



overview: it's all about reform

During this first quarter of 2007, health care reform initiatives have been consuming the attention of those in state government as Gov. Deval Patrick puts his new administration in place.

With the deadline looming this summer for all residents to have insurance, the Commonwealth Health Insurance Connector Authority and others are scrambling to get the Commonwealth Choice plans and related regulations in place to cover the working uninsured.

Under Commonwealth Choice, the premier and value plans remain under consideration. However, the Connector board asked insurance carriers to resubmit proposals for the third-tier options (formerly minimum creditable coverage), with and without prescription drug coverage. The new bids will be reviewed at the board's next meeting on March 8. At its last meeting, the Connector board endorsed the Small Business Service Bureau of Worcester for the role of "Sub-Connector."

Meanwhile, enrollment is going well in the new Commonwealth Care products for individuals below 300% of the federal poverty level.

Technical amendments to the health care reform law gave businesses a reprieve by postponing until July 1 the effective dates for a number of merger-related requirements, as the DOI also released its special report on the effects of pending small group/individual market merger.

Nationally, President Bush and the Democratic majority in Congress are talking up universal health care and health care reform. A new law makes several changes to Health Savings Accounts as the administration urges business to demand more transparency in health care.

Stay tuned for a very active second quarter, too!

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health care reform update—

■ [commonwealth choice plans for working uninsured under review](#)

The state hopes to offer Commonwealth Choice plans for enrollment by May 1 for a July 1 effective date. The plans remain under review, as the Connector board has asked insurance carriers to resubmit bids for third-tier options. Meanwhile, the Connector has chosen the [Small Business Service Bureau](#) to serve in the role of Sub-Connector.

■ [enrollment in progress for commonwealth care](#)

Commonwealth Care, the subsidized health care reform product for residents at or below 300% of the FPL, began signing up members in October and already has close to 45,000 individuals enrolled.

■ [final reform law tweaked](#)

Two "technical corrections" bills have made minor fixes and adjustments to the original health care reform bill, including postponing certain effective dates to July 1.

- [reform regs on the way](#)

The Division of Insurance will be issuing its own regulations on various aspects of the health care reform law. First up in January was its bulletin clarifying the dependent coverage requirements.

- [commission reports on market merger](#)

A DOI special commission released its report late December on the effects of the pending merger of the individual and small group markets, predicting that the merger would increase small group premiums and require reinsurance of approximately \$33 million to offset each 1% increase.

- [regs on free rider surcharge and disclosure mandate repealed](#)

The Division of Health Care Finance and Policy repealed its earlier regulations on the free rider surcharge and the health insurance responsibility disclosure forms when the effective dates of these provisions were postponed.

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The governor is making appointments to key health care posts in his new administration.

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Leslie Kirwan is the new chair of the Connector board; others to come and go in the coming months.

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The state now requires coverage for medically necessary needles and syringes and medically necessary prosthetic devices.

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- [bush proposes health care deduction](#)

In his *State of the Union* address, President Bush proposed a tax deduction of \$15,000 for families to encourage them to purchase their own health insurance.

- [hsa contribution changes](#)

New law allows members to contribute to their HSA up to the maximum amount allowed under federal law.

- [transparency in health care](#)

The Secretary of Health & Human Services hopes to encourage more than 60% of employers to include "transparency" goals in their purchasing criteria when seeking RFPs for 2008.

- [cms: looking to 2008 products](#)

FCHP must submit applications to CMS by March 12, 2007 for all 2008 products we're considering.

coming soon—

Anticipated activity this spring.

health care reform update—

■ commonwealth choice plans for working uninsured under review

The next step in health care reform is to provide coverage for individuals who make above 300% of the federal poverty level (more than \$30,000 per year for an individual) but have no health insurance. The goal for the Commonwealth Choice plans is to begin enrollment May 1 for a July 1, 2007, effective date.

In mid January, the state's health plans, including FCHP, filed their proposed health insurance products for this phase of reform with the new oversight agency, the [Commonwealth Health Insurance Connector Authority](#), known as the Connector.

In its Request for Response, the Connector called for bids on a three-tier system of health plans. The three tiers are:

- Tier 1: A "premier" plan based on prices for the higher-end HMO plans in the small group market—with low copayments, no deductibles and no charge for coverage such as inpatient treatment.
- Tier 2: A "value" plan with higher out-of-pocket costs that will be calculated at 80% of the premier plan.
- Tier 3: A "third-tier" option (formerly minimum creditable coverage), which would include the highest level of cost sharing and deductibles.

The administration's response to the bids was sticker shock. The average monthly premium of a "third-tier" policy was estimated at \$380—considerably higher than anticipated.

new bids sought for minimum coverage

The Connector board asked insurance companies to resubmit bids on third-tier coverage plans *with and without prescription drug coverage* with an aim to lower premiums. FCHP will revise and resubmit its bids for these Commonwealth Choice options. The Connector board will review all revised bids at its March 8 meeting and then decide the required level of coverage at a later meeting.

At this point, it isn't clear how many insurance carriers will be accepted into the program.

sub-connector chosen to administer plans

The Connector board endorsed the Small Business Service Bureau of Worcester for the role of "Sub-Connector." SBSB will be responsible for a range of administrative functions to enable individuals and groups to purchase health benefit plans, including Commonwealth Choice, offered through the Connector.

SBSB will handle, among other things, a customer service center, eligibility determination and enrollment, premium billing, collection remittance and providing notifications of enrollment and premium status to individuals, employers, employees and brokers.

■ enrollment in progress for commonwealth care

The first major step towards universal health care was the introduction of the new [Commonwealth Care Health Insurance Program](#), a subsidized health insurance program for individuals who meet certain eligibility requirements. Benefits are prescribed by the Connector and include preventive care services as well as inpatient hospitalization, prescription drug coverage and emergency services. Premiums are subsidized based on income.

Enrollment in phase one of the program began October 1 for individuals at or below 100% of the federal poverty level. Members in this phase pay no premium. Phase two for Commonwealth Care began January 1, 2007, for individuals at 100.1% to 300% of the FPL. Members enrolled in these plans pay a sliding-scale premium that is determined and collected by the Connector, which also determines eligibility and coordinates the enrollment.

Fallon Community Health Plan is one of only four health plans fully participating in the Commonwealth Care program. Member enrollment is ongoing. See the [Connector Web Site](#) for more information.

■ final reform law tweaked

Two “technical corrections” bills have made minor fixes and adjustments to the original health care reform bill—standard practice for legislation that is so complex. More corrections are likely to emerge in the current legislative session.

bill #1

The first bill was finalized in late October. Its most notable changes were to move back to July 1, 2007, the effective date for a number of merger-related requirements (e.g., merger of individual and small-group markets and employer offering of Section 125 cafeteria plan). It also clarified that January 1, 2007 was the effective date for expanded dependent coverage up to age 26.

bill #2

Gov. Mitt Romney signed the second bill as he left office in early January. It pushed back to July 1, 2007, (vs. January 1) the effective date of:

- The **free rider surcharge**, which applies generally to employers who have 11 or more full-time equivalent employees and don't offer a Section 125 plan. The surcharge will be more than 10%, but less than 100%, of the cost of employees' and their dependents' free care.
- The **“nondiscrimination” provision** (for fully insured accounts only), under which employers must offer all full-time employees the same fully insured plans and must offer the same premium contribution percentage amount to employees who make the same or greater hourly or annual salary.

■ reform regs on the way

The Division of Insurance recently held a series of meetings with insurers to discuss various aspects of the health care reform bill that are under the division's jurisdiction. Topics covered at the meetings have included the dependent age mandate, the

development of revised DOI regulations for small-group and individual plans, proposed young adult regulations and requirements to implement the nondiscrimination requirement in the health care reform bill. [\[see previous article.\]](#)

On January 18, the DOI issued [Bulletin 2007-01](#) to clarify the dependent coverage requirements implemented under the health care reform act. It simply reinforces information already communicated to insurers and employers.

Additional regulations and bulletins on the above topics will likely follow. Fallon Community Health Plan's continued participation in these meetings, will aid in our implementation efforts and ability to communicate these changes to you.

■ **commission reports on market merger**

A DOI special commission that studied the effects of the pending merger of the individual and small group markets issued its final report on December 26. The report now is being reviewed by the legislature. It's unlikely the legislature will make major changes in the merger process, but the results of the study could lead to further refinements.

The report estimates that merging the two markets, along with changes in the rating rules, will result in an **increase in small group premiums** of approximately 1% to 1.5% and a **decrease in current individual premiums** of approximately 15%. This increase represents an approximate \$25 to \$38 million subsidization of the nongroup plans by small groups.

The report also notes that reinsurance of approximately \$33 million, funded outside the health insurance system, would be necessary to offset each 1% increase in premium. Admitting that much remains uncertain, the report recommends that the legislature fully review the effects of this merger after all aspects of health care reform have been implemented.

■ **regs on free rider surcharge and disclosure mandate repealed**

In the closing days of December, the Division of Health Care Finance and Policy issued regulations on the **free rider surcharge**, (see [final reform law tweaked](#), above) and the **health insurance responsibility disclosure forms**. However, DHCFP turned around and repealed those regulations in mid January when the effective date of these provisions was revised by technical amendments to July 1, 2007. The division said it will issue new proposed regulations that reflect the law's changes and schedule public hearings on them. Watch for more information.

stateside—

■ **new faces on patrick's team**

Newly-elected Gov. Deval Patrick is beginning to shape his administration with key appointments to state agencies charged with oversight of health care:

- **Nonnie S. Burnes** was appointed Commissioner of Insurance on February 12. Burnes, a former law partner of Gov. Patrick, will step down from her current job as a Superior Court judge. As head of the Division of Insurance,

she will lead an agency charged with oversight of all types of insurance within Massachusetts, including health and workers compensation.

