

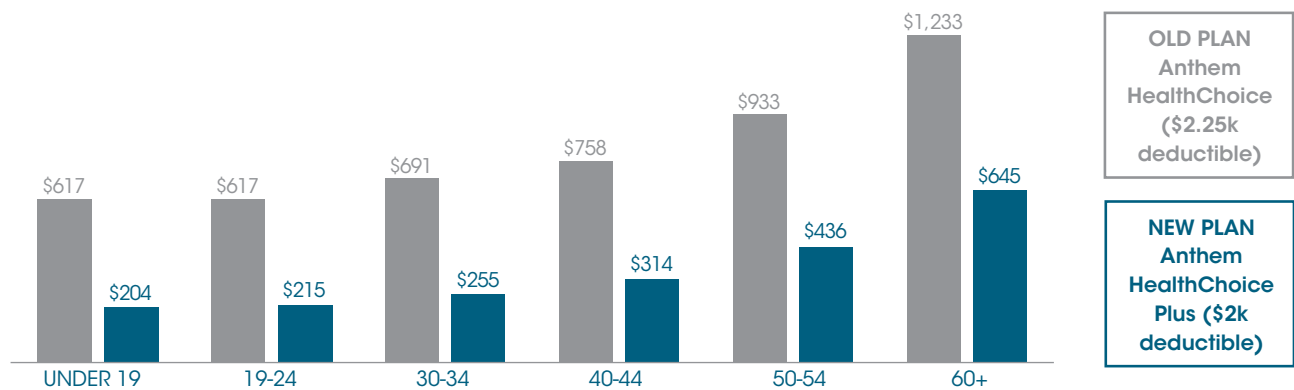


How Can Congress Address Rising Premiums & Pre-Existing Conditions?

LEARN FROM THE STATES

In 2011, Maine faced similar challenges as Congress is facing now under Obamacare to unwind failed policies and reinvigorate the individual insurance market. By creating an invisible high-risk pool and relaxing its premium rating bands, Maine policymakers were able to cut premiums in half while still guaranteeing those with pre-existing conditions access to plans.

INVISIBLE HIGH-RISK POOL & EXPANDED AGE BANDS: Individual Insurance Premiums Before & After Maine Reforms



CASE STUDY: MAINE

THE PROBLEM:

Increasing premium, few insurers, reduced enrollment, & younger people not purchasing insurance

BEFORE REFORM

Insurers fled the market, and premiums **more than doubled** between 1995 and 2001 as the market deteriorated. The number of individuals covered dropped to just **36,000 by 2011** – a 65 percent decline from the 102,000 individuals enrolled in 1993.

THE FIX:

Create an invisible high-risk pool and expand age bands

AFTER REFORM

As a direct result of the invisible high-risk pool, the state's largest insurer introduced a suite of new plans with rates as much as **70 percent lower** than existing products. These plans were more than 50 percent lower in the highest age category (60 or older). Although critics of the law predicted lower rates for younger applicants at the expense of older applicants, all ages actually gained access to lower cost individual policies and those with pre-existing conditions shared these same savings.



Age	Old Plan - Anthem HealthChoice (\$2.25k deductible)	New Plan - Anthem HealthChoice Plus (\$2k deductible)	% Decrease in Premiums	\$ Decrease in Premiums	Annual Savings
Under 19	\$617	\$204	-67%	\$(412)	\$4,948
19-24	\$617	\$215	-65%	\$(401)	\$4,816
30-34	\$691	\$255	-63%	\$(436)	\$5,237
40-44	\$758	\$314	-59%	\$(444)	\$5,331
50-54	\$933	\$436	-53%	\$(497)	\$5,964
60+	\$1,233	\$645	-48%	\$(588)	\$7,054

Every dollar assessed under the invisible high-risk pool produced a 5 percent reduction in premiums for all individual enrollees. But every dollar assessed under the ACA’s reinsurance program produced just 1.6 percent reduction in premiums. Simply put, the invisible high-risk pool was more than three times as effective at reducing premiums as the ACA’s reinsurance program for every dollar assessed.

As a result of Maine’s reforms, individuals in their early 20s were able to see premium savings of nearly \$5,000 per year while individuals in their 60s saw savings of more than \$7,000. As premiums dropped, more young and healthy applicants entered the market, total enrollment increased for the primary insurer in the market, and the individual market’s multi-year death spiral was finally reversed.

HOW IT WORKS:

The Invisible High-Risk Pool in Action

Initially, the MGARA (Maine Guaranteed Access Reinsurance Association) board identified a handful of specific conditions that were driving cost increases in the individual market. This allowed the program to target subsidies at conditions that would have the biggest impact on lowering overall premiums. They identified eight conditions driving claim costs*. Under a federal repeal and replace plan, other states may identify more conditions or even a different set of conditions entirely.

Funding

The program had two primary funding sources. As noted, insurers were required to transfer 90 percent of pool premiums to MGARA. This covered approximately 42 percent of all claim expenses paid by MGARA. The remainder of costs were financed by a \$4 per member per month assessment on all policies. This structure prevent insurers from gaming the system by removing the opportunity to profit off individuals placed in the invisible high-risk pool.

Lessons for repeal & replace

1. Expand age bands from 3:1 up to 5:1
2. Set up targeted invisible high-risk pools that:
 - Are invisible to applicants;
 - Do not discriminate with limited options or higher premiums for high cost individuals;
 - Include mandatory placement of individuals with specific health conditions tailored by state to maximize the impact on insurance rates;
 - Allow insurers to make ongoing voluntary placement decisions for conditions over and above the eight conditions, but only at time of application while still maintaining some claim exposure such as the first \$10,000;
 - Stretch every dollar as far as possible by capturing 90 percent of premiums of individuals placed in the invisible high-risk pool and through other mechanisms.
3. **Link market participation for insurers to new markets to renewability of old plans.** Linking participation in new markets to maintaining current coverage for enrollees can effectively prevent insurers from abandoning existing markets during any transition period. This is a practice common at the state level.

*Chronic obstructive pulmonary disease, endometrial cancer, metastatic cancer, prostate cancer, congestive heart failure, renal failure, rheumatoid arthritis, and HIV