



Health Insurance Market Reforms

ACTION NEEDED:

NAHU urges Senate support for S. 1955, the Health Insurance Marketplace Modernization and Affordability Act of 2006 introduced by Senator Michael Enzi (R-WY), and calls for the introduction of companion legislation in the House.

BACKGROUND:

State health insurance markets need to be vibrant and competitive, allowing for a wide range of health insurance options for consumers. To achieve this goal, state markets need to:

- Allow for the use of medical underwriting in health insurance policies, which keeps health insurance costs low, instead of calling for the costly community- and modified-community-rating mechanisms.
- Limit the number of mandated benefit requirements, which contribute to overall increased health insurance costs.
- Provide a balanced degree of health plan regulation to encourage a competitive marketplace.
- Allow for a wide range of health plan choices to accommodate the varying needs of different types of consumers, including allowing Health Savings Account products to be sold in both the individual and group markets.
- Have a guaranteed access mechanism in place, such as a high-risk pool or a designated carrier of last resort where people with catastrophic medical conditions can purchase coverage in the individual market.

Association Health Plans (AHPs)

NAHU opposes proposals to create Association Health Plans that are exempt from health insurance benefit mandates and state rating laws. We are concerned that such AHPs would have a pricing advantage over the fully insured small group health insurance markets already operating in the states, thus creating an unlevel playing field. This pricing advantage could have a negative impact on reforms already passed at the state level and existing small employer markets.

NAHU is also concerned about AHP proposals that would make coverage available to one-person groups on a guaranteed-issue basis. Allowing business groups of one to purchase guaranteed-issue group coverage has proven disastrous to small-group markets in the states that have tried it, due to problems with both adverse selection and fraud. Allowing one-person groups to purchase AHP coverage will prove equally problematic, increasing the likelihood of plan failure and resulting in significant cost increases for all state small group market participants.

S. 1955

NAHU is pleased that Senator Enzi introduced the Health Insurance Marketplace Modernization and Affordability Act of 2006.

- S. 1955 aims to create small group market rating and mandate uniformity and a level playing field nationwide, and would achieve these objectives without harming state-based regulation.
- It would allow AHPs **only** if they are fully insured and if they play by all market rules that apply to other plans, including state rating and mandate requirements.
- The bill also would allow plans with limited mandates to be sold nationwide. In addition, changes to rating, consumer protection, mandates and certain other state laws would be required to provide uniformity nationwide on a phased-in basis.

