

Analysis of House Bill 818: The Health Insurance Portability and Accessibility Act

The Health Insurance Portability and Accessibility Act (HB 818) would make changes to Missouri's Health Insurance Pool (MHIP) and establish a non-profit corporation, the Health Insurance Exchange ("Exchange"). The Exchange would provide greater access to insurance products for employees of small businesses (defined as those with 50 or fewer employees) and portability of insurance for individuals who change jobs.

ANALYSIS OF THE PROVISIONS IN HOUSE BILL 818

- **Risk Segmentation:** The bill would allow insurers to move individuals with high utilization costs to MHIP, the state's high-risk pool. Because insurers could select healthier, lower-cost individuals, some employers might be able to afford to provide (or continue providing) coverage to their employees. Conversely, this provision could:
 - further segment risks in the health insurance marketplace, rather than spreading the risk over a greater number of insured individuals; and
 - concentrate many of the high risk individuals within the state's high-risk pool, thereby increasing the premiums within the pool.
- **Voluntary Participation:** Individuals, businesses, and insurers could voluntarily choose to participate in the Exchange. However, insurers or carriers would only be allowed to issue or renew individual or small group health plans through the Exchange.
- **Benefits Package:** Each certified plan would provide major medical coverage (hospital and surgical, in-hospital and ambulatory benefits, and prescription drug benefits). The legislation would not require the inclusion of primary and preventive care, doctor visits, and/or annual well-woman exams. Whether individuals and small businesses would be able to purchase and administer more comprehensive health care packages outside of the Exchange remains unclear.
- **Tax Credits:** While HB 818 does not make available any new state tax credits for the purchase of health care coverage, it provides eligible individuals or small businesses the opportunity to pay for health coverage through the Exchange using pre-tax dollars.

- **Rates:** Plans offered through the Exchange would be based on age, geography, healthy lifestyle considerations and family composition. Each carrier would establish its own rates; these rates would be reviewed for their actuarial soundness by the director of the Exchange. Community rating (i.e. insurers being required to charge the same price to every policyholder, regardless of age, sex or any other indicator of health risk) is not a compulsory component of this bill.
- **Business and Consumer Impact:** The Exchange would provide consumers the opportunity to compare insurance policies by collecting and distributing standardized insurance information. Shifting some functions to the Exchange would reduce the administrative burden of offering health insurance for many small employers.
- **Impact on State Government:** The Exchange would possess the authority to contract with private and public social service agencies for several operational functions (enrollment and eligibility verification, premium payment for certain groups, etc.). To staff the Exchange, it may be necessary to add new state employees, resulting in a fiscal impact on the state. Also, since the bill stipulates that the state shall provide health insurance benefits through the Exchange and given that the bill only mandates coverage for major medical and prescription drug benefits, state employees and retirees could witness a reduction in their benefits.

SMALL BUSINESS INCENTIVE PROGRAMS IN OTHER STATES

Inspired by the growing number of the uninsured and the declining rate of employer-sponsored insurance coverage, state policymakers have begun testing new approaches to providing health insurance. The following section highlights programs aimed at small employers in Massachusetts, Maine, Montana, and Arkansas.

Massachusetts

The Commonwealth Health Insurance Connector (“Connector”) facilitates small firms’ offering coverage by:

- using reinsurance to lower costs for small firms,
- opening state employees plan to small employers,
- designing new insurance products with a subsidy for those who are low income, and
- allowing individuals to keep their policy when switching jobs.

Maine

DirigoChoice provides coverage available exclusively through Anthem, Maine's largest carrier, to small businesses, self-employed, and eligible individuals without access to employer sponsored insurance by:

- discounting monthly premiums, and
- reducing deductibles and out-of-pocket maximums on a sliding scale to enrollees with incomes below 300 percent of federal poverty level.

Montana

This state's program, Insure Montana, assists small businesses (2-9 employees) with the cost of health insurance through:

- refundable tax credits for those employers currently providing health insurance,
- a purchasing pool for qualifying small businesses who cannot afford health insurance for their employees, and
- a monthly premium assistance payment to both the employer and the employee

Arkansas

ARHealthNet, an exchange-like entity, uses state and federal Medicaid funds to provide low-cost health coverage to small employers by:

- targeting employers who have not offered group health insurance to their employees during the preceding 12 months,
- requiring participating employers to guarantee coverage for all full-time employees, and
- subsidizing employees with annual incomes below 200 percent of federal poverty level.

Lessons Learned

- **Building Enrollment Is Slow:** Small business initiatives may take time to build enrollment. For example, Healthy New York, originally established in 2001, is now one of the largest coverage initiatives for small businesses and low-wage workers in the nation. After slow initial enrollment, modifications were made resulting in lowered premiums and enrollment grew quickly. In August 2006, enrollment in Healthy New York exceeded 125,000. While the enrollment increase that occurred during this time can be attributed to reduced premium costs, the program expansion may also be attributable to the amount of time it took for the state to market the program and earn a degree of confidence from businesses and residents.
- **Pooling Is Not Enough To Make Coverage Affordable:** Evidence from state-created pooling arrangements suggests that pooling alone is not sufficient to reduce health costs. In practice, voluntary purchasing pools may attract higher risk enrollees than the rest of the market, thus creating pressure to increase premiums. Massachusetts' Connector provides several financial incentives to attract enrollees, including providing access to subsidies only available to those covered through the Connector.

- **Pooling Can Improve Risk Distribution and Reduce Some Costs:** State officials report that insurance exchanges make it easier for small businesses to obtain and maintain health insurance for their employees. By combining small groups and individuals to distribute health risks across a larger population, reducing health insurance premiums becomes possible. The exchange gives individuals and families access and more choices, allows coverage portability, increases employers' flexibility in offering health care benefits, and avoids heavy individual tax penalties.

Summary

An analysis of HB 818 suggests that pooling could reduce the cost of health care for some individuals and employers. However, pooling, in the absence of other incentives, is unlikely to make coverage affordable to the 700,000 uninsured in Missouri. A number of other states have initiated reforms to increase the number of insured through broad system reforms that include quality initiatives, cost containment efforts, and strategies to control the underlying cost of health care. Voluntary purchasing pools, such as the one created by HB 818, in the absence of accompanying programs (premium assistance, individual and employer mandates, Medicaid expansions, etc.) do not substantially expand coverage for the uninsured. In the long-term, HB 818 could potentially lead to further risk segmentation for employees of small businesses; to increased premiums for those high-risk individuals purchasing insurance through Missouri's high risk pool; and, possibly, to the reduction of benefits for state employees and retirees.

About this Analysis

This research for this fact sheet was directed by the Washington University Center for Health Policy for the Missouri Foundation for Health. Any questions please contact the MFH Health Policy staff at info@mffh.org or toll-free at 1-800-655-5560.

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