Committee Minutes:

Health Care Task Force

Senate Majority Caucus Room

State Capitol, Boise, Idaho

Tuesday, July 29, 2003

9:00 a.m.

Corrected Minutes

The meeting was called to order at 9:00 a.m. by Cochairman Senator Dean Cameron. Other Task Force members present were: Senators Joe Stegner, John Goedde, Fred Kennedy, Cochairman Representative Bill Deal, Representatives Max Black, Margaret Henbest, Gary Collins and Kathie Garrett. Senator Sheila Sorensen was excused.

Others present included: Mike Brassey, St. Luke's Regional Medical Center; Laren Walker, AmeriBen Solutions; Tim Olson, Regence BlueShield; Hyatt Erstad, Idaho High Risk Pool Chairman; Mary Hartung, Joan Krosch and Phyllis Stephenson, Department of Insurance; Kathleen Allyn, Idaho Department of Health and Welfare; Steve Millard, Idaho Hospital Association; Andrea Mihm, Sullivan and Reberger; Jack Jones, AARP/Area 3 Aging Agency; Toni Lawson, St. Alphonsus; Kate Vanden Broek, Idaho Planning Grant; Steve Tobiason, Idaho Association of Health Professionals; Dawn Justice, IACI; Woody Richards, Moffatt Thomas; Robert Seehusen, Idaho Medical Association; Ken McClure, Givens Pursley; and John Summerton, Northwestern Group Marketing Services/Small Employer Benefit Specialist. Staff members present were Caralee Lambert and Toni Hobbs.

After introductions, **Senator Cameron** commented that one of the duties of this Task Force is to monitor the high risk reinsurance pool. He introduce **Mr. Laren Walker,** Ameriben Solutions, to discuss the financial status of the pool. **Mr. Walker** began his comments by stating that compared to other state programs, Idaho's plan works very well. The board of directors takes a very active role in the plan's operation. Compared to the four other states that Ameriben administers, Idaho's is the best. **Mr. Walker** distributed a balance sheet for the Idaho Individual

High Risk Pool as of April 30, 2003 that included a comparison to 2002.

In response to a question from **Senator Stegner, Mr. Walker** explained that the high risk pool deals specifically with individual policies. The purpose of the program was to help control costs and to provide access to individuals who would otherwise not be able to afford insurance. The reinsurance side is a mechanism to help the insurance companies cover some of this risk. The high risk pool is a mandatory product that insurance companies must offer and then they must reinsure those risks through this pool. The money for the pool comes from money the insurance companies pay that is left over after claims and administrative costs. State premium tax dollars of 1/4 of the excess over $45 million are also put into this pool. If these funds did not cover the full expense of the program, there could be an assessment to all insurance carriers doing business in the state of Idaho.

Mr. Hyatt Erstad, chairman of the high risk pool, added that one of the reasons this program is unique is that the legislature had a reinsurance mechanism set up originally for individuals and small employers so that no one in Idaho could be turned down for insurance coverage. Two years ago, the high risk pool was established. If an individual goes to a carrier for individual insurance coverage and is declined, either by being denied coverage or by having premiums that would be too high, these individuals must be offered the coverage offered by the high risk pool.

Senator Cameron said that Idaho is one of many states that have established high risk pools. Idaho's is somewhat unique because it is used as a reinsurance mechanism together with mandating the four standard products. Idaho is also unique because it establishes a set funding source. Many states that have high risk pools are subject to appropriation. This causes people to be able to be insured one year when there was an appropriation and the next year, if there is no appropriation, there is no coverage. Idaho's system has worked much better in the long run.

In response to a question by **Representative Black, Ms. Joan Krosch,** Department of Insurance, explained that they are working with a national high risk organization that ranks the high risk pools of all states in order to get Idaho included in a nationwide composite.

Mr. Walker returned to the discussion of the balance sheet. He explained the following:

- On December 31, 2001, the fund had just under $2 million in the pool
- At the end of 2002, the fund had about $3.8 million in the pool
- As of April 30, 2003, the fund had about $3.3 million in the pool

On June 30, 2003, the fund received $3.6 million from the premium tax dollars that is not reflected on the balance sheet. This compares to $1.4 million in 2001 and $2.3 million in premium tax dollars.

The number of claims that have been paid are:

- 2001 - $828,000
- 2002 - $2.3 million
- 2003 through April - $842,224

From this 2003 amount, it is estimated that there would be $2.5 million paid in claims for the entire year.

He called the Task Force's attention to the premiums collected and the fact that they are going up. In 2003 (through April), $601,000 has been collected and for 2002, that amount was only $393,000.

