Health Care Reform and the Underinsured in Kansas

Kansas Health Institute's
Meeting the Challenges of Underinsurance
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Sandy Praeger
Kansas Commissioner of Insurance

Federal health reform legislation has now been enacted…

- How do state insurance regulators respond?
- What are the major reforms in individual private insurance?
- How are underinsured Kansans affected by the new changes?

How do regulators respond?

- It’s our job to figure out how to put in place the maze of new regulation in the private market.
- We will do that in an unbiased way.
- “The devil is in the details.”
- Regulator ability to protect consumers built in because federal gov’t. HAS to work with states to develop law’s provisions.

How do regulators respond?

- Commissioners were “at the table” for federal discussions during 2009-2010.
- We were there as the non-partisan “go-to” experts.
- Q&A will be forthcoming, both from HHS and from individual state regulators.

Health Care Reform Review

- **On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act of 2010 (H.R. 3590)**
  - This is the legislation adopted by the Senate on December 24, 2009, and adopted without amendment by the House on March 21, 2010.
- **On March 30, 2010, President Obama signed the Reconciliation Act of 2010 (H.R. 4872)**
  - This legislation amends the Patient Protection Act to: increase subsidies for low-income persons and penalties on employers; phase-out the "doughnut hole" in Medicare Prescription Drug coverage; modify tax provisions; amend federal student loan programs; and implement several other changes to the underlying law.

Key Reforms – Early Implementation

- **High Risk Pool Grants** ($5 billion – 2010-2013)
  - For individuals who currently do not have coverage and have a pre-existing condition
  - Challenge to provide grants to states without high risk pool and to guarantee issue states
- **Health Plan Reforms** (Plan years 6 mos. after enactment)
  - No lifetime limits; First-dollar coverage for preventive services
  - No rescissions; Appeals process
  - Dependent coverage up to 26 years of age
  - No Pre-existing Condition Exclusions for Children
- **Grants for State Ombudsman**
- **National Web Portal**

Key Reforms – 2014 Implementation

- **Market Reforms:**
  - Guarantee Issue and no Pre-existing Condition Exclusions in all markets
  - Rating Reforms limiting factors to age (3:1), geography, tobacco use and family composition
  - 4 Coverage Tiers based on coverage categories and cost-sharing
  - No annual limits
- **State-Based Exchanges** for Individual and Small Group markets that will provide standardized information on insurance choices and help consumers enroll in plans

Key Reforms (continued)

- **Individual Mandate** to ensure consumers do not wait until they are sick to seek coverage
- **Employer Responsibility** through a fine if employers with 50 or more employees do not offer coverage and an employee receives subsidies through the Exchange.
- **Subsidies** for lower-income persons and **Medicaid Expansion** (with enhanced federal match) to help make coverage truly available to everyone
- Limited provisions to address **Quality, Cost-Containment,** and **Fraud**

State Implementation

- States will need to act quickly to implement the reforms by 2014 – and very quickly to access high risk pool and ombudsman funds.
  - Federal agencies will need to publish regulations.
  - The National Association of Insurance Commissioners (NAIC) will develop model acts and regulations that comply with the federal regulations.
  - State legislatures will adopt laws and state agencies will publish regulations and create new programs.
  - Insurers will submit new forms and rates that comply with the new regulations, which must be approved by the states before they can be marketed.
  - Insurers will market new plans that will become effective 2014.

NAIC/Commissioner Responsibilities

- Consult on **Summary of Benefits** and **Coverage Disclosure** documents
- Develop **Uniform Enrollment Plan** for the exchanges
- Consult on **Standards for Exchanges** – including, **qualified plan; risk-adjustment; reinsurance; marketing rules**
- Consult on **Standards for Interstate Compacts**
- Consult on **Interim Reinsurance** rules – assessments based on NAIC estimates
- Revise **Medigap** to add cost-sharing in Plans C &F
- Develop standards and forms for **Reporting Fraud and Abuse**
- Develop standard methodology for **Medical Loss Ratio**
- NAIC **External Review** model must be adopted by plans

How are underinsured Kansans affect by the new health reforms?

- It's important to note the breakdown of insurance coverage in Kansas now:

    Employer fully insured—32.5%

    Self-insured employers—17.7%

    State employees health plan—3.5%

    Individual (non-group)—6.5%

    Medicaid—14.9%

    Medicare—11.1%

    Other public coverage—2.1%

    Uninsured—12.4%

How are underinsured affected?

- To what extent do the underinsured fall into the coverage categories?
- What percent of them are young people—those who could be affected most by health reform (opt-in or opt-out/penalty)?
- What efforts will be made to “game” the underinsured with “limited benefits plans”?

How are underinsured affected?

- What kind of guidelines will follow those applying for insurance through exchanges?
- What stigma will be attached to those who will receive exchange subsidies?

Keys to Sound Implementation

- **Public Education –** need to manage public expectations and provide accurate explanation of the reforms
- **Resources –** significant resources will need to be diverted to ensure timely implementation – developing new services and programs; approving new rates and forms; new oversight; public education, etc.
- **Priority –** there are many other issues facing federal and state governments – reform needs to remain a priority

Final thoughts

- "First, do no harm."
- Avoid the unintended consequence of market consolidation.
- Keep the private market regulated by state insurance departments.
- Kansans can't be "gamed" or "scammed" by the new provisions.
- Reform is a moving target--costs have to be addressed for the law to work.