

**America's Health
Insurance Plans**

601 Pennsylvania Avenue, NW
South Building
Suite Five Hundred
Washington, DC 20004

202.778.3200
www.ahip.org



August 24, 2010

Anne W. Murphy
Secretary
Family and Social Services Administration
311 W. Washington St
Indianapolis 46204

Stephen W. Robertson
Executive Director & Acting Commissioner
Indiana Department of Insurance
311 W. Washington St
Indianapolis 46204

**Re: Request for Public Comment on the Patient Protection and Affordable Care Act and
State Health Insurance Exchanges**

Dear Secretary Murphy and Commissioner Robertson:

On behalf of America's Health Insurance Plans (AHIP), I am writing today to offer comments to the Interagency State Health Reform Task Force (Task Force) regarding the state's implementation of the federal Patient Protection and Affordable Care Act (PPACA)¹. AHIP is the national trade association representing nearly 1,300 member companies providing health care coverage to more than 200 million Americans. Our members offer a broad range of health insurance products in the commercial marketplace and also have demonstrated a strong commitment to participation in public programs. We appreciate the opportunity to engage in a dialogue with Indiana policymakers on the critical decisions that must be made during the implementation process of the new federal requirements.

Our members are committed to the successful implementation of PPACA and to remaining active participants in the dialogue with the federal agencies, the states, and other stakeholders during the implementation process. Specifically, we believe that it is critical for states to minimize disruption to consumers with existing coverage by synchronizing state reforms with the new federal requirements. Indiana will assist employers and consumers if they coordinate changes to state law with the federal requirements, thereby helping avoid confusion and market disruption for those with existing coverage.

¹ Pub. L. No. 111-148, as amended by Pub. L. No. 111-152.

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As we work toward the shared goal of successful implementation of the new federal requirements, it is important that we avoid duplicative and overlapping regulation that makes coverage less affordable. What patients and providers do not need is another set of state rules and regulations that add confusion and unnecessary costs. We therefore encourage state legislators and policymakers to synchronize updates to state laws and regulations with the new federal reforms.

This includes, but is not limