

# Market Merger Task Force Meeting

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September 26, 2007

Meeting Minutes

## **In attendance:**

Task Force Members: Chris Koller, Health Insurance Commissioner; Phil Papoojian (co-chair), Don Nokes, Ted Almon, Sid Goldman, Jerry Meyer, Bill Delmage, Terry Fleming, Jim Borah, Craig O'Connor, Valerie Tutson, Xander Marro, Josh Miller, Ed Pacheco, Lauren Conway, James Joy

OHIC staff: Deb Faulkner, consultant to OHIC; Matt Stark, OHIC policy director; Anya Rader Wallack, consultant to OHIC

Others: Monica Neronha, John Lynch, Danielle Kraus

## **Introduction**

- Chris Koller welcomed the group to the 1<sup>st</sup> meeting of the Market Merger Task Force.
- Task Force members and staff introduced themselves.
- Chris explained that Phil Papoojian had agreed to serve as co-chair of the task force, but welcomed any other volunteers from among the members.
- Chris reviewed the charter for the task force and the timeline for work (report due to the legislature by January 1). He pointed out that the report and recommendations to the legislature on the market merger ultimately will come from the Office of the Health Insurance Commissioner (OHIC), but that the task force had an important role in reviewing the issues and, hopefully, coming to consensus.
- Chris explained that “merging” meant developing a standard set of rules for the small group and direct pay markets, which now operate under very different rules.
- Chris also explained that the task force will be looking at the potential role of reinsurance in spreading risk and/or reducing costs as part of a merger.
- A task force member asked if the group would be looking at an individual or employer mandate. Chris explained that we would look at scenarios for a merger both with and without an individual mandate, but would not look at the effect of an employer mandate.
- In addition, it was made clear that this task force would be looking at the commercial insurance market, and not at public plans such as RIteCare.
- A task force member asked if the group would be looking at the potential effect of voluntary purchasing pools. Chris said that OHIC has studied this issue and would make the study available to committee members.
- Chris explained that Deb Faulkner would provide primary staff support to this group, with some additional support from Anya Rader Wallack. Charlie DeWeese, an actuary, and Amy Lischko, professor of health policy at Tufts University and former Commissioner of Health Care Finance and Policy in Massachusetts, will provide analytic support and meeting facilitation at future meetings.
- Chris explained the meeting schedule and the tasks for each meeting.

## Project Background

- Deb Faulkner explained that the focus for the task force is the small group (SmG) and direct pay (DP) markets, which make up about 21 percent of the RI commercial insurance market and include about 115,000 lives in SmG and 14,000 lives in DP.
- Deb walked the group through a presentation of slides that showed that:
  - SmG enrollment declined by 20,000 from 2003-2005
  - RI benefits in SmG are generally “richer” than in other states, having lower levels of cost-sharing
  - There are some key characteristics of the RI DP market: guaranteed issue; a single carrier (BCBSRI); the use of medical underwriting; and negotiated cross-subsidies between two pools of subscribers.
  - There is a precarious balance in the DP market, which is sustained by a cross-subsidy from approximately 7,000 healthier direct pay subscribers to 7,000 less healthy subscribers
- A committee member asked about the BCBSRI premium assistance program. Jim Joy explained that this program would provide a fixed-dollar subsidy for people below 300 percent of the federal poverty level purchasing in the DP market.

## Key Challenges

- Chris Koller highlighted some of the key challenges that will face the Task Force in making policy recommendations. These include: striking a balance between community rating and group-specific rating in SmG; how best to stabilize the direct pay market; how best to integrate pool 1 (less healthy) direct pay members in a merged market so that the effects are spread equitably across carriers; how to minimize potential disruption of a merger for small group enrollees; and strategies to address adverse selection in a “continuous enrollment” context where people can choose when to buy insurance.
- Chris also spoke of the more fundamental challenge of addressing the underlying costs of care in the system, as opposed to simply shifting dollars around.

## Workplan and Next Steps

- Six more meetings of the task force are scheduled before the end of December. A schedule of meetings was distributed.
- Deb Faulkner laid out a timeline for the completion of task #1, the development of recommendations regarding the market merger and use of reinsurance, and task #2, the development of recommendations regarding rating rules and other rating factors.
- The next meeting will focus on discussion and background relating to the market merger.

**Next meeting: The next meeting of the task force will take place on October 17<sup>th</sup>, 7:30-9:30 AM in DOA Conference Room A.**