

H.B. 4816
House Committee on Insurance

October 31, 2013

My name is Christine Shearer and I am the Deputy Director of the Office of Legislation and Advocacy for the Michigan Association of Health Plans. Our association represents 15 health plans serving over 2.5 Michigan citizens in Medicaid, Medicare and Commercial products and 55 business and limited members. Members of MAHP employ nearly 4000 individuals throughout Michigan.

MAHP has not taken a position on this bill at this time. The bill as written, would be administratively burdensome, and in some cases, administratively impossible, for our member health plans. Today we are offering suggestions to improve the bill.

We understand that the purpose of the bill is to be transparent to groups and individuals as to the amount of their health care premium that is attributable to the Affordable Care Act (or ACA). However, we believe the bill as written is not the best way to accomplish this purpose for two reasons. It would not provide the best information to groups and individuals, and it would be burdensome to insurers and health plans.

I would like to clarify that we are assuming that this requirement would also apply to health care corporations, as regulated under PA 350. If they are not currently included, a companion bill to this effect would be necessary. For ease of reference in my testimony, I'll refer to insurers, health maintenance organizations and Blue Cross plans collectively as insurers.

As written, the bill requires an insurer to provide a written estimate as to the amount or percentage of any premium increase that is attributable to the ACA. This should be changed to require an insurer to provide a premium invoice or initial quote with a written estimate as to the percentage that is attributable to taxes and assessments required to be paid under the ACA.

Insurers should not have to provide an additional document to groups or individuals. Either the initial premium quote or a premium invoice would be suitable forms to provide this information. Not all groups or individuals will have premium increases that are attributable to the ACA, as groups or individuals obtaining their first coverage from an insurer would not have a "premium increase." Even if a group or individual has an increase in a new benefit year, the increase could be attributable to other factors, such as a requested change in benefits or the type of health plan purchased.

Rather than basing the calculation on any premium increase that is attributable to the ACA, the calculation should represent the percentage of premium attributable to assessments and taxes required to be paid under the ACA during the current and future years. The ACA has been in

effect for over three years and premiums already include certain new benefits, such as full coverage for preventive health care and eligibility for dependents up to age 26. Trying to determine the amount of premium increases due to the ACA during prior years would be extremely burdensome to insurers. Isolating amounts based on taxes or assessments is a more relevant disclosure.

Assessments and taxes under the ACA are imposed as percentages, so it would also be easier for insurers to automatically calculate the impact of such assessments or taxes as percentages, rather than as flat dollar amounts, as percentages don't vary among groups and individuals. This would ease some of the administrative burden on insurers of providing this information.

This burden on insurers could be eliminated entirely if the Department of Insurance and Financial Services provided information regarding the effect of the ACA on premiums to the citizens of Michigan on its website. Because taxes and assessments are calculated as percentages under the ACA, DFIS would know the amounts to be applied for benefit plans issued during a specific calendar year.

The required statement beginning on page 2, line 1 of the bill should be changed to conform to any amendments made as suggested above. I have attached our suggested amendments for your consideration.

Thank you for the opportunity to testify. We would be happy to answer any questions.