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North Dakota Health Care Reform Review Committee Testimony
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Chairman Keiser and members of the Health Care Reform Review committee, thank you for welcoming written testimony from Sanford Health Plan regarding the US Supreme Court's decision on the constitutionality of the ACA and the priority tasks carriers must now address in order to prepare for an insurance exchange.

Only July 3rd, the Center for Consumer Information and Insurance Oversight (CCIIO) published a list of the three largest small group insurance products in each state, ranked by enrollment. This list is to be used to help the State select the benchmark plan that would serve as the reference plan for all other carriers in the development of the essential health benefit (EHB) for North Dakotans. The top three plans in North Dakota happened to be PPO plans: one Medica and two BCBSND plans. In order to best prepare for timely product and rate development of the essential benefits set, including rules around pediatric vision & dental coverage, Sanford Health Plan encourages the state to make the decision prior to the federal due date of September 30, 2012.

On May 16, 2012, HHS issued a "Blueprint" that States must submit to HHS by November 16, 2012 if they wish to operate a state-based exchange or a Partnership Implementation. HHS has also issued guidance for Federally-facilitated Exchanges (FFE), which will be run by HHS if North Dakota chooses not to establish an exchange or have elected to run a Partnership exchange. The state can expect that carriers will need 4-6 months for product development with the hope of state approval by February 2013. This would enable the state enough time (ideally, 6 months between January-June 2013) to conduct testing between the federal data hub and allow the carriers 5 months (June-October 2013) to conduct testing with the state prior to the Exchange open enrollment period in October 2013.

Finally, Sanford Health Plan wants to emphasize that enough time is allowed to review and develop the standards related to reinsurance, risk corridors, and risk adjustment options (collectively referred to as the 3R's). These programs will mitigate the impact of potential adverse selection and stabilize premiums in the individual and small group markets as insurance reforms and the Exchange is implemented.

- The temporary *reinsurance* program serves to reduce uncertainty by sharing risk in the individual market through making payments for high claims costs for enrollees.
- The temporary, federally-administered *risk corridors* program serves to protect against the "rate-shock" that is expected to occur in the uncertainty in rate setting by carriers sharing risk in losses (or possibly gains) with the federal government.
- The permanent, state-based risk adjustment program provides payments to health insurance issuers that disproportionately attract high-risk populations (such as individuals with chronic conditions).

Collectively, the 3R's are critical to neutralizing the greatest threat to the viability of the state exchange - adverse risk selection: a disproportionate enrollment of high-risk, high-cost individuals in the exchange, resulting in a rise in costs and premiums. For example, large group health plans will probably remain mostly unchanged in 2014, except perhaps in low wage markets. It is possible that many low income wage earners will find that family insurance coverage is significantly more affordable in the exchange than in the group plan when the group health plan's contribution to the single-only rate is less than 9.5% of wages, thus qualifying them for premium tax credits and cost-sharing subsidies in the exchange. There are a variety of mechanisms within the 3R's that can be implemented to mitigate adverse selection of products sold inside and outside of the exchange and it's up to each state to address these checkpoints in order to create a stable exchange environment.

In conclusion, I'd like to reiterate the priority tasks at hand in order for carriers to best be prepared for an insurance exchange by October 2013.

1. Selection of the essential health benefit "benchmark" plan so carriers can move forward with product development.

2. A decision of whether North Dakota will have a state-based exchange or a federally-run exchange. Waiting until after the presidential elections will put carriers and the state against an even more unattainable timeline should the elections not result in any changes to the ACA. As you know, Sanford Health Plan worked with this committee in developing a bill for a State Exchange for the Special Legislative Session in 2011, however the bill was defeated. Sanford Health Plan continues to support a state-based exchange.
3. Finally, carriers would like to ensure enough time to develop benefits, configure plans, and test data interfaces with the State prior to the Oct. 2013 open enrollment period for the insurance exchange. This includes addressing the 3R's and developing the checkpoints needed to create a stable exchange environment.

Chairman Keiser and members of the committee, thank you for your time and consideration of Sanford Health Plan's testimony. We are committed to our continued partnership with your committee and the state to help charter the best path for North Dakotans under the ACA.