Health Reform: HBE and Insurance Oversight Workgroup
Wednesday, February 16, 2011
North Carolina Institute of Medicine, Morrisville
1:00pm-4:00pm
Meeting Summary

Attendees:
Workgroup Members: Louis Belo (co-chair), Allen Feezor (co-chair), David Atkinson, Tracy Baker, Teri Gutierrez, Mark Hall, Rep. Verla Insko, Bob Jackson, Linwood Jones, Michael Keough, Adam Linker, Cole Locklear, Barbara Morales-Burke, Mike Matznick, Carla Obiol, Susan Perry Cole, Com. Jean Powell

Steering Committee Members: Julia Lerche, Jean Holliday

NCIOM Staff: Thalia Fuller, Paul Mandsager, Lauren Short, Pam Silberman, Rachel Williams

Other Interested Persons: Cynthia Barnett, Leslie Boyd, Conor Brockett, Abby Carter Emanuelson, Thomas Day, Jennifer Grady, Monica T. Jones, Fred Joyner, Walter Klaumeier, Andy Landis, Dana Leopold, Ann Lore, J. William Mills, Tiesha Pope, Ben Popkin, Lendy Pridgen, Robert Seehausen, Chris Skowronek, Brian Spark, Jim Toole, Mike Wells, Rebecca Whitaker

Welcome and Overview of Agenda
Louis Belo
Chief Deputy Commissioner
North Carolina Department of Insurance
Co-chair

Allen Feezor, MA
Senior Policy Advisor
North Carolina Department of Health and Human Services
Co-chair

Mr. Belo welcomed everyone to the meeting.

Update on Proposed HBE Legislation
Pam Silberman, JD, DrPH
President and CEO
North Carolina Institute of Medicine

Dr. Silberman updated the workgroup on the status of the proposed legislation after the Overall Advisory Committee Meeting on Friday, February 11. The Committee accepted the legislation exclusive of Section 4(A) which describes the composition of the exchange board. The Committee did not reach a consensus on whether insurers should be voting members of the board or serve an advisory role to the board.

New HBE Grant Opportunities: Level 1 and Level 2, Child Only Policies and Other Insurance Updates
Jean Holliday
Health Care Reform Supervisor
Life and Health Division
North Carolina Department of Insurance

Ms. Holliday discussed the new federal cooperative agreement Establishment Grant which allows states to apply for funding as needed to develop a health benefit exchange. The US Department of Health and Human Services (DHHS) must determine if a state has made progress in creating an exchange before a state can be awarded these grants. States must work toward certification by 2013, start of operations by 2014, and self-sustainability by 2015. There are 11 Establishment Core Areas, including legislative/regulatory action, financial management, and exchange IT systems. Each Core Area has own milestones to help states reach these goals. Establishment Grants are categorized as Level 1 and Level 2. Level 1 grants provide one year of funding to states that have received exchange planning grants and have made some progress in exchange planning. Level 2 grants provide funding through 2014 and are available to states that are further in the planning process.

Ms. Holliday also gave updates on Child Only coverage and the Center for Consumer Information and Insurance Oversight (CCIIO). Many insurance companies in North Carolina have stopped offering child-only plans for children under the age of 19. A survey conducted by NCDOI found that 14 of 19 insurers stopped offering this coverage after the passage of the ACA. The majority of insurers surveyed agreed that a standardized enrollment period for these plans might enable them to offer child-only plans again. NCDOI has proposed legislation to create standardized enrollment periods to address this concern.

The Office of Consumer Information and Insurance Oversight was moved to the Centers for Medicare and Medicaid Services (CMS) and is now called the CCIIO. The CCIIO has proposed regulation on Student Insurance Plans and will also issue regulations on essential benefits later this year.

Ms. Holliday's presentation can be found here: NCDOI Updates on Health Care Reform Activities.

Selected questions and comments:

- Q: The DOI is applying for these grants to set up the HBE, but will the grant eventually go to the exchange to help pay for operations? A: Yes, some of the operational expenses of the exchange will come from these grants. The DOI will create a holding account for the exchange and will release funds to the exchange as needed.
- Q: Are there caps on the dollar amounts awarded through these grants? A: The federal government is putting a lot of money into the creation of exchanges. Seven states were recently awarded early innovator grants totaling approximately $241 million. (http://www.hhs.gov/news/press/2011pres/02/20110216a.html) There is no cap on the amounts right now so it is a very good opportunity for North Carolina to build a good system.
- Q: If the state were to apply for a Level 1 grant today and then six months down the road became eligible for a Level 2 grant, could the state apply for the Level 2 grant? A: Yes, as long as the state meets the requirements. There are four opportunities during the year to apply for these grants, so the state could apply for Level 1 initially and then apply for a Level 2 grant later in the year.

Update on Ombuds Program
Carla Obiol
Deputy Commissioner
North Carolina Department of Insurance

Ms. Obiol gave an overview of NCDOI's new Health Insurance Smart NC program. This program, funded for one year by a $850,000 federal grant, will go live in April of this year. NCDOI's new office of Ombudsman Services Group (OSG), which will operate separately from the Department, will house the current Senior Health Insurance Information Program (SHIIP) and new NC Consumer Assistance Program (NCCAP). NCCAP will assist consumers with filing complaints, grievances, and appeals. The program will also educate consumers on general health insurance information and enrollment. Data collection on marketplace information via software will help DHHS strengthen rules and regulations in North Carolina. Another component of this program is the Consumer Advisory Committee. This committee will consist of representatives from consumer groups, agents, non-profits, advocacy groups, etc. Feedback from the committee will help ensure a strong consumer assistance program.

Selected questions and comments:

- Q: What is being done to prepare for call volume? A: Consumer Services and SHIIP division calls are being used to estimate the number of calls that will be received in year one. A lot of this is guess work. The outreach the program does will be in sync with the number of staff resources, i.e. print and radio marketing rather than television. In 2014,

some of the calls currently received will lessen or go away such as those related to denial of coverage and reaching lifetime caps.

- Q: Is the program going to use other forms of communication other than the call center? A: Yes. The health care review staff has spent a lot of time working with information technology so that the program can use electronic communication.
- Q: Will the program be able to provide data to the exchange board to help them evaluate plans? A: Yes, the program is working with health information technology (HIT) so that the software this program uses will be compatible with the exchange.
- Q: Will this ombudsman program be separate from exchange's navigators? A: NCDOI is waiting for further guidance from the USDHHS as to the role and definition of a navigator. NCDOI would like to play a role in training and certifying navigators. In the end, the navigator and the ombudsman programs could be separate entities.

Update on NCDOI Rate Review MLR
Julia Lerche, FSA, MAAA, MSPH
Health Actuary
North Carolina Department of Insurance

Ms. Lerche explained the term medical loss ratio (MLR). MLR is the percentage of premiums that an insurers uses to pay for health care claims and quality initiatives, versus the amount spent for administration or profits. Beginning in January 2011, insurance companies with more than one thousand customers have minimum MLR standards (80% for individual and small group plans, 85% for large group plans) (Sec. 1001, enacting Sec. 2718 of the Public Health Service Act). If an insurer does not meet these standards then it must pay a rebate to consumers. States have the option of requesting an adjustment to the MLR for individual plans from 2011-2013 if the state can show the 80% rate would destabilize the market and create fewer options for consumers. A NCDOI survey shows that 14 out of 15 carriers in North Carolina support a full or transitional MLR waiver. NCDOI is still in the process of data analysis to determine whether North Carolina will apply for a waiver. Three states, Maine, Nevada and New Hampshire, have requested a waiver to date. Ms. Lerche's presentation can be found here: NCDOI Updates on Health Care Reform Activities.

Selected questions and comments:

- NCDOI is currently looking at whether to apply for a waiver.
    - Many states that have applied for a waiver, or are considering a waiver, will probably seek a transitional waiver in which the MLR will be increased over time. This gives insurers time to adjust so that they reach the minimum MLR no later than 2014.
    - There would be a disruption if some carriers exit the marketplace. State laws prohibit carriers that leave the marketplace in North Carolina from re-entering the

market for five years. The market will change in 2014 and if the state loses carriers because of the MLR requirements then there will be fewer carriers to compete in 2014.
- The exchange wants to be a competitive market in 2014. It would enhance the market to try to create that set of circumstances by giving carriers every chance to stay afloat including applying for a waiver.

Update on Premium Review Grant
Jean Holliday

Ms. Holliday gave an update on the Premium Review Grant awarded to DOI in August of 2010, which is the first of an expected five years of grants. The $1 million grant will fund new positions at NCDOI and consulting to recommend improvements to the rate review process. NCDOI must report trends in premium increases to the Secretary and make recommendations to the exchange about exclusion of insurers based on unreasonable rate increases. In future years, NCDOI will establish a Medical Reimbursement Data Center to develop and maintain fee schedules, make medical cost and expenditure data available to consumers and researchers, and publish information about statistical methods used to analyze data. Ms. Holliday's presentation can be found here: NCDOI Updates on Health Care Reform Activities.

Update on Disclosure and Review of Unreasonable Rate Increases
Julia Lerche

Ms. Lerche described the rate review requirement mandated by the ACA. Beginning in 2010, carriers are required to submit justification to the Secretary and to the state for unreasonable rate increases for individual and small group plans. The US Department of Health and Human Services (DHHS) released proposed regulations in December that define rate increases of 10% in 2011 as subject to review. In 2012, states with effective rate review programs can establish what rate increases should be reviewed for unreasonableness. An effective review program must have the legal authority to get the data and documentation needed from carriers, an effective and timely review, examine reasonableness of assumptions and validity of data, and determine reasonableness by a legal standard. If a state does not have an effective review program then DHHS will perform the review to determine if an increase is excessive, unjustified, and/or unfairly discriminatory. NCDOI currently has prior rate approval authority over individual and small group HMOs, individual and small market medical service corporations (i.e., BCBSNC), and all other individual market plans. NCDOI only has authority over rating factor changes for all other small group plans. The North Carolina standard for determining reasonable rate increases is that the increases are not excessive, not inadequate, and not unfairly discriminatory. Ms. Lerche's presentation can be found here: NCDOI Updates on Health Care Reform Activities.

Selected questions and comments:

- North Carolina would need changes in authority over small group market plans not part of an HMO or a medical service corporation to have an effective rate review program. Technology changes would also be necessary for data collection.

Public Comment Period

No further public comments were given.