

# MINNESOTA HEALTH INSURANCE EXCHANGE WORK GROUP REPORT

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## Adverse Selection

March 30, 2012

### Work Group Focus

The workgroup will discuss issues related to adverse selection, options for addressing those issues, and describe advantages and disadvantages of various options. The Exchange Task Force will use this information to inform their recommendations to the Commissioner of Commerce.

### Issues for Discussion

The Work Group has been tasked with providing the Advisory Task Force with information about the following issues:

The Adverse Selection Workgroup will minimally address the following questions:

- What should the market rules be inside and outside the Exchange?
- What should the participation rules be for insurers and health benefit plans inside and outside the Exchange?
- What should the participation rules and options for consumers and employers/employees be inside the Exchange?
- Should the definition of small group be defined as 50 or 100 from 2014 to 2016?
- Should Minnesota use federal risk adjustment methodology or propose a state option?
- What options should Minnesota consider for reinsurance?
- Should the individual and small group market risk pools be merged?
- What options should Minnesota consider to encourage market competition and value?

In addition to these issues, the Task Force may refer additional issues to this Work Group for additional assistance and input.

### Meeting Update

The Work Group met twice in February and discussed the following:

- Entities that may be able to serve as administrator of the reinsurance program
- Provisions of Minnesota law related to stop loss policies that aim to limit the extent of self-insurance among small employers
- Update on formation of Plan Certification and Risk Adjustment subgroups

## **Upcoming Meeting Topics**

April 2012

- Update on changes in federal premium stabilization rules affecting risk adjustment
- Update on convening of Plan Certification subgroup and re-evaluation of need for Risk Adjustment subgroup in light of changes to risk adjustment rules
- Discuss rules for individual and employer participation in the Exchange

May 2012

- Discuss other options to promote market competition and value

June 2012

- Discuss how policy makers can monitor the presence of adverse selection, the stability of risk pools and risk sharing, and premium variability and what data sources are necessary to do so

## **Future work**

Prior to making decisions on merging existing small group market with larger group of 51-100 prior to 2016, policy makers should evaluate whether the attachment points in Minnesota Statutes 60A.235 are sufficient to address concerns about extent to which employers of this size may self-insure. NAIC is doing a study on this and results are expected by early fall. The Adverse Selection Workgroup will examine the NAIC findings and bring options forward to the Exchange Advisory Task Force about the attachment points this fall.