

# Market Merger Task Force Meeting

December 19, 2007

Meeting Minutes

## **In attendance:**

**Task Force Members:** Chris Koller, Health Insurance Commissioner; Phil Papoojian (co-chair), Ted Almon, Bill Delmage, Jim Borah, James Joy, Bill O'Connor, Jerry Meyer, Jay Raiola, Sid Goldman, Valerie Tutson, Xander Marro, Lauren Conway

**OHIC staff:** Deb Faulkner, consultant to OHIC

**Others:** John Lynch, Monica Nehronha, Terrance Martiesian

## **Introduction**

- Chris Koller welcomed the group to the 7<sup>th</sup> meeting of the Market Merger Task Force, reviewed the meeting agenda, and the goals for the meeting.

## **Reminder: Conclusions from Last Time**

Deb Faulkner walked through a presentation of slides reminding the committee of the conclusions from last time, as summarized below:

<b><u>Longer-term Direction</u></b>		<b><u>Short-term Recommendations</u></b>
<b>Community Rating</b> consistently applied rating rules	→	<b>Eliminate HS factor</b> <b>Add group size factor</b>
<b>Everyone in the pool</b> health insurance for all Rhode Islanders	→	<b>Individual Mandate</b> over 400% FPL
<b>Subsidies</b> for those who can not afford coverage	→	<b>None</b> due to state budget status
<b>Regulation</b> of products and rates	→	<b>Move groups of one to direct pay</b>

The longer-term direction was briefly restated from last time, with general agreement amongst the committee. One additional component was offered to this longer-term direction: An employer mandate. However, this was not generally accepted by the committee due to (1) some skepticism/mistrust of the state role and taxes as a mechanism; and (2) concern that the money would be collected in taxes but spent elsewhere.

Within this context, the short-term recommendations were generally accepted by the committee, with a few key exceptions and caveats:

- Mr. Koller added specifically the recommendation to leave compression alone. There was some discussion of the advantages and disadvantages of increasing/decreasing compression, but the committee generally agreed with this recommendation.
- James Joy, from BCBSRI, stated that BCBSRI agreed with most of the recommendations, with two exceptions: (1) The group size factor should be larger (at least 10%); and (2) the health status factor

should not be eliminated. BCBSRI's opinion is that eliminating the health status factor would result in young, healthy groups dropping coverage – and that this issue more than offsets the advantages of reduced volatility.

- Some committee members felt that the recommendations should go further toward the future direction immediately, with the expectation that the legislative process would likely result in some compromise.
- Some committee members expressed reservations regarding the individual mandate on two key grounds: (1) that people should be allowed to go without health insurance if they choose to do so; and (2) that if people have to purchase insurance, it should cover the services they choose to buy (e.g., alternative medicine).

## **Areas of New Analysis**

### **1. Merge 51-100**

Ms. Faulkner outlined the results of analysis of the impact of merging the 51-100s into the small group market, and the pros/cons of doing so. After some discussion, the group agreed that there was no compelling case for a merger. The recommendation was “No But...” with the idea that if the longer-term vision is for a community rated system with everyone in the pool, then ultimately, it would make sense to make this change. In addition, some committee members were concerned with the idea that if larger employers were forced into a community rating model, many would self insure.

### **2. Product Simplification**

Ms. Faulkner outlined the findings from the market conduct study on this issue, and offered a spectrum of options, using a regulatory mechanism to enforce product simplification. There was significant discussion of the administrative burden of 100 product options on providers, but it was not clear that reducing the number of products would reduce this administrative burden significantly. The resulting committee recommendation was a “No, do not pursue” due to the belief that this change would not have enough impact to be worth the change. Many committee members expressed frustration with the complexity of the new products, in determining the appropriate member vs. insurer vs. provider costs, but didn't see product simplification as a mechanism to resolve this issue.

### **3. Regulatory Authority**

The committee discussed a variety of options toward increasing OHIC regulatory authority – on rates and products. One committee member expressed the opinion that “we need a public utility model...it is the only way we can get at the costs.” However, there was significant variation in opinion on this issue, as others expressed concern with any government-led approach (We can't even get the kids off the bus, how can we solve this problem). Another point expressed was that perhaps a more critical regulatory lever was in setting provider rates – that controlling insurer rates and products would not address this problem. The committee did not come to a specific recommendation on this issue, but many expressed interest in moving “somewhere in the middle” with a bit more regulation of rates, but not as tight as direct pay.

### **4. Distribution System**

The committee reviewed the findings and recommendations of the market conduct study on this topic. There was general agreement on increased transparency, and on prohibiting volume and persistency bonuses, with no dissenting opinions. There was significant discussion of the

market conduct recommendation to develop a mechanism whereby employers that use producers pay for those services –either through a rating factor, some form of employer opt out, or direct billing. However, some advised caution due to concerns of billing practices and opportunities for fraud. Finally, a fourth recommendation was added to consider some form of broker certification as a mechanism to address quality of service.

### **Conclusions and Next Steps**

There will be one final meeting of the committee in early January to review the draft report and confirm key findings. A draft will be sent out in advance of that meeting for comments and review.

**Next meeting: The next meeting of the task force will take place on Wednesday January 9<sup>th</sup>, from 7:30-9:30am, location TBD.**