

**Health Care Reform:  
An Insurer's Perspective**



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**About BCBSF**



- Approximately 6,000 Employees
- 13 Local Offices
- 5 Florida Blue Retail Centers
  - 4 more planned in 2011 & 2012

Blue Cross and Blue Shield of Florida In the pursuit of health 2

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**Our Vision:**

- Comprehensive health care reform that reduces cost, provides universal coverage and improves the quality of care, including:
  - Mandates
  - Changes to health care delivery system
    - Illness model to wellness model
    - Evidence-based medicine
  - Enhanced safety net
  - Incentives for a healthier population, personal responsibility

**Our Actions:**

- Comply with new regulations, deliver new products to market
- Respond to new business opportunities created by reform, e.g., uninsured
- Be a trusted resource for answers and solutions

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### BCBSF Vision of Reform

- Increased access to coverage
- Drive down costs
- Malpractice reform
- Changes to health care delivery system
- Expanded safety net
- Incentives for a healthier population
- Personal responsibility



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### Current Health Insurance Environment



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### Health Care Reform



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## Child-only Policies

1. **Guaranteed Issue as of 9/23/2010**
  - No waiting period
  - Potential surge in adverse selection
  - Incentive for parents to wait to buy coverage until their children are sick
2. **Florida market dynamic**
  - Providers stopped selling child-only policies in Florida
  - Federal Pre-existing Condition Insurance Plan (PCIP.gov) available for eligible children with pre-existing conditions who have been uninsured for at least six months

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## Unreasonable Rate Increase Disclosure

1. **Increases of 10 Percent or More "Subject to Review"**
  - Potential exposure of insurer rate-filing documentation
  - HHS determines whether documentation is "confidential" under the Freedom of Information Act (FOIA) without gaining insurer input
  - Public display of "unreasonableness" determination on both HHS and insurer Websites
2. **State v. Federal Review**
  - Florida's rate review priorities are solvency and the reasonableness of benefits in relation to premiums, based on actuarial expertise
  - If Florida's rate review process is deemed "ineffective," HHS will review the rates that are "subject to review"
  - Federal rate review prioritizes consumer understanding and uses an insurer's surplus as a factor

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## Implementing Benefit Mandates

1. **March 23, 2010 Changes**
  - Grandfather status
  - Removal/modification of annual limits
  - Removal of lifetime limits
2. **September 23, 2010 Changes**
  - Coverage dependents
  - Prohibition of pre-ex exclusions for children under 19
  - Prohibition of rescissions
  - Emergency services
  - Preventive services
  - Appeals process modifications
3. **2014 Changes**
  - Guaranteed issue
  - Prohibition of pre-ex exclusions
  - Essential Health Benefits Package

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## 2014 Rating Changes

Transition to new rating structures for currently insured population will be difficult for some

- Unisex rating
- 3:1 age band rating
- 1.5:1 tobacco use rating
- Single risk pools in individual and small group markets
- Prohibition of pre-ex exclusions and rating based on health condition
- Guaranteed availability of coverage
- Guaranteed renewal of coverage

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## Lack of Focus on Cost

1. Little in legislation addresses rising cost
2. 2014 rating changes
3. Benefit mandates
  - Impacts on affordability
4. Accountable Care Organizations (ACOs)
5. Study on Medical Professional Liability

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## Risk Programs

1. Risk adjustment for Individual and Small Group markets
  - Transfers money from low risk carriers to high risk carriers
  - How exactly will this program work?
  - How appropriately will the risk scores compensate for risk
  - Risk score for new members
2. Temporary Individual Market Reinsurance program
  - Critical to early-year post-2014/exchange market
3. Temporary Risk Corridors

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### Exchanges, Subsidies and Defunding

- 1. Importance of subsidies on affordability**
  - Up to 400 percent of FPL eligible for subsidies
- 2. Individual mandate**
  - Critical in enabling guaranteed issue
- 3. Employer mandate**
  - Repeal of employer vouchers
- 4. Potential Challenges**
  - Ongoing defunding efforts
  - Ability to rate for risk
  - Adverse selection

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### MLR Rebate and U65 Waiver

- 1. Florida's request to postpone IU65 MLR applicability until 2014**
  - May cause carriers to leave market
  - Hampers agent involvement, harming consumers
- 2. Challenges around MLR Rebate**
  - MLR calculation and thresholds
  - Rebate payment issues
  - Reporting deadline of June 1
  - Payment deadline of Aug 1

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