

Regence on Reform

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Health Care Task Force

About Regence BlueShield of Idaho

- We're a nonprofit mutual insurance company.
- We pay \$8.8 million in taxes.
- We employ more than 900 residents with offices in Boise, Coeur d'Alene, Lewiston, Pocatello & Twin Falls.

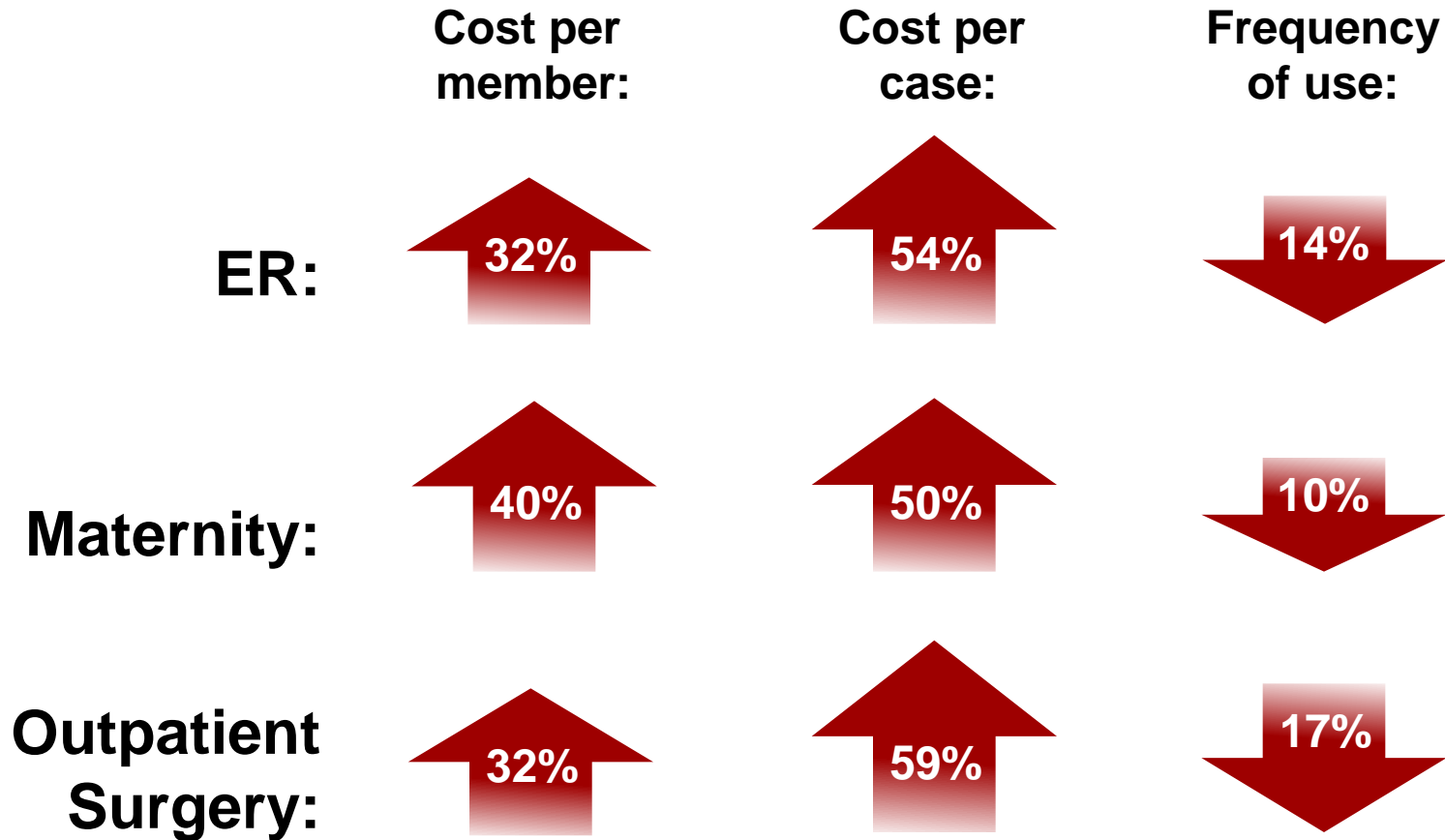
Reform Assumptions

- 2010
 - Preventive Coverage with no cost-sharing
- 2011
 - Medical Loss Ratio Limitations
 - 80% Small Group / Individual, 85% Large Group
- 2014
 - Rating Limitations (Age Bands, Gender, Health Status)
 - Guaranteed Issue for Individual
 - No pre-existing conditions limitations
 - Medicaid Expansion

Health care reform vs. increased access reform?

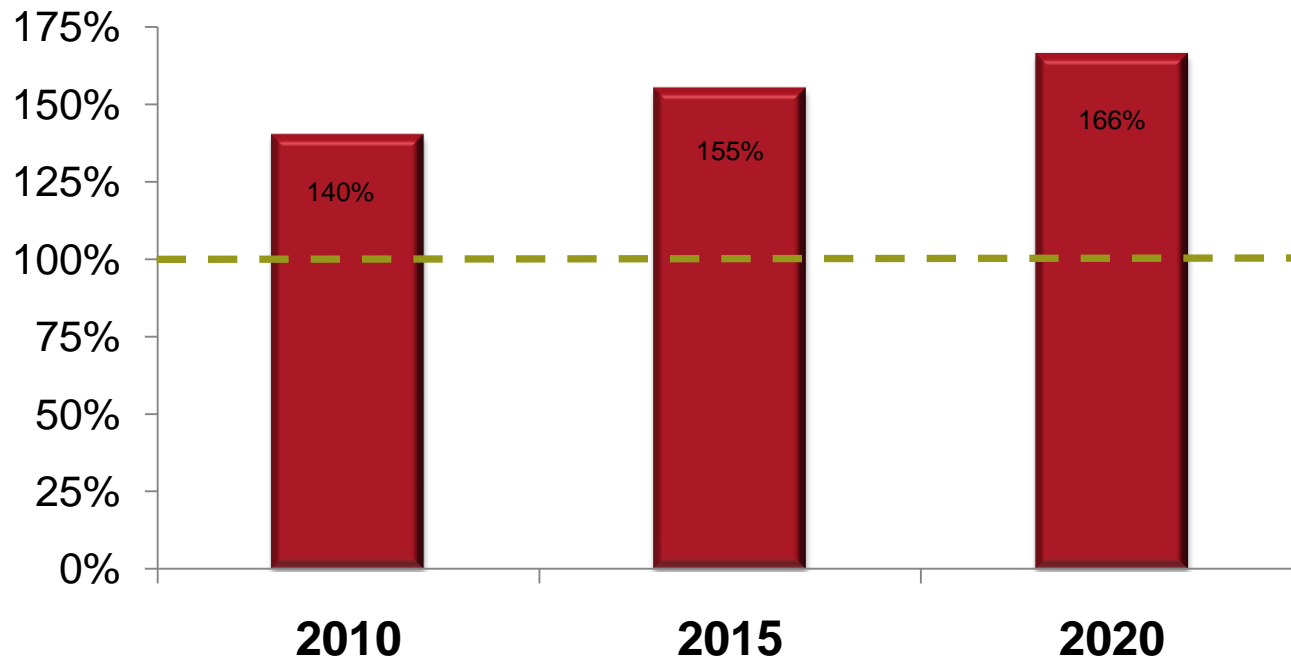
- Addresses access and increased benefits
- Adds increased regulation
 - Age band compression
 - Guarantee issue and no pre-existing conditions
 - Ineffective mandate: Healthy uninsured stay uninsured
- Numerous regulatory decisions still to come
- Costs continue to rise

Costs are still a challenge



Cost shift to private insurers

Projected commercial reimbursement relative to Medicare average



Impact on products

Early provisions of ACA include:

- Expansion of benefits and consumer protections
- Restriction and phasing out of annual dollar limits on essential benefits
- Waiver Allowances

And coming soon...

Insurers must cover birth control with no copays

 Associated Press By RICARDO ALONSO-ZALDIVAR - Associated Press | AP – Mon, Aug 1, 2011

The New York Times Insurance Coverage for Contraception Is Required



Federal health department approves free birth control



Impact of "Health Insurance Reform"—Geographic rating clusters

The impact of rating reform will vary significantly by geography. Regence's markets are in a wide range of rating environments.

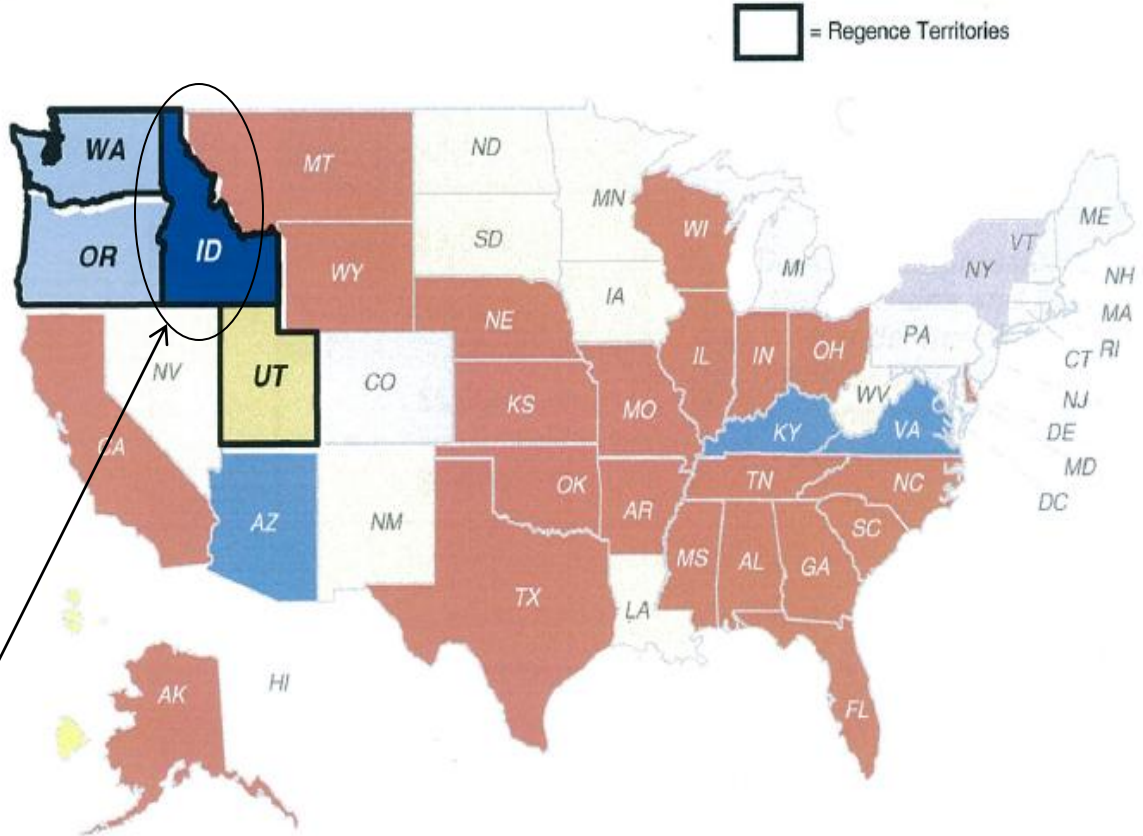
Low

Market Disruption

Current Rating Environment		% of Commercial Insured Population
Cluster 1		
Small Group	No variation allowed in rates for health status or demographics; area allowed	
Individual	No variation allowed in rates for health status or demographics; area allowed	
Cluster 2		23%
Small Group	Modified community rating with limited ability to reflect other case characteristics	
Individual	No variation allowed in rates for health status, limited flexibility for other underwriting factors	
Cluster 3		7%
Small Group	Rate bands for health status, some restrictions on use of other case characteristics	
Individual	Some variation in rates for health status, other case underwriting factors generally allowed	
Cluster 4		56%
Small Group	NAIC-like state with more flexibility in applying case characteristics.	
Individual	Very few restrictions	
Cluster 5		7%
Small Group	Few rating restrictions	
Individual	Very few restrictions	

High

% of Commercial Insured Population



Nearly 2/3 of the insured population falls into Clusters 4 and 5 where proposed rating changes have the greatest impact.

Federal vs. state health insurance exchanges

Idaho exchange

Jobs – will need to hire Idahoans to build and maintain the exchange; a state exchange will minimize the impact on the Idaho broker community

State input – ensures exchange is appropriately designed for both rural and urban populations; ability to resolve issues at the state level

Flexibility – fewest possible mandates

Tax dollars – State DOI continues to collect premium tax dollars

Governance – Idaho determines make-up and power of governing board

Federal exchange

Market mandate vs. Market choice

Looking ahead

- Infrastructure needs for health insurance exchanges
- State and industry capacity to comply with new insurance regulations
- Financial and market impact of insurance regulations
- Information and outreach to consumers

For more information

www.regence.com

www.WhatsTheRealCost.org

