

MINNESOTA HEALTH INSURANCE EXCHANGE WORK GROUP REPORT

Adverse Selection

May 18, 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 most recently on May 10 and discussed the following:

- Update on development of federal risk adjustment methodology from CMS-convened public meeting on risk adjustment in Washington DC
- Potential rules for individual and employer participation in the Exchange
- Update on formation of Plan Certification subgroup

Upcoming Meeting Topics

June 2012

- Potential rules for individual and employer participation in the Exchange

July 2012

- Discuss other options to promote market competition and value

August 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

Recommendation

Work Group members discussed the advantages and disadvantages of pursuing state-based risk adjustment given HHS final rules and new information about the federal risk adjustment methodology and have the following recommendation:

- Work Group members generally agree the potential benefits of pursuing state-based risk adjustment without authority to use the state's all-payer claims database will likely not outweigh the effort associated with developing that methodology. The disadvantage of not pursuing any state-based approach is that we lose the opportunity for risk adjustment to work as well as it can given Minnesota's unique characteristics, especially in the first year or two of Exchange operation when adverse selection may begin to materialize.

Workgroup members also highlighted two related potential issues for further discussion: 1) The potential for sharing data about risk distribution among carriers on a faster timeframe than what the federal risk adjustment process will produce; and 2) whether it might be possible to take a more systemic approach for required carrier data validation that will involve verifying diagnostic codes on medical records, with a goal of minimizing burden on providers and enhancing consistency of data validation processes.