The ending fund balance for April 2003 shows a deficit of $292,171. This amount is the amount of premium tax dollars year to date that will be needed to make up the difference between claims paid and premiums coming in from insurance companies.

In response to a question from **Representative Henbest, Mr. Walker** said there are 1,443 lives currently covered in this plan.

Representative Black asked whether there is any guarantee that an individual who is declined regular coverage will be aware of the high risk pool. **Mr. Erstad** answered that carriers are mandated to inform applicants of the high risk products and they are audited annually to make sure this is done. **Senator Cameron** stated that the two major carriers publish the rates of the four high risk products along with their other product rates. He added that there is some concern by the carriers that the board is holding those high risk rates too low compared to what they have to charge borderline high risk people. These rates are set actuarially and this has been reviewed recently. The board believes that the high risk rates are actuarially sound and the claims utilization so far has proven that to be true. This could change in the future. **Senator Cameron** outlined the four high risk products and stated that these products are comparable to street products. They range in deductibles from $500 up to $2,000, with different co-insurances and prescription drug coverage. He added that he would provide a copy of the rate sheet for the Task Force members.

In response to a question from **Senator Stegner, Mr. Hyatt** commented that these products are very complete products. Depending on where the premium is that the applicant wants, the benefits available are an average of the benefit design. To compare these products to the street products would be very difficult because of the many choices available in street products coupled with the seven different rate bands. There would be too many variables involved for this to be accurate. The high risk products are designed to be right in the middle range of the entire premium bands.

Senator Goedde asked if a family applies for insurance coverage and one member is turned down as high risk, is the rest of the family offered a standard product with the individual going to the high risk pool? **Senator Cameron** said each company handles this differently but that is basically how it works. There is no law requiring carriers or agents to inform clients of these options.

Representative Henbest asked if, due to the growth in claims compared to the tax dollars available, there is concern that this program might not work. **Mr. Walker** stated that because of the nature of the pool and the fact that high risk individuals are involved with a $1 million maximum on several of the products, it seems that the program is safe. Based on the past two years, the money available is adequate to support the program. In a worst case scenario, there is a line of credit in place for the short term. In the long term, an assessment to the insurance carriers would be used to pay back that line of credit. **Mr. Erstad** agreed with **Mr. Walker.** He added that the actuary committee works very closely with the carriers and looks at what is coming in to the program very carefully. They have been very cautiously optimistic and as long as premium tax revenues continue to keep pace with the pool growth, it should be successful. Stabilization of claims would also be helpful.

Senator Cameron clarified that the precursor to the high risk pool was called Individual Market Reform. It offered some reinsurance to the carriers, operated with a line of credit, and an assessment was made to the carriers to pay off that line of credit each year. With this new program, so far the premium tax and premiums collected from the carriers have been enough to cover the costs and the line of credit has not been needed. There is no way to predict what will happen in the future but at this time the program is running in the black.

Representative Black asked if the small group insurance pool makes assessments to insurance carriers also. **Senator Cameron** said the small group product is being run in a similar manner to how the individual product was under the reinsurance mechanism. There has been talk of expanding the high risk pool to small employers. In response to another question from **Representative Black, Mr. Walker** stated that the assessment ranges from $200,000 to $900,000 annually.

Senator Goedde commented that the premium tax money that is used included total premium tax such as property and casualty insurance as well as health insurance. He cautioned that most of the increases have occurred in the property and casualty area and he does not think that will continue.

Senator Stegner suggested that in his opinion the program seems to very successful and that this committee should be very proud of what they have created. **Mr. Erstad** added that the reality of the high risk pool is that it allows people who have used up their lifetime maximum benefits in other plans to still have coverage. It also allows people who are declined coverage or whose premiums are too high to have coverage. In other words, it makes a program available to every Idahoan who wants to take the time to make application for it. This is a very proactive idea that more people need to be made aware of. **Mr. Walker** added that the program runs very well and there is good cooperation administratively between the carriers and the department.

Representative Black stated that at various conferences that he has attended and whenever Idaho's plan is described, it generates a lot interest and questions from other states.

Senator Cameron commented that there were a number of federal funds made available for states to use for their high risk pool programs. He asked if Idaho has applied or received any of those funds. **Joan Krosch** answered that the Department of Insurance has been instructed by the board to make application for these funds. This application must be in by September 30, 2003, and they are in the process of completing that grant request. **Mr. Erstad** added that part of the reason Idaho has not applied for these funds is due to the fact that the federal government does not want the state's high risk plans to have preexisting condition requirements attached. Under Idaho's plan, someone who applies for insurance after being diagnosed with a disease such as cancer would be considered to have a preexisting condition and there would be a waiting period for coverage. Under the initial federal government program, that preexisting condition clause would have had to be removed. This time, they think the state will be able to maintain the preexisting condition clause. If an individual has existing coverage and has used up their maximum benefits, they still qualify for the high risk pool without a waiting period. The preexisting clause is only in effect if someone has not had coverage and wants insurance because they have been diagnosed with a disease. Also, it is still not certain that the federal government will accept Idaho's application.

