help inform consumers about options available to help mitigate those cost increases. The biggest option for consumers (not eligible for Medicaid) are premium

subsidies available for products offered through a health insurance exchange. Regardless of the model of exchange that North Dakota utilizes the premium subsidies are only available through the exchange. These subsidies (available for individual between 100% and 400% FPL) could significantly reduce the cost of insurance for many consumers.

In addition, some individuals (those under 30 or those whom the individual mandate does not apply) will have access to a catastrophic plan with slightly higher cost sharing allowances than would otherwise be allowed under the Affordable Care Act. These policies would have lower premium than other options. These catastrophic policies are only available through the exchange.

Chairman Keiser and members of the Interim Committee, I appreciate the time you have given to share our comments and would be happy to answer any questions from Committee members.