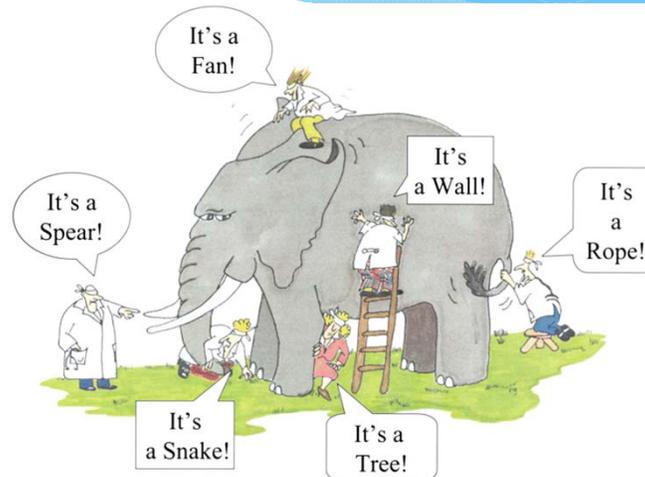


Southeastern Actuaries Conference

November 22, 2013
Office of Commissioner of Insurance
Div. of Product Review
Teresa Russ Winer, FSA, MAAA

The Blind Men and The Elephant

A Hindu Fable & Poem by John Godfrey Saxe



The Inverse



Benchmark Plan Option for State

- * State Choices
- * ACA Default
- * Georgia FFE State
- * BCBS HCP of GA – a Point of Service

Geographic Rating Areas

- * States needed better recognition of Geographic differences in costs that drive premiums.
- * Feds ultimately allowed states to submit a plan to base Geo Rating Areas in number up to a state's number of MSAs plus 1.
- * Georgia did a study, inviting industry input.
- * Created a compromised Geo chart of 16 Georgia rating areas, by expanding the state's MSAs to absorb sets of contiguous counties around each.

NAIC SERFF – Plan Management Binders

- * New Plan Management Area within SERFF was designed in 2013 with cooperation from NAIC and federal authorities.
- * States were given a short “window” to adopt and participate in the Plan Management SERFF modification.
- * Plan Management was complicated, much more than we could imagine prior to signing on.
- * Somewhat like Nancy Pelosi's ACA quote: “We had to pass the bill in order to find out what was in it.”

Outsourced Rating Exams – Actuarial Examiners

- * The OCI Administration decided to outsource rate review aspects of ACA filings to Actuarial Examiners.
- * A successful, prudent decision from a work volume aspect in hindsight.
- * New process to coordinate for the OCI health staff
- * Filing systems for SERFF and a new federal HIOS system were all critically important, and untested.

2013 Prem. Vs. ACA 2014 Prem. Modified Community Rating, 3:1 ratio

- * Historical Health Rating has recognized differences in male/female health rates.
- * Range or Spread of rate from lowest age to highest age could be 7:1.
- * Questions, nationally, about impact of ACA 3:1 requirement be on premiums across the spectrum of ages.
- * In very early 2013 OCI had been given a briefing by a prominent insurer about the potential impact of premium increases of various selected ages.
- * Company's presentation showed some very drastic results of "new" significantly higher premiums in relation to present, available 2013 products.
- * This definitely got our attention.

Georgia Political Positions on ACA – Governor, Legislature, Commissioner

- * Georgia is a Red State, politically.
- * Our Governor, Legislature and Insurance Commissioner did not support the ACA, and didn't want to create a State Based Exchange.
- * Georgia's governor didn't agree to expand Medicaid.
- * OCI and Governor' worked to evaluate how best to continue to carry out present duties and protect consumers under state law with oversight of Insurers.
- * Georgia also was unique in its rejection of almost every federal grant aimed at promoting ACA through state insurance department or other state "buy-in".
- * We ended up accepting a very small grant to expand Consumer Services outreach with the OCI.

Federal Rulemaking - Timing

- * Federal Rulemaking was a tremendously cumbersome and voluminous process.
- * In my view, many, if not most federal Rules were not timely enough for industry or for regulators.
- * Many Rules were not and are not logically or particularly appropriately crafted to make for efficient and reasonable processes and outcomes.

Metallic Levels

- * ACA metallic levels are Bronze, Silver, Gold and Platinum. And the non-metallic level of Catastrophic.
- * There were some “soft” edges to many of these metallic levels, allowed by federal rule and interpretations.
- * We saw unusual price/benefit comparisons in proposed products across insurers in these filing contexts.

Navigators

- * Georgia's Legislators had a reasonable fear that a great deal of harm could come from Navigators.
- * Navigators are an ACA form of consumer “help.”
- * Traditional Agents challenged by Navigator work.
- * With sensitive personal health and financial information needed for ACA applications, we believe the Georgia Legislature acted reasonably to attempt to protect consumers from fraud and other harm from an incompetent or rogue individual as a Navigator.

Timing of ACA Filing, review

- * We faced significant challenges in the volume of filings for on and off Exchange within a very limited filing and review "window".
- * March, 2013 rollout of NAIC SERFF Plan Management
- * Projected June 30 date for state review completion
- * Federal authorities then had final review
- * October 1, 2013 ACA Exchange official rollout date, with a working Data Hub and ACA Exchange Network.

Single Risk Pool

- * The concept of a single risk pool per market is a federal requirement which has really yet to be fully realized and understood.
- * We had some complications with one insurer filing for on-exchange in a POS capacity, and we worked out problems among feds the company and ourselves regarding which of two affiliated entities would actually be the responsible carrier.

Who Made Filings (on/off Exchange)

- * Georgia was made aware of several insurers, some industry leaders, like United HC, who said they would not be participating on Exchange in Georgia.
- * We really had no idea going in what the landscape of proposed health insurers would look like. In the end, we had 5 health carriers "on" exchange:
- * Alliant, Blue Cross, Humana, Kaiser and Peach State.

NAIC, States, Feds, Schedules

- * We had a three-person team of staff that concentrated on ACA issues (in addition to regular filing review markets and issues).
- * A significant portion of our time was spent participating in Conference Calls with the NAIC, other states and federal update calls to hear pronouncements of issues, rules, positions, interpretations.
- * Very challenging to get up to speed on all the potential issues

Keeping up with paper volume

- * NAIC was a significant help to us was the gleaning and forwarding of important materials related to ACA,
- * They provided handy links to rulemaking and efforts to have working groups advising and collaborating on white papers, best practices, instructions and guidelines.
- * The paper volume of federal rulemaking was staggering. We lost count, hundreds of thousands of pages....?

Navigators – GA Law, GA Rules, fears and realities

- * Our state legislature had a healthy fear of the potential for mischief and crime stemming from Navigators that might not have been appropriately hired and supervised by Federal authorities.
- * We continue to be concerned about the sharing of consumer personal medical and sensitive financial and identity data with Navigators.
- * Recent media coverage of ACA Data systems, security are scary in the potential for data breaches and other potential problems

Georgia "Approval" prior to Fed Qualification for Exchange

- * Georgia is a prior approval of forms and rates state for products like the ACA's exchange, managed care policies.
- * We require that insurers submit proposed policy forms and rates in SERFF filing systems.
- * We struggled to deal with the volume, filing styles, templates and other conventions adopted in the new SERFF Plan Management System to comply with HIOS (the Fed system)
- * We worked closely with our Examining Actuaries, and devoted time to filings. It was very challenging, given the dynamic nature of rollout of rules, interpretations, system bugs and fixes in NAIC and federal computer systems.

Review process-template tools, product review, rate review

- * We divided the workload among rate aspects vs. form aspects for health.
- * ACA Dental was a new part of Essential Health Benefits applicable to pediatric coverage
- * We considered it much less critically important than broader health coverage and a lower resource application intensity for us
- * We worked with the outside consulting actuarial groups on examination assignments.
- * Most communication with Actuarial examiners was by email,
- * We minimized active management and did have a technical administrative assistant with some with some experience in managing outside actuarial exam paperwork, leading toward their payment by insurers.

What we expect going forward

- * It isn't clear.
- * Early results of those interested in seeing what the Exchange is all about have been thwarted by system failures of various types, some design approach oriented, but perhaps not all.
- * Georgia consumers will probably concentrate on choosing Lower (relatively speaking) priced plans.
- * A significant amount of adverse selection is likely among Georgia's population.
- * Younger persons might opt not to enroll, simply paying a very modest \$95 penalty in 2014 (and that penalty may not actually be collected from many who will owe it!)

Off-Exchange Insurer Implications

- * There are questions about the single risk pool approach required by the feds
- * We don't know what this might do to insurers off-exchange
- * Those who won't be able to get a federal subsidy may present different health risk profiles than predicted in insurer assumptions and pricing.

Wind down of Enhanced Conversion and Assignment System (HIPAA to ACA) HB 389

- * Georgia, and other states, asked federal authorities for an interpretation about the need for older, HIPAA-era market protections that took various forms.
- * Georgia's HIPAA program: State Alternative Mechanism, using Enhanced Conversion when losing insured group health coverage and an Assignment System, mainly for those losing Employer Self-Funded Group Health Plans.
- * 2013 Georgia Legislature passed a law that allowed notice and a wind-down of these HIPAA era programs, effective 01/01/2014 so long as those affected had 90 days of remaining open enrollment with ACA to get replacement coverage.

SB 236 Notices to Affected Georgians at Renewal

- * The Georgia legislature, Governor and Insurance Commissioner didn't want to be inappropriately blamed for coverage and premium increases due to the ACA, due to renewal notices or 2014 quotes.
- * A Georgia law passed to require insurers to include information about the federal (rather than state) law leading to higher premiums in 2014.
- * Required sentence in the notice : "These increases are due to the Federal Patient Protection and Affordable Care Act and not the enactment of any or regulations of the Governor of Georgia, the Georgia General Assembly, or the Georgia Department of Insurance."
- * Our Office adopted a Rule that gave some more practical advice to insurers as to what to include in quote materials.

Stay tuned

- * Employer mandate delayed one year
- * New Regulations to “keep the promises made”?
- * Election in 2014

- * Regulator Update session following the break