Representative Henbest asked if the Task Force still wants information regarding management of the high risk population. **Senator Cameron** clarified that there had been discussion that if the state implemented some sort of disease management program within the high risk pool, perhaps the high risk pool would be eligible for millennium fund money. Due to the state of the millennium fund, he is not sure how important this is currently. He asked that the board discuss the importance of this at their next meeting and to let the Task Force know what is decided.

Kathleen Allyn, Department of Health and Welfare, was introduced to discuss the status of the Access Card implementation. She explained that in 1997, Idaho implemented the Children's Health Insurance Program (CHIP) as an extension of the Medicaid program. There was a choice at that time to make it an expansion of the Medicaid program or a separate stand-alone program. The main difference was in the federal funding. With the Medicaid program, the funding is roughly 30% state general funds and 70% federal funds. With the CHIP program, it is an enhanced match that is closer to 20% state, 80% federal. She stated that the access card program is really in its infancy and they are still in the process of making sure they understand what the legislation provided.

House Bill 376, passed in the 2003 session, established the Access Card program. **Ms. Allyn** distributed a chart explaining the program. She stated that the existing CHIP program covers children from 100% of the poverty limit to 133%. The new portion (CHIP Plan B) is thought to be a separate program, not a Medicaid expansion. This plan covers from 150% of the poverty limit to 185%. Simultaneous to this plan there is to be a Children's Access Card program. This gives the option to participants in both CHIP Plans A and B to get a premium subsidy to purchase private insurance. This part of the program is to be implemented by July 1, 2004.

By July 1, 2005, there is to be a Small Business Health Insurance Pilot Program. This will be limited to 1,000 adults who are employees of small businesses (2 to 50 employees). This will work like the Access Card program, allowing a premium subsidy to purchase health insurance. This includes the expectation that the employer will be contributing at least 50% of the premium cost.

Ms. Allyn explained that there is a very distinct relationship among the various entities that are participating in the development of this plan. The Department of Health and Welfare is leading the development of the CHIP Plan B and the Access card plan. The potential for private insurance components gives the Department a real opportunity to partner with the private sector and with the Department of Insurance.

The legislation calls for three advisory boards:

- Chip Plan B Advisory Board

  8 members
  4 appointed by Governor
  4 appointed by Director of DHW
  (2 must be parents of children eligible for CHIP plan B)

- Children's Access Card Advisory Board

  8 members
  4 appointed by Governor
  4 appointed by Director of DHW
  (2 must be parents of children eligible for CHIP plan B)

- Small Business Health Insurance (Adult Access Card) Advisory Board

  8 members
  4 appointed by Governor
  4 appointed by Director of DHW
  (4 must be representatives of small business)

These boards are to work with the Department of Health and Welfare and will also provide advice to the High Risk Reinsurance Pool Board, which in turn will recommend rules to the Department in terms of the private insurance products. External partners include the Idaho Planning Grant Group and the Department of Insurance.

Ms. Allyn stated that with the number of advisory boards required, they would like the Chip Plan B Advisory Board and the Children's Access Card Advisory Board to be combined and will talk to the legislature about that. The membership requirements are exactly the same and this would simplify the process administratively.

The funding for these programs is 1/4 of all premium tax receipts over $55 million with a cap of $1.2 million on the adult pilot program. There is also a minimum of a 70-30 match from the federal government. **Ms. Allyn** said they are anticipating closer to an 80-20 match.

Under the current CHIP Plan A, there are approximately 11,000 children insured and the average expenditure is about $118 per month. For CHIP Plan B, they are suggesting developing a package that would cost no more than $100 per month.

Senator Cameron added that in order to address the Access Card Plan, the state has to apply to the federal government for permission. **Ms. Allyn** clarified that they are carefully studying which type of application to make and at this time it appears to be a HIPPA waiver. They are just beginning the process of developing the draft.

Senator Goedde asked if there is an upper limit to the premium tax requirement of 1/4 of the amount over $45 million for the high risk pool and 1/4 of the amount over $55 million for the CHIP plan. **Senator Cameron** said there has been some discussion of placing limits on these but nothing has been finalized. **Senator Goedde** cautioned the need to realize that any amount of premium tax that is taken away from the general fund will probably result in a tax increase somewhere else.

