

# Charter

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## Insurance Market Merger Task Force

September, 2007

### **Purpose Statement (from 42-14.5-3)**

The insurance market merger task force exists to assist the Health Insurance Commissioner in developing a legislatively requested report to “examine and study the impact of changing the rating guidelines and/or merging the individual health insurance market as defined in section 27-18.5 and the small employer health insurance market, as defined in chapter 27-50”.

### **Statutory Merger Study Expectations (from 42-14.5-3)**

The insurance market merger study shall include the following:

1. The study shall forecast the likely rate increases required in the direct pay and small employer health insurance market, over the next five years, based on the current rating structure, and current products
2. The study shall examine the impact of merging the individual and small employer markets on premiums charged to individuals and small employer groups
3. The study shall examine the impact on rates, number of insureds of changes to small group rating guidelines, including:
  - a. community rating principles<sup>1</sup>;
  - b. expanding small employer rate bands beyond the current range;
  - c. increasing the employer group size in the small group market; and
  - d. adding rating factors for broker and/or tobacco use.
4. The study shall examine the adequacy of current statutory and regulatory oversight of the rating process and factors employed by the participants in the proposed new merged market.
5. The study shall assess possible reinsurance mechanisms and/or federal high-risk pool structures and funding to support the health insurance market in RI by reducing the risk of adverse selection and the incremental insurance premiums charged for this risk and/or by making health insurance affordable for a selected at-risk populations.

### **Statutory Task Force Expectations (from 42-14.5-3)**

“The health insurance commissioner shall establish an insurance market merger task force to assist with this study.” As such, the task force shall provide guidance and feedback to the Commissioner throughout the study as recommendations are developed. The task force shall focus specifically on two key issues, as described in the workplan:

1. merging the individual and small employer markets, including possible reinsurance mechanisms and/or federal high-risk pool structures as needed to equitably distribute direct pay risk; and
2. changes to small group rating guidelines.

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<sup>1</sup> Current permissible community rating factors are the average age, and family size of the employer group, its gender mix and – to a limited extent – preexisting health conditions.

### **Statutory Membership (from 42-14.5-3)**

“The task force...shall include but not be limited to, representatives of the general assembly, the business community, small employer carriers...carriers offering coverage in the individual market in RI, health insurance brokers and members of the general public.”

### **Leadership**

The task force shall be chaired by the health insurance commissioner, in accordance with 42-14.5-3. In addition, a member of the Task Force shall be elected as co-chair by the full committee at its first meeting.

### **Statutory Deadlines (from 42-14.5-3)**

The Task Force shall meet no later than October 1, 2007, and the commissioner shall file a report with the Speaker of the House of Representatives and the President of the Senate no later than January 1, 2008.

### **Project Staff, Use of Outside Expert (from 42-14.5-3)**

OHIC provide resources as staff to the Task Force. For the purposes of conducting this study, the Commissioner may contract with an expert in the area of fiscal analysis of the private insurance market. The expert shall, to the extent possible, obtain and use actual health plan data. All such data shall be subject to state and federal laws and regulations governing confidentiality of healthcare and proprietary information. .

### **Agenda Development**

The agenda for the Task Force’s work will be driven by the legislatively dictated schedule for the Insurance Market Merger Study. See attached workplan.

### **Time Commitment**

The Task Force will meet approximately every other week for two hours between September and December, 2007, for a total of at least six meetings.

### **Background Materials**

The recently completed “*Market Conduct Examination of the Small Group Employer Market in Rhode Island*” provides a current assessment of the Rhode Island small group market. In addition, the “*Report of the Massachusetts Task Force on the merger of the small group and individual markets*” will be a resource for our work.

### **Conduct of Meetings**

- All meetings shall be open to the public and will be conducted by the Task Force co-chairs.
- Agendas will be published in advance and distributed to an interested parties list.
- Meetings will be conducted in compliance with Open Meetings Laws.
- As the role of the Task Force is advisory, meetings will be conducted in open, participatory style, inclusive of all members. Recommendations will be made by consensus and vote if necessary.
- Meeting materials shall be prepared by the Commissioner’s staff
- Task force co-chairs will determine under what circumstances non-members may participate in particular meetings. Preference for participation will be given to invited guests, those who request agenda items and regular attendees.