

Minnesota's Health Insurance Future

MN STATE HEALTH INSURANCE POOL

To stabilize and preserve the individual insurance market the State of MN must re-institute a Minnesota facilitated high risk pool, similar to the MN Comprehensive Health Association plan design but with some changes to make the plan sustainable for decades. Different in some respects to the largely successful MN Comprehensive Health Association plan, in that a new reinsurance pool would serve as a catastrophic claim funding tool for a carrier rather than a retail product.

Enrollment must be maintained throughout the year and eliminate the end of the year decision making for individuals. The current ACA market rules do not create incentives for people to maintain continuous coverage, and Minnesota carriers have experienced very high policy lapse rates. We can moderate the lapse rates by having a waiting period for coverage if a person has a break in health coverage. For instance, a person decides to cancel their coverage because of some other expenses but then later decides they need coverage because of a health issue, there would be a 12-month coverage wait or pre-existing condition period issued. By adding this simple waiting period, we would eliminate the inconsistencies of premium intake annually which will protect the insured pool.

The individual plans will still be guaranteed issue but will have discounts or surcharges based on a simplified underwriting process. This usually involves 4 health questions. The maximum discount would result in a premium of 25% less than community rate. The maximum surcharge would result in a premium 25% higher than community rates. This means if you are healthy your rate could be 25% less than someone of the same age and geographic location of average health. If you are very unhealthy your rate could be 25% higher than someone the same age and in the same geographic area as you. Age banded and geographically centered rating would still be allowed. By using these simplified scales people are incentivized to be healthy. The small group market would need to be on a similar sliding scale as it was prior to community rates. This system has in the past been very successful in MN since 1976.

People with the highest risks would need to be moved to the MN High Risk pool that was mentioned in the first paragraph. If based on the simplified health questions it is determined that the person needs to be in the risk pool the application would be processed as normal but the person would be added to the MN Risk Pool and claims would be adjudicated by the health plans and paid by the "high risk pool". That person's premium would be paid (at 125% of community rate) to the risk pool minus a claims administration fee which allows the insurance company to apply their discount and pay expenses including the service fee to the broker. Any APTC's or other credits would still be applied to any of these health plan premiums.

The insured would be issued an ID card by the health plan administrator they elected, be it Blue Plus, HealthPartners, Ucare, Medica etc. All services, networks, administrative functions are provided by the health plan. It is only the claims liability that gets transferred to this high risk pool.

The MN High Risk Pool already has had a funding vehicle available in the past. We could easily start a Risk Pool in the state of MN as the law still exists within the MCHA regulations. The fund would need to be in the general revenue fund for a quick start up and could be changed later.

MNSure could focus its efforts on the important functions of assessment and enrollment in public programs. Therefore, it would be used only to assess eligibility for the Advanced Premium Tax Credit (APTC), and serve as Medicaid and MNcare eligibility and enrollment center. Persons eligible for APTC would purchase coverage directly from the larger retail market that offers a broader selection of plan options for consumers. This would mean that all plans must be certified as Qualified Health Plans (QHP's). This should not be an issue since all currently offered health plans that comply with the ACA law. This is the best use of the MNSure's capabilities and allows the citizens of MN to have access to the APTC's and social safety net plans that are available.

Such an approach would help stabilize the market while supporting a consumer right to choose an insurance plan and care system of their choice.

Next are the action points that must happen to allow the market to correct itself with the prior discussed health insurance plan design.

1. The MN Department of Commerce must apply for a federal Section 1332 Innovation Waiver to re-build the MN small group and individual market.
2. MN must create the NEW Minnesota High Risk Pool discussed on the prior page using existing state law.
3. MN must open enrollment yearly to allow people the ability to choose the best plans for themselves and their families.
4. Allow health insurance premiums to be deductible from state income tax.

If MN completes the tasks outlined in this report, Minnesota's health insurance industry will continue to service the citizens of Minnesota for decades to come.

Terminology and funding may change during the legislative cycle but the concept is real and has been tested, and was very successful.

