

State Regulation of Health Insurance

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Council for Affordable Health
Insurance



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State Regulatory Environment

- The Insurance Company Regulation
 - Licensing
 - Solvency
- Product Regulation
 - Individual Health Insurance --
 - Small Group Health Insurance (2-50)
 - Large Group Health Insurance(50+)



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Types of Regulation

- Rates
 - Loss Ratio (ratio of direct medical payments to premium)
 - Rate limits (rate bands, community rating)
- Benefits
 - Benefit Design Rules (limited benefit plans, coinsurance, etc)
 - Mandated Benefits
- Administration
 - Premium taxes and other fees
 - Claims payment
 - Guarantee issue



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Consequences of Over Regulation

- Limit Competition – community rating discourages insurers from entering the market
- Limit Choice of Benefit Plans – high loss ratios limit the availability of affordable benefit plans
- Encourage Fraud – high loss ratio limit insurers ability to review claims
- Increase costs – high loss ratios discourage insurers from limiting claims costs (network arrangements, proper claims reviews,



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CAHI State Health Insurance Index

- Correlation between good regulatory environment and:
 - Affordable Policies
 - Number of uninsured
- States with best scores limited their market interventions
- Did not require costly government programs to ensure affordable policies (ME, MA, NY, VT; etc)



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Table 1. State Health Insurance Index 2006*

range	0-20	0-10	0-10	0-20	0-20	0-20	0-100	High Score Better	Premium for family of 4 \$/mo **
	Regulation Score	Mandate Score	% Uninsured Score	High-Risk Pool Score	Individual Market Score	Small Group Market Score	INDEX TOTAL	Comments	
IA	15	10	10	20	20	20	95	Generally Well Functioning Health Insurance Markets. Have access to affordable coverage, but have safety-net option if uninsured	\$239.46
MN	20	0	10	20	20	20	90		\$378.00
UT	20	10	5	15	20	20	90		\$282.83
ID	15	10	5	20	20	15	85		\$419.83
KS	15	5	10	20	20	10	80		\$377.48
MO	15	5	10	20	15	15	80		\$242.57
AL	20	10	5	20	10	15	80		\$197.71
KY	20	5	5	15	20	15	80		\$235.06
NE	20	10	10	15	15	10	80		\$273.67
IN	20	5	5	20	15	10	75		\$273.00
ND	15	5	10	15	10	20	75		n/a
NM	20	0	0	20	20	10	70		\$248.71
WI	20	5	10	20	15	0	70		\$273.48
OR	5	10	0	20	20	10	65		\$307.00
MT	15	5	0	20	10	15	65		\$640.19
SC	20	10	5	20	0	10	65		\$271.57
IL	20	5	5	15	10	10	65	\$216.88	



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CO	10	5	5	20	20	0	60	Markets Functioning But in Need of Improvement Especially items highlighted in Red	\$369.30
AR	20	5	0	20	0	15	60		\$240.13
SD	15	10	5	20	0	10	60		\$416.20
CA	15	0	0	10	20	15	60		\$378.00
PA	20	5	10	0	20	5	60		\$354.06
MI	20	10	10	0	20	0	60		\$205.36
OH	15	10	10	0	15	10	60		\$172.03
AK	20	10	0	20	5	0	55		\$350.96
WY	15	5	5	15	5	10	55		\$548.14
MD	15	0	5	20	0	10	50		\$259.12
NH	10	5	10	20	0	5	50		n/a
DE	10	10	5	0	20	5	50		\$183.57
VA	15	0	5	0	15	15	50		\$235.00
TX	20	0	0	20	0	5	45		\$240.00
MS	10	10	0	10	5	10	45		\$326.53
RI	10	5	10	0	20	0	45		n/a
AZ	15	10	0	0	10	10	45	\$220.80	



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CT	10	0	10	20	0	0	40	Dysfunctional Health Insurance Markets Few Insurance Options and options are Expensive. These States Need Reform Now!	\$176.06
WA	5	0	5	20	0	10	40		\$396.00
OK	15	5	0	15	0	5	40		\$364.95
LA	15	5	0	10	0	10	40		\$272.08
WV	20	5	0	5	0	10	40		n/a
NV	15	0	0	0	15	10	40		\$195.00
GA	15	5	5	0	0	15	40		\$307.02
HA	10	10	10	0	0	10	40		n/a
TN	15	5	5	5	0	5	35		\$331.40
FL	10	0	0	10	10	0	30		\$284.92
NC	10	0	5	0	10	5	30		\$311.58
MA	0	5	10	0	0	10	25		n/a
VT	0	10	10	0	0	5	25		n/a
NJ	5	5	5	0	0	0	15		\$1,068.41
ME	0	0	10	0	0	0	10		n/a
NY	0	0	5	0	0	0	5	n/a	

* Adapted from "State Health Insurance Index 2006: A 50-State Comparison of the Nation's Health Insurance Market," Council for Affordable Health Insurance. October 2006.

** Health Insurance Premiums from ehealthinsurance.com

Graphic by AFBF



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Affordable Health Insurance (Indiv.)

Lowest Cost Cities

1. Grand Rapids MI
\$159.06
2. Columbus OH \$179.68
3. Akron OH \$191.46
4. Des Moines IA \$194.40
5. Louisville and Lexington
KY \$197.75
6. Phoenix, Tucson, Mesa,
and Scottsdale \$202.34

Highest Cost Cities

1. Spokane WA \$962.00
2. Yonkers and New York
NY \$916.79
3. New York NY \$916.79
4. Boston MA \$865.18
5. Wichita, KS \$773.06
6. Augusta GA \$758.57
7. Jersey City and Newark
NJ \$744.02



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Low Cost vs High Cost States

Low Cost States

- Carriers are allowed to underwrite
- No guarantee issue requirement
- Fewer mandated benefits
- More choices
- Many have high risk pools

High Cost States

- Community Rating or Modified Community Rating
- Guarantee Issue
- Lots of mandated benefits
- Fewer choices
- No High Risk Pools



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Appropriate Regulation

1. Solvency - Only state regulation can guarantee solvency and ensure appropriate licensure
2. Benefits promised are benefits delivered - Insurers should be required to pay every penny they owe, and not one penny more
3. Accessibility - Everyone should have access to health insurance regardless of health status. High risk pools have shown themselves to be the most effective solution
4. Competition - Only competition has proven to be effective at keeping insurance rates affordable and providing a wide variety of choice



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Resources

- Visit www.cahi.org to download publications including:
 - Understanding the Uninsured
 - Mandates in the States
 - State Legislator's Guide to Health Insurance Solutions
 - Issues and Answers on Dirigo, Massachusetts, Healthy New York, Uninsured, and List Billing, Loss Ratio
 - Or contact me jpwieske@cahi.org
 - [920-499-8803](tel:9204998803)



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