- **Leslie Kirwan** is Secretary of Administration and Finance—a position that also makes her chair of the Connector board.
- **Judy Ann Bigby** is Secretary of the Executive Office of Health and Human Services—which has oversight of the state Medicaid program and the Division of Health Care Finance & Policy.

The Patrick/Murray administration had convened a “transition team,” along with a number of topic-specific “working groups,” to identify possible areas of focus for the new administration. FCHP’s Chief Financial Officer, Charley Goheen, served on the health care working group.

■ the connector—who’s in charge

Leslie Kirwan’s new role as chair of the Connector board isn’t the only change within the oversight agency. Officially, Kirwan and three other members of the board, referred to as “ex officio” members, are appointed by virtue of the government position they hold. Besides Kirwan’s predecessor, Thomas Trimarco, two other ex officio members left office with the change in administration: Julianne Bowler, former Commissioner of Insurance (now replaced by Nonnie Burnes), and Director of Medicaid Beth Waldman, who is replaced by Acting Director Tom Dehner. The Group Insurance Commission’s Executive Director, **Dolores Mitchell**, is likely to stay in her post and on the Connector Board.

The board includes six additional members, appointed by the governor and attorney general, whose terms will be staggered through 2009. (In the future, new appointees will serve three-year terms.) The two members who will leave July 1, 2007, are **Rick Lord** and **Charles “Chip” Joffe-Halpern**. The other members are **Bruce Butler**, **Jonathan Gruber**, **Louis Malzone** and **Celia Wcislo**.

■ new mandates for coverage

Two new benefit mandates recently went into effect:

1. The needle exchange law passed last summer makes “**medically necessary**” **needles and syringes** a mandated insurance benefit.
2. The **prosthetics mandate** enacted in September became effective for fully-insured groups upon renewal beginning January 1. Medically necessary prosthetic devices are covered with a 20% member coinsurance responsibility and are not limited by the durable medical equipment dollar maximum. Self-insured groups may elect to include this coverage.

the feds—

■ bush proposes health care deduction

In his State of the Union address on January 23, President Bush surprised Congress with a dramatic health care proposal: grant a tax deduction of \$7,500 for individuals and \$15,000 for families to encourage them to purchase their own health insurance. On the other side of the coin, he proposed that workers pay taxes on the value of employer-paid health benefits that exceed the values of the tax deductions.

"A future of hope and opportunity requires that all our citizens have affordable and available health care," Bush said. "This reform will level the playing field for those who do not get health insurance through their job." For more information, see the [Press Briefing on the President's State of the Union Health Care Initiative](#).

Democrats and labor unions were quickly critical of the idea. Senate majority leader Harry Reid said Bush's plan is a "jerry-rigging" approach that would impose new taxes on workers and have the opposite of the desired impact.

■ **legislators poised for aggressive agenda**

The U.S. Congress now is under the control of a Democratic majority, with an advantage of 30 seats in the House and two seats in the Senate. (Each party actually has 49 seats in the Senate, but two independent senators will caucus with Democrats, allowing them to hold a narrow majority.) Democratic leaders have indicated they will pursue an aggressive health care agenda.

■ **hsa contribution changes**

In late December, a Republican-supported bill making numerous changes to Health Savings Accounts was signed into law. The law aims to make HSAs more useful for consumers. The most notable provision allows members to contribute to their HSA up to the maximum amount allowed under federal law. (In 2007, this amount is \$2,850 for an individual, \$5,600 for a family). Previously, if the member's deductible was lower than the federal maximum, contributions were limited to the amount of the deductible.

■ **transparency in health care**

The Bush administration continues to take steps to promote the transparency initiative kicked off by the president's Executive Order in August. Secretary of Health and Human Services Michael Leavitt recently announced a **plan to encourage employers to join the federal government in demanding transparency in health care**. Leavitt's objective is to have more than 60% of employers include these goals in their purchasing criteria when seeking requests for proposals for 2008. He reportedly has directly contacted CEOs of major employers in an attempt to recruit them for this project.

■ **cms: looking to 2008 products**

CMS moved up the deadline for submitting the non-binding notice of intent (NOI) for all new 2008 products to December 1, 2006. Before the deadline, FCHP filed multiple NOIs to cover potential products we may develop for January 1, 2008. FCHP must submit applications to CMS by March 12, 2007 for all 2008 products we're considering.

coming soon—

- **In March**, approval of insurance carriers that will offer Commonwealth Choice plans for working uninsured.
- **In March/April**, formulation of regulations for Section 125 plans.
- **In March**, reissue of repealed free-rider and HIRD regulations.

for more information

For details on health care reform, turn to our Web site, www.fchp.org, and click on our home page link. And be sure to ask your sales executive or account manager for a copy of FCHP's brochure, *Get in the Know: Health Care Reform and Your Business*.

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