

## Health Care Reform: Implications for the NAIC

Public Hearing on Health Care Reform  
NAIC Health Insurance and Managed Care (B) Committee  
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## Implementation Challenges

- Development and filing of all new policy forms and rates.
- Implementation and/or oversight of multiple risk-sharing mechanisms.
- A change in the market dynamics and risks impacting solvency standards.
- A change in the financial reporting needs and other insurer information.



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## Policy Forms and Rating

- Requirements in both House and Senate:
  - Define minimum benefit standards
  - Impose tighter rating and underwriting restrictions
  - Specify pooling requirements
- Policy forms and rates would need to be filed and approved prior to effective date.
  - NAIC individual health rate filing guidelines will need major revisions.
- Insurers would need to develop new premium rates to reflect the new rules.
  - Because the new rules would deviate from most current practice, many insurers would not have adequate experience data.
  - Assumptions (e.g., the effectiveness of the mandate and risk classifications) would vary across insurers.



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## Policy Forms and Rating

- Actuarial value
  - Both bills include benefit standards based on actuarial value (prospective estimation of benefits assuming standardized population).
  - Regulators should consider the definition of allowed claims and treatment of reinsurance, coordination of benefits and subrogation.
- Pooling
  - House bill pools all individual and group plans; Senate bill creates separate pools but gives states the option to merge.
  - Regulators should expect more groups to self-fund in order to be removed from a single pool.
- Grandfathered plans
  - Both bills allow individuals to keep the coverage they have (i.e., grandfather plans)
  - Regulators will be charged with oversight of both grandfathered plans, as well as new plans subject to new issue/rating restrictions.



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## Risk-Sharing Mechanisms

- Both bills would create risk-adjustment mechanisms
  - Historically, they have reduced the effects of selection but not fully offset.
  - Can require significant amounts of administration.
- NAIC would likely be tasked with:
  - Developing and implementing the methodology and criteria for assigning risk scores.
  - Collecting and distributing funds from the insurers.
  - Regulators would need to consider data issues.
- Transitional reinsurance program for high-risk individuals (Senate provision)
  - NAIC would coordinate with HHS and the Academy to develop and implement at state level.
  - Reinsurer allocates funds from insurer assessments to pay portion of claims.



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## Market Dynamics and Solvency Standards

- Introduction of new provisions that would affect market dynamics:
  - Public plan and/or health insurance cooperatives
  - Multi-state compacts
- NAIC solvency standards should be updated to reflect changing risks.
- Underwriting risk factors and other market risk factors also should be reviewed.



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## Financial Reporting

- Minimum loss ratio (both House and Senate bills)
  - Clear regulatory definitions are needed re: how premiums and benefits are determined in the ratio.
- Premiums and administrative services fees
  - Changes would be needed to current exhibits or supplemental reporting.



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## Questions?

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