

STATEMENT OF

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ON

NEW MARKETPLACE: EFFECT OF GUARANTEED ISSUE & NEW RATING RULES

BEFORE THE

U.S. SENATE HEALTH, EDUCATION, LABOR & PENSION COMMITTEE

APRIL 11, 2013

U.S. Senate Health, Education, Labor & Pension Committee

New Marketplace: Effect of Guaranteed Issue and New Rating Rules

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Good morning, Chairman Harkin, Ranking Member Alexander, and members of the Senate Health, Education, Labor, & Pension Committee. Thank you for the opportunity to speak about the issues related to the new market reforms and rating rules under the Affordable Care Act. As one of 17 states implementing a state-based exchange, this issue is of particular relevance to us.

In Connecticut, our marketplace is named *Access Health CT*, and we have been particularly fortunate to have had broad-based support for our efforts to implement the ACA. This support has come from issuers, brokers, the advocacy community, our Board of Directors, Connecticut state agencies, the legislature, our congressional delegation, and others. Further, we have received outstanding support from CCIIO and CMS, in particular from Amanda Cowley, Dawn Horner, Sue Sloop, and their teams. We are also very appreciative for the support of Commissioner Rod Bremby of the Connecticut Department of Social Services, and our Board Chair, Lieutenant Governor, Nancy Wyman.

We view these new marketplaces as free market, pro-competition means for individuals and small businesses to access health insurance in a simpler, more transparent way. We believe the market is the best way to assure price competition and high value for consumers, and I have seen this work effectively in an earlier role at the Health Connector in Massachusetts. Access Health CT is committed to serving the needs of individuals and small businesses in Connecticut by facilitating access to qualified private health plans and to assist those eligible with access to premium subsidies and cost sharing reductions.

Guiding Objectives:

Access Health CT is guided by the following objectives:

- Create a User-Friendly Shopping and Enrollment Experience
- Reduce Level of Uninsured
- Reduce Racial and Ethnic Disparities in Access to Health Care
- Promote Innovation and Competition
- Facilitate Discussion to Create More Affordable Health Insurance Coverage

These are longer term objectives of the Connecticut marketplace and reflect the vision of our Board to improve access to care and to establish more affordable and predictable cost of health care.

Implementation – Progress-to-Date

Access Health CT continues to make strong progress in implementing our marketplace. We are one of the leading states in implementation and are in the midst of Wave 1 testing with the Federal Data Services Hub, which verifies consumer information through connection to the Social Security Administration, Department of Homeland Security, the IRS and other information sources.

Our Board of Directors has made almost all core policy decisions; we have completed our strategy to outsource all key operational functions to private sector firms such as our Call Center and the administration of our Small Business Health Options Program (SHOP). We are in the process of implementing our Broker training and oversight program. We believe brokers represent one of the most effective ways to distribute our products and educate the marketplace about the benefits and opportunities of health reform to individuals and small businesses. Our Navigator and In-Person Assistor programs are being built in conjunction with community-based non-profit and philanthropic organizations and which enhance our direct marketing and outreach strategies.

Finally, we have posted our Qualified Health Plan solicitation for participation by issuers. Our strategy from the outset has been to work collaboratively with issuers and all major stakeholders to make participation in our marketplace as easy and minimally disruptive as possible. While we have much work to do, we are pleased with our results to date.

Market Reforms and Cost Impact

The ACA introduces a number of significant reforms to the health insurance market. These are meaningful consumer protections to the residents and small businesses in Connecticut and include:

- No Underwriting for Health Status
- No Pre-Existing Condition Limitations
- Tighter Limits for Age Adjustment
- No Underwriting Adjustment for Gender
- Guaranteed Renewals for Individual and Small Group Market
- Minimum 80-85% Medical Loss Ratios
- Inclusion of ten categories of essential health benefits

Each of these reforms benefits the residents and employees of small businesses in Connecticut. These reforms also come at a cost. Fortunately, there are a number of protections in the ACA which help to ameliorate the impact of these market adjustments. These protections include:

- Risk Adjustment Program which transfers payments from issuers with lower-risk enrollment to those issuers with higher-risk enrollees to adjust for risk selection
- Risk Corridor Program which limits issuer underwriting gains or losses
- Reinsurance Program which reimburses issuers for higher than expected utilization

As a result, much of the uncertainty over the unknown morbidity of the uninsured and the potential migration of certain employee segments from employer sponsored insurance to the individual market will be dampened as a result of these programs. It is critical that issuers, consumers, small businesses, brokers, policy makers, and other stakeholders understand the roles these programs play to mitigate excessive rate increases.

Conclusion

The implementation of the ACA is complex and makes special demands on states, issuers, and others. Like other states, Connecticut has benefited from an exceptionally dedicated staff who works hard to realize the dignity of health insurance coverage for all eligible state residents.

The market reforms of the ACA represent important corrections to enhance access to more affordable health insurance and health care. The rate pressure from the removal of prior underwriting controls should be mitigated in part by new premium stabilization programs.

The hallmark of health reform has been the concept of shared responsibility, the sense of shared ownership of a common value that our nation benefits from more citizens realizing the peace of mind of health insurance coverage. Increasingly, shared responsibility must be accompanied by shared patience. We must have the patience to recognize the implementation of the ACA will take time to be fully realized, that premium rate adjustments will stabilize, that enrollment and health plan choices will be enhanced, and that outreach and communication activities will continue to be more effective.

At Access Health CT, we believe health insurance is a right of citizenship and not just a privilege of employment. The ACA represents the best opportunity we have at present to expand access to health insurance since the introduction of Medicare in 1965. We are proud to be a leading state in the implementation of the ACA and to providing more affordable health insurance to our residents.