

# Market Merger Task Force Meeting

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October 17, 2007

Meeting Minutes

## **In attendance:**

Task Force Members: Chris Koller, Health Insurance Commissioner; Phil Papoojian (co-chair), Don Nokes, Ted Almon, Sid Goldman, Jerry Meyer, Bill Delmage, Terry Fleming, Jim Borah, Craig O'Connor, Valerie Tutson, Xander Marro, Josh Miller, Ed Pacheco, Lauren Conway, James Joy, Rob Calise, Bill O'Connor, Dan Judson, Chris Maxwell, Jerry Meyer

OHIC staff: Deb Faulkner, consultant to OHIC; Matt Stark, OHIC policy director; Anya Rader Wallack, consultant to OHIC; Amy Lischko, Merger study project consultant

Others: Monica Neronha, John Lynch, Danielle Kraus, Terrance Martiesian

## **Introduction**

- Chris Koller welcomed the group to the 2nd meeting of the Market Merger Task Force.
- Task Force members and staff introduced themselves.
- Chris Koller briefly reminded the group what is meant by a merger, and discussed the timeline for completing this work
- Deb Faulkner emphasized that the key decisions will need to be made during the month of November – this meeting was intended as background, but at the next meeting the task force will review the data and be asked to make recommendations

## **Background: Massachusetts Merger Experience**

- Amy Lischko walked through a presentation of slides on the Massachusetts merger, which discussed:
  - Objectives of the merger in Massachusetts
  - Background/context for merger in that state
  - Definition of merger in MA: comparison of rules governing direct pay and small group markets, and the new rules applied under the merged entity
  - Summary of the market impacts of merger
  - Reinsurance analysis in Massachusetts: goals, key findings
- A committee member commented that the process of group rating is needlessly complex – and there was discussion of the complexity of our rating system.
- There was a discussion of the problem of adverse selection in Rhode Island – and the need to have products that appeal to the young, healthy populations. Others commented that even if such products are affordable, studies have shown that people still don't buy these products, absence a mandate.

## **Policy Options**

- Amy Lischko reminded the committee of some of the key challenges, identified at the last meeting, that will face the Task Force in making policy recommendations. Two key issues highlighted: (1) how best to stabilize the direct pay market; and (2) how best to address the underlying costs of care in the system, as opposed to simply shifting dollars around.

- Amy described three basic policy options that will be considered during this study:
  - Maintain separate markets, enhance direct pay with competition, add a mechanism for spreading risk equitably
  - Merge markets, adjust rating rules, and add a mechanism for spreading risk equally
  - Merge markets with new rating rules, add groups of 51-100, and add a mechanism for spreading risk equally
- There was a significant discussion of the use of medical underwriting in each of these markets. Many committee members expressed a lack of understanding about how medical underwriting, and the health status factor, was applied to small groups, and whether this factor was “good policy”.
- A challenge expressed by one committee member was that one measure of the impact of the merger should be the number of uninsured – that a goal of our work should be to reduce the number of uninsured in Rhode Island
- There was a discussion of the individual mandate in Massachusetts, and how that could have a significant impact on rates. Some committee members expressed interest in an individual mandate for Rhode Island, and how that could significantly affect the number of uninsured, and improve the risk pool. It was noted that such a mandate would need to be over 300% FPL, as Rhode Island would not be able to subsidize low income individuals and families as MA has done.

### **Workplan and Next Steps**

- Five more meetings of the task force are scheduled before the end of December.
- At the next meeting, information will be presented on the impact of the merger. Deb Faulkner explained that OHIC intends to provide information in advance of that meeting for committee members to review and come prepared to discuss. Ideally, the committee shall develop a recommendation on the merger at the next meeting.

**Next meeting: The next meeting of the task force will take place on November 7<sup>th</sup>, 7:30-9:30 AM in DOA Conference Room C.**