

ADVERSE SELECTION WORKGROUP

About this Workgroup:

The Minnesota Department of Commerce has convened the Adverse Selection Workgroup as one of ten workgroups that will provide information to the Exchange Task Force. This workgroup is composed of approximately 20 members including consumer, employer, health insurer, navigator/broker, and provider representatives, as well as legislators, market experts, and state agency staff. 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.

The Adverse Selection Workgroup will produce key high-level deliverables in 2011 and continue its work at a more detailed level throughout 2012.

Background:

The Patient Protection and Affordable Care Act contains several provisions designed to mitigate adverse selection. Temporary provisions related to reinsurance and risk corridors, along with a permanent risk adjustment program, will mitigate adverse selection to some extent. Other requirements applicable to health plans offered either inside or outside exchanges, such as single risk pools, provision of essential benefits and minimal coverage levels, and consistent rating rules will also reduce adverse selection. Experts have advised that states should take additional steps beyond these to avoid adverse selection.

Issues for Discussion:

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?