

**MINUTES OF THE
HEALTH SYSTEM REFORM TASK FORCE**
Tuesday, October 9, 2012 – 9:00 a.m.– Room 30 House Building

Members Present:

Sen. Wayne L. Niederhauser, Senate Chair
Rep. James A. Dunnigan, House Chair
Sen. Allen M. Christensen
Sen. Gene Davis
Sen. Peter C. Knudson
Rep. Rebecca Chavez-Houck
Rep. Brian Doughty
Rep. Rebecca P. Edwards
Rep. Francis D. Gibson
Rep. Dean Sanpei

Members Absent:

Rep. Merlynn T. Newbold

Staff Present:

Mr. Mark D. Andrews, Policy Analyst
Ms. Catherine J. Dupont, Associate General Counsel
Ms. RuthAnne Frost, Associate General Counsel
Ms. Lori Rammell, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Task Force Business

Chair Dunnigan called the meeting to order at 9:20 a.m. Chair Dunnigan recognized Utah legislative staff who were honored at the recent National Conference of State Legislatures, including Mr. Andrews.

MOTION: Sen. Christensen moved to approve the minutes of the September 11, 2012, meeting. The motion passed unanimously. Sen. Knudson was absent for the vote.

2. Reinsurance

Chair Dunnigan introduced this topic by stating that the federal Affordable Care Act (ACA) requires the creation of a reinsurance program to be operated from 2014 through 2016. The program is intended to mitigate the effects of increased risk flowing into the individual health insurance market beginning in 2014 and to stabilize premiums. The state may elect to operate the reinsurance program for any of the three years, based on state-specific parameters, regardless of the type of exchange model it chooses—state-based, state-partnership, or federally-facilitated. Earlier this year, the task force recommended that the state operate the reinsurance program.

Mr. Andrews distributed "The 3Rs: This is all arithmetic! A comparison of the three risk mechanisms established under the federal Affordable Care Act."

Mr. Troy Pritchett, consulting actuary, HIPUtah, gave a visual presentation, "Assessing the 2014 Individual Market," and briefed the task force on why reinsurance is needed and whom it will apply to. He discussed sources of the increased reinsurance risk in 2014, its magnitude, and its expected impact on premiums. He indicated that younger, healthier insureds in the individual market could experience premium increases of 103–135%. Mr. Pritchett then answered questions from the committee.

Ms. Dupont pointed out that the state's first deadline required by the ACA is for the submission of a November 16, 2012, letter, which will include a statement of whether Utah chooses to run its own state-based reinsurance program.

Chair Dunnigan clarified Utah's role in the reinsurance program, should the state decide to administer its own program. One of the advantages would be state flexibility in determining reinsurance requirements and rates.

Mr. Andrews said that the state has essentially three choices regarding a reinsurance program: it can defer entirely to the federal government, go entirely on its own, or work with other states to come up with a coherent system.

Dr. Norm Thurston, Health Reform Implementation Coordinator, Utah Office of the Governor, was invited to answer questions from the task force. He stated that the governor is being made aware of the upcoming ACA deadlines and the decisions coming out of the task force. Mr. Thurston stated that the industry should generate a solution to what he called an industry-created problem. He said it makes sense to make these decisions on a local level, so local and regional insurers can have sufficient input.

3. Risk Adjustment

Rep. Dunnigan introduced this topic, explaining that the ACA requires the creation of a permanent risk adjustment program in 2014 intended to mitigate the effects of adverse selection in the individual and small group markets and to stabilize premiums.

Mr. Paul Anderton, actuary, Utah Insurance Department, gave a visual presentation, "Risk Adjustment: A Possible Utah State-Based Approach," which answered the questions of why risk adjustment must be done, what risk adjustment is, how risk adjustment works, and how the proposed federal methodology differs from a possible state methodology. He explained that a state-based approach to risk adjustment would have greater flexibility and be more efficient than a federal approach. He said there is some uncertainty around the costs of the two approaches. In summary, he indicated, there are significant advantages to adopting a state-based risk adjustment model, but a state-based model is possible only if the state implements a state-based exchange. Mr. Anderton responded to questions from the task force.

Chair Dunnigan stated, in answer to a question from the task force, that there is no workgroup recommendation regarding risk adjustment.

Mr. Barry Nangle, Director, Center for Health Data, Utah Department of Health, reported on the state's all-payers claims database. He reported that although the loss of a software vendor has left the database unable to produce comparative analyses at the physician level, use of the database for risk adjustment remains unaffected. He indicated that some data requested by carriers has not been submitted to the database and said that he could provide a full report to the task force on carrier participation.

4. Risk Corridors

Chair Dunnigan introduced this topic by stating that the ACA requires the creation of a temporary risk corridors program to be operated from 2014 through 2016. He stated that the program is intended to limit losses and gains to health insurance issuers offering qualified health plans, and that this program will be funded and operated entirely by the federal government.

Mr. Jim Pinkerton, Regence BlueCross BlueShield, gave a visual presentation, "PPACA, Risk Corridors," and explained why risk mitigation tools are needed. He stated that risk corridors are designed

to protect insureds against uncertainty in rates and to protect carriers from losing too much money. He reviewed how risk corridors will work and identified several unresolved implementation issues. Mr. Pinkerton answered questions from the task force.

5. Rate Transparency

Chair Dunnigan introduced this issue by stating that, beginning September 1, 2011, Utah health insurers intending to increase premiums in the individual or small group markets by 10% or more have been required under the ACA to submit information to the Utah Insurance Department for determination of whether a proposed increase is "unreasonable."

Ms. Tanji Northrup, Assistant Commissioner, Utah Insurance Department, presented and explained the department's new insurance transparency website (see <http://healthrates.utah.gov>). She stated that the website provides a list of quality ratings, a consumer guide, and a list of companies filing rate increases greater than 10%. She stated that the website's data is linked to Avenue H. Ms. Northrup explained how the website was funded and how long the funding will last. She explained how rate reviews have been funded and how they will be funded after federal funding ceases at the end of 2014.

6. Utah Health Exchange

Ms. Patty Conner, Director of Office of Consumer Health Services, Governor's Office of Economic Development, gave a visual presentation, "Health Exchange Technology Overview." She discussed the functions of the Utah Health Exchange and its contractors who supply the technology for the exchange. She reviewed current exchange participation statistics and explained the campaign to re-brand the exchange as "Avenue H," beginning October 4, 2012 (see www.AvenueH.com).

Responding to a question from Rep. Sanpei, Mr. Dave Jackson, benefit consultant and member of the Risk Adjuster Board, indicated that although he didn't know whether an analysis has been made comparing the risk of exchange enrollees to the risk of insureds outside the exchange, his sense is that the risk is the same and that the exchange has not experienced adverse selection. Mr. Pinkerton also responded, indicating that he did not think the exchange had experienced a great deal of adverse selection.

Ms. Judi Hilman, Executive Director, Utah Health Policy Project, distributed "The State of the Utah Health Exchange" (updated October 2012). She said that Avenue H is a move in the right direction, but cautioned that if the ACA is repealed, the state will need to figure out what to do with the individual insurance market to address the needs of 76% of the uninsured, who have incomes less than 200% of the federal poverty level.

7. Adjourn

MOTION: Sen. Niederhauser moved to adjourn the meeting. The motion passed unanimously with Rep. Doughty absent for the vote.

Chair Dunnigan adjourned the meeting at 12:25 p.m.

8. Workgroups

Members of the task force and the public were invited to attend the workgroups following the task force meeting.