



# Connecticut Insurance Department

## Patient Protection and Affordable Care Act: Insurance Update\*

\*Based on HHS guidance, regulations to date  
October 9, 2012



# PPACA Provisions To Date

---

## **PPACA Prohibits:**

- Pre-existing condition limitations for children under 19
- Policy cancellation due to application error\*
- Lifetime dollar limits on essential benefits

## **PPACA Establishes:**

- Pre-existing Condition Insurance Plan (PCIP)
- Appeals process (external review)\*
- Extension of coverage for young adults (under 26)\*
- Preventive care without cost-sharing
- Medical Loss Ratio (MLR) for rebate purposes
- Expansion of prevention coverage for women

*\*Connecticut had similar existing state law*



# Health Care Reform Is:

---

Changing the way Insurance is bought

Changing the way Insurance will be  
priced



# 2014 Rating Reform

---

- ✓ No underwriting for health status
- ✓ No pre-existing condition limitations
- ✓ Tighter limits for age adjustments
- ✓ No gender adjustment
- ✓ Smoking adjustment
- ✓ No industry adjustment
- ✓ No group size adjustment
- ✓ Cost-sharing minimums



# 2014 Rating Changes

---

**Carrier filings will reflect these changes beginning in 2013**

**Policyholders and employers can expect to see new rates beginning Jan. 1, 2014**

**These rating changes are in addition to the impact of trend (health care costs, use of services)**



# Underwriting Reforms

---

**Market Impacted: Individual**

**Key Changes:**

- Coverage cannot be denied based on health status
- Rates cannot be set based on health status
- Benefits cannot be limited due to health status



# 3-to-1 Ratio for Age

**Market impacted:** Individual, small employer group

**Key change:**

- Premium range for old vs. young can be no larger than 3:1

**The Expected Result:**

- Reduced premiums for oldest policyholders
- Increased premiums for youngest adults



# Gender Adjustment

---

**Market Impacted:** Individual and Small Employer Group

**Key Change:**

- Premiums cannot be set based on gender

**Expected Result:**

- Premiums will be blended to eliminate gender differential
- Higher premiums for older women, younger men
- Lower premiums for younger women, older men



# Smoking Factor

---

**Market Impacted:** Small employer group (50 employees and under)

**Key Change:** Premiums can be 50% higher for smokers

**Current state law:** Prohibits different rates for smoker/nonsmoker  
(no restriction on individual plans)



# Industry Factor

---

**Market Impact:** Small employer group (50 employees and under)

**Key Change:** Premiums cannot be adjusted for industry type

**Current law:** Allows 15% differential (+/-) based on industry



# Group Size Adjustment

---

**Market Impact:** Small employer group (50 employees and under)

**Key Change:** Premiums cannot be based on size of employer group

**Current law:** Premiums can vary up to 25% more for smallest group

**Expected Result:** Smallest groups should see decrease in premiums, larger groups should see increase



# Cost Sharing

**Market Impacted:** Individual, small group (50 employees and under)

**Key Change:** Carriers must pay at least 60 percent of essential benefit costs (60% actuarial value). Lower cost plans will no longer be available.

**Now:** Actuarial value can be less than 60%.

**2014:** Actuarial values under PPACA:

- Platinum Plans (90%)
- Gold Plans (80%)
- Silver Plans (70%)
- Bronze Plans (60%)



# Medical Loss Ratio

**Medical Loss Ratio (MLR): Percentage of premium dollars that a health insurance company spends on medical expenses. Determined from what carriers actually spent the previous year.**

## **MLR Under PPACA\***

**Consumers receive rebates when an insurer's MLR is:**

- Below 80% for individual market
- Below 80% for small group market
- Below 85% for large group market

**\*In determining rebate, the traditional MLR is adjusted for:**

- Healthcare quality improvement expenses
- Taxes and regulatory fees
- Credible data from carriers



# Rebates In CT\*

| Total Rebates \$ in CT | CT Recipients | Average rebate \$ |
|------------------------|---------------|-------------------|
| \$12.9 million**       | 137,452       | \$168/year        |

| Market         | Individual  | Small Group | Large Group   |
|----------------|-------------|-------------|---------------|
| Total Rebates  | \$4 million | \$460,000   | \$8.5 million |
| Recipients     | 48,000      | 4,283       | 85,179        |
| Average Rebate | \$124       | \$162       | \$202         |

| Company /Market | Aetna Life | CTCare Ins. Co. | CIGNA     | Golden Rule | U.S. Life | United HealthCare |
|-----------------|------------|-----------------|-----------|-------------|-----------|-------------------|
| Indv            | \$1.9M     | \$1.3M          |           | \$788,328   | \$11,669  |                   |
| Small Gp        |            | \$358,084       | \$101,868 |             |           |                   |
| Large Gp        |            |                 | \$6.5M    |             |           | \$1.94M           |

\* HHS data, 6/21/2012

\*\* CID had approval authority on \$3.2 million



# CT Carrier Rebates

| Carrier /Market | Aetna Life | CTCare Ins. Co. | CG Life   | Golden Rule | U.S. Life | United Healthcare | Anthem | Oxford |
|-----------------|------------|-----------------|-----------|-------------|-----------|-------------------|--------|--------|
| Indv            | \$1.9M     | \$1.3M          | 0         | \$780,000   | \$11,669  | 0                 | 0      | 0      |
| Small Grp       | 0          | \$360,000       | \$100,000 | 0           | 0         | 0                 | 0      | 0      |
| Large Grp       | 0          | 0               | \$6.5M    | 0           | 0         | \$1.94M           | 0      | 0      |



# Moving Forward in CT

---

Collaboration

Communication

Creativity



# CT Health Insurance Exchange

---

## The CT Exchange – a quasi-public agency:

- Will be a one-stop marketplace for individuals, small groups
- Will NOT be an insurance company or claims payor
- Will offer plans that meet federal and state standards
- Will help consumers find and enroll in a plan
- Will coordinate eligibility and potential premium subsidies
- Begins marketing October 1, 2013
- Begins providing coverage January 1, 2014

\*Individuals, small groups can also buy insurance outside of the Exchange

\* \*Those at 100-400% of poverty level eligible for tax credits, reduced cost sharing



# CID & The Exchange

- Non-voting member of Exchange Board
- Technical advisor to Exchange Board
- MOU with Exchange to perform statutory duties\*:
  - ✓ Approval of policy forms
  - ✓ Approval of individual/small group HMO rates
  - ✓ Licensing & financial review of health insurers & HMOs
- Advisory Committee Participation
  - ✓ Plan Benefits & Qualifications (co-chair)
  - ✓ Consumer Experience & Outreach
  - ✓ Brokers, Agents, Navigators
  - ✓ Small Business Health Options

\* (Qualified Health Plans must be insurers in good standing with CID: licensed, financially solvent and using approved forms and rates)



# PPACA Required Benefits\*

Plans must have the following Essential Benefits Categories:

- ✓ Ambulatory patient services
- ✓ Emergency services
- ✓ Hospitalization
- ✓ Maternity and newborn care
- ✓ Mental health, substance abuse disorder services
- ✓ Prescription drugs
- ✓ Rehabilitative and daily assistance services and devices
- ✓ Laboratory services
- ✓ Preventive, wellness services, chronic disease management
- ✓ Pediatric services, including oral and vision care

\*Beginning Jan. 1, 2014



# Mandated Benefit Costs in CT

---

Dec. 31, 2011 – HHS cutoff date for required state mandates to be included in essential health benefits

Benefits enacted that go beyond benchmark plan are the financial obligation of the state



# Essential Health Benefits (EHB)

## **EHB for 2014 and 2015:**

- Determined by Each State
- For plans inside and outside the exchange (individual & small group)

## **Connecticut's benchmark plan selected from:**

- ✓ 1 of the 3 largest small group plans in CT;
- ✓ 1 of the 3 largest state employee health plans;
- ✓ 1 of the 3 largest Federal Employee Health Benefit plans;
- ✓ Largest HMO plan offered in CT commercial market

## **9/27/12: Exchange Board approved following Benchmark Plan:**

ConnectiCare HMO

CHIP (HUSKY B) program as pediatric dental option

Federal employee vision plan (FEDVIP) as pediatric vision plan