Senator Cameron asked the members for ideas or issues they would like to see discussed for future meetings. In the past, they have tried to have any health care related issue funneled through this Task Force to help alleviate some of the work load of the Business Committees and the Health and Welfare Committees during the regular legislative session. This Task Force has more time to look at the issues and study any unintended consequences that may result from certain changes.

Senator Stegner suggested two items.

1. Evaluating the effectiveness of the expanded rate bands and consideration of whether they should be allowed to expire at the end of next year.

2. Examination of the premium taxes on insurance. Due to the fact that the Task Force used some of the premium tax to fund the high risk pool, this is an area that the Task Force should study.

Senator Stegner added that there is currently a study taking place looking at the two- tiered premium tax system for Idaho. Currently, the number of assets a company has in the state decides what premium tax rate they are charged. Due to the retaliatory laws of our state and other states and because the state of Idaho is being sued over this, **Senator Stegner** feels that a new system should be looked at that levels the premium taxes charged to insurance companies. One of his objectives for this would be to ensure that the commitment is made by the legislature to fund both the high risk reinsurance pool and the access card program.

Senator Stegner continued by stating that the concept that is being considered would lower the highest premium tax rate down to the lowest level over a period of several years, eliminating the need for the company to have investments in the state of Idaho. In essence this would create one of the lowest premium tax rates in the region. This would make Idaho insurance companies more competitive outside of Idaho due to the elimination of a retaliatory tax being charged. This would also encourage insurance companies to do business in Idaho and help bring more competition to the consumers of the state. Finally, it would also take care of the lawsuit involving the two-tiered premium tax system.

Representative Black said that he would like to look at long term care. In his opinion, this is an area that is gathering a lot of interest across the nation.

Representative Henbest agreed with **Senator Stegner's** suggestions and added the following ideas:

1. Prescription drug costs, including assisting people who are not Medicaid eligible but have limited income.

2. Follow up from the Heinz Foundation. Their report should be completed in September and she will contact them to give the Task Force an update at that time.

3. Obesity and a study of the cost ramifications that it has for the nation as well as Idaho. She would like to discuss what type of possibilities exist to try to manage this disease.

4. She asked the High Risk Pool Board to discuss whether they want to look at disease management in the future.

Representative Collins stated that from a business standpoint, there have been significant rate increases in health insurance premiums for healthy individuals. He suggested having the insurance companies, the Department of Insurance and hospitals give a presentation regarding the causes and possible solutions in this area. He added that the PPO concept seems to be holding to moderate increases and asked if there was any interest in discussing that.

Senator Goedde agreed with **Senator Stegner** about studying the rate band issue. He added the following items for discussion:

1. Costs to various counties of indigent care and the catastrophic fund that is available through the state to fund above the counties deductible.

2. How health care and mental health care for the jail population is handled.

3. The issue of mental health problems for indigents.

Senator Stegner added that another question regarding mental health and indigents that needs to be answered is the question of whether these costs qualify under the catastrophic fund. **Senator Cameron** commented that there has been some discussion of making the catastrophic fund

qualified for a federal match to help the state leverage what is being spent. He stated that it would be appropriate to have a report from the counties in this area.

Senator Kennedy suggested that any change or reduction in the way the premium tax is levied be coordinated with the Sales Tax Task Force that is meeting this summer. **Senator Cameron** agreed. He added that the duty of this Task Force is to make sure that enough premium tax is collected to fund the high risk reinsurance pool and the access card program.

Representative Deal added that he would like to look at mental health issues beyond simple parity.

Mr. Bob Seehusen, Idaho Medical Association, stated that a discussion of the current mental health delivery system in rural areas is a possible future agenda item.

Mr. Tim Olson, Regence Blue Shield, suggested having the Employers Health Coalition speak to the Task Force for informational purposes.

Ms. Toni Lawson, St. Alphonsus Hospital, offered to set up a tour of the hospital for Task Force members.

Mr. John Summerton, Northwest Group Marketing Services, suggested the following:

1. Requiring disclosure from insurance companies regarding trending and components justifying rate increases.

2. Adjusting the renewal notice requirement to two months for small businesses.

3. The issue of doctors in PPOs who start seeing a patient and then pull out of the PPO but still perform the surgery as an out-of-network physician.

4. Require "certificate of need" for certain medical services such as MRIs.

5. Address the problem of rate levels not being readily given to insurance brokers.

6. Look into "true HMOs" (law currently provides that if an HMO is offered some out-of-network options must also be offered).

7. Employers want to know what their loss ratios are so they can review claims versus premiums.

Mr. Bob Seehusen stated that the issue of prompt pay is an important one to his organization. He feels that claims should be paid to providers or patients in the same time frame as premiums are due. Legislation has been passed in 47 states to make this a statutory requirement.

With no further business, the meeting was adjourned at 11:45 a.m.