



Michigan Association of Health Plans

Individual Market Reform Recommendations

MAHP supports a broad based legislative approach in improving health care policy for Michigan. These improvements should be made by all stakeholders, without giving special preference to any single stakeholder.

MAHP has limited our comments to five significant issues in the House substitute for HB 5282 and HB 5283. We have proposed specific modifications to the House substitute that are intended to:

1. decrease costs,
2. increase competition,
3. protect health care access, and
4. protect small businesses.

The MAHP recommended changes include:

Decrease Costs, Increase Competition and Protect Health Care Access

1. No High-Risk Pool. There is currently no need for a high risk pool in Michigan.
 - Of the 34 states with high risk pools—none of them have an insurer of last resort such as BCBSM. Conversely, of the states that have a designated insurer of last resort, none operate a high risk pool.
 - Neither the advocates for this legislation nor the Office of Financial and Insurance Services have provided evidence an access issue exists in the individual market.
 - National data shows Michigan's individual market premiums are among the lowest in the nation.
2. Rating Methodology. Community rating is necessary for the individual market.
 - The departure from community rating to include age and health status will improve BCBSM and HMO rates for the younger/healthier population but will increase rates to the older/sicker population. These higher costs come at a time of severe economic distress, will be detrimental to many of the state's vulnerable citizens, and will decrease access to health care.
 - Michigan's percentage of uninsured is among the lowest in the nation; and a change from community rating will jeopardize that favorable statistic.
3. Similar Benefit Designs. HB 5282 should explicitly supersede benefit requirements for HMOs under Chapter 35 of the Insurance Code. Without this change there can be no "level playing field," that fosters

fair competition or choice for individual subscribers among the three different types of carriers in this state: BCBSM, HMOs and the commercial carriers.

Protect Small Business

4. Definition of “individuals” subject to the bill. HB 5282 should use the same definition for the term “individual” as the federal Health Insurance Portability and Accountability Act (HIPAA). The bill’s current definition encourages employers to stop sponsoring group coverage, leading to the “dumping” of employees with serious health care needs from group coverage into the individual market. The following coverages currently found in HB 5282 are not appropriate to be considered as coverage in the individual market.
 - Medicare Supplement (Medigap)
 - Group conversion
 - Group coverage for which employers contribute less than 50% of the cost of premium

5. Commissioning an independent study. To better affect a broad based or “holistic” approach to health care policy, an independent study is prudent in assessing the bill’s overall impact on the health insurance market in Michigan. The study should take place at least 3 years after implementation and should be conducted by an independent research firm or university with expertise in this field. Conclusions of that study can then be used to determine whether further changes would best serve Michigan.

MAHP will continue to work with the legislature and policymakers to improve the current bills and establish a better health care market in Michigan.