

Antonio Paulo Pinto
Certified Insurance Consultant
21 West Main St., 4th Flr.
Waterbury, CT 06702
(203) 228-9002
appinto@appinto.com

February 6, 2012

Amy Tibor
Planning Associate, Health Insurance Exchange
State of Connecticut, Office of Policy and Management
450 Capitol Avenue, MS# 52HIE
Hartford, CT 06106-1379

Re: Public Comments on Mercer Report for Health Insurance Exchange

Hello Amy,

I am submitting the comments below for inclusion in the Public Comments on the Mercer Report – Planning Grant for the Health Insurance Exchange. The general points of my comments are as follows;

- 1) The report shows a lack of understanding of Connecticut’s insurance marketplace for Individuals and Small Groups.
- 2) They compare the “new” Exchanges to the existing Exchanges which does not make sense considering existing Exchanges have no financial incentives for Individual or Small Groups; so it’s like comparing apples to oranges as they are very different.
- 3) It lacks an appropriate understanding of “scale” in Connecticut; as impacting just 100,000 of a possible 420,000 currently insured, who would qualify for subsidies, represents almost 25% of the market.

A few key points that stood out to me:

- They presented 37 CT Mandates; and there are actually 45 with ~\$130,000,000 total impact.
 - o This represents about \$15-to-\$20 per month per insured to pay for the Mandates.
- The breakdown of the mandates was concerning, primarily the Maternity Mandate.
 - o They presented a 0.6% impact on Small Group Plans and Individual Plans for the Maternity Mandate, and CT does not have an Individual Maternity Mandate.
- They presented a number of “new” health plan requirements under Health Care Reform.
 - o Future financial impacts were of concern, but most have already been implemented.
- There was confusion over Medical Underwriting in the Individual & Small Group Markets.
 - o CT Small Group plans for Groups greater than 1 contract are not medically underwritten.
 - o Our Individual plan market & Small Groups of one contract are medically underwritten.
 - o Uninsurable individuals historically only had HealthRe, but now also have Charter Oak.

The following are a select group of topics with more detailed descriptions related to the initial three points presented in this letter and explaining the concerns with the Mercer report.

Groups of 1-2 Are Really Individual Plans that Need Guaranteed Issue

One needs to have a basic understanding of how to look at CT's Small Group and Individual Marketplace and that it is different from other States. Since, our Individual Market is not guaranteed issue and our Small Group market is guaranteed issue; individuals with health issues establish groups of 2 employees. Why 2, because a group of 1 can and is now forced to enroll in the CSEHRP option. Therefore, the reality is that almost all groups of 1-to-2 employees should really be individual plans. The assumptions made by the consultant are general for the entire under 50 employee marketplace. The micro-assumptions were for groups under 10 employees, but did not segregate the groups of 1-to-2 employees.

Merge the Markets: Individual & Small Group – They are Both Small

The Individual Market has approximately 110,000 members and the Small Group Market has approximately 300,000 members, as of December 2010. The Small Group Market includes the groups of 1-to-2 employees; so without summarizing just that sub-group and counting a large portion of them towards the Individual Market, one cannot make a valid assumption of the effects on the merged marketplace. Furthermore, since both groups' only total to approximately 400,000 members; it makes no long-term financial sense to keep sub-dividing the groups. As a side note, financially, small groups of 1-to-2 pay ~10% more than small groups of 3-to-9 and they pay ~10% more than groups of 10-to-50; so it's easy to see that merging all the groups and the individual market as one change would make the most sense and have the greatest positive impact to Small and especially Micro Employers, as well as Individuals that have their own health plans.

The Basic Health Plan Conundrum

The Basic Health Plan option creates many questions and opportunities. A plan that does not use Medicaid reimbursements, but combines the Federal Funding available with State Funding to offer a more traditional Benefit Plan may make more sense. It needs to be a concern that we are already having difficulty servicing the Medicaid enrollees and discussing almost doubling the population. Maybe a plan with higher than Medicaid reimbursements will help the "system"; and increase provider access.

We are Connecticut and Small Numbers ARE Significant

According to the Consultants numbers; approximately 156,000 uninsured people and 93,000 individual insured people could purchase benefits through the Exchange and receive a Federal Subsidy while another 65,000 uninsured and 18,000 insured individual people will qualify for a BHP. Therefore; of 526,000 of the currently uninsured and those in the individual marketplace, 47% would be eligible for a Federal subsidy to purchase health insurance through the Exchange. In addition, another 16% would be newly eligible for a BHP option in the 136%-200% income bracket. These numbers are only for the Uninsured and Individual Market and come from the Consultants Slide number 62 on the Dec 1, 2011 presentation. The numbers do not include the impact to the Small Group Market, including groups of 1-to-2 employees. Basically, while the Consultant may see these numbers as "small" or insignificant; in CT, these "small numbers" are compounded here and are much more impactful.

HealthRe Health Assessment and Funding the Exchange Operations

One item to consider is that when the Health Reinsurance Program is merged into the Exchange; ~1,800 individuals will see substantial savings in their monthly premium payments for an enhanced health insurance program. In addition, insurance carriers are assessed to cover losses by the program for covering these currently uninsurable individuals. According to the Consultant, carriers were assessed ~\$33,000,000 in 2010. Therefore, if HealthRe is eliminated and merged into the Exchange; it will generate significant savings to the insurance carriers. They will have to pay Federal Fees toward Health Care Reform behind the scenes, but will still see significant savings in CT. Since the estimated cost of operating the Exchange is ~\$30,000,000 in 2014 and beyond; it should be considered to shift part of the assessment that went to Health Re to fund the Exchange.

Calculating the Subsidy – The Rule

It is important to note that when the “subsidy” is being calculated that it is based on the “2nd lowest priced Silver Plan available for sale on the Exchange within the State Exchange.” Therefore, it is important to have properly designed and priced health insurance plans. Theoretically speaking; an individual could use the subsidy to purchase a lower cost Bronze plan with a lower monthly premium but potentially higher cost-shares; which would probably be more budget friendly for most individuals that only expect minor medical expenses throughout the year.

“Actuarial Value”

This is a very concerning thought and thankfully there are systems in place to manage this item at both the Federal and State level. However, this is what consumers really need to pay attention to as the health plan offerings for the Exchanges are being rolled out. Consumers do not purchase health insurance plans based on the “actuarial value” of the health plans. Consumers purchase health plans based on what we pay for the health plan per month; what our co-pays are at the doctors, pharmacy, hospital, etc.; and what our maximum out-of-pocket costs will be during the year. Therefore, the health plan offerings that our Health Insurance Exchange Boards decide to offer on the Exchange will impact whether or not reasonable health plan choices are actually available and offered on the Exchange to consumers within our State.

It is concerning that this lack of attention to CT specific detail has happened on the Planning Grant Report. One now has to ask; what is going to happen with the Level One Establishment Grant that is based on the Planning Grant Report?

I am more than willing to participate in further discussions and be an advisor to the Health Exchange Board. Therefore, please feel free to contact me regarding any of my comments.

Sincerely,

Antonio Paulo Pinto
Certified Insurance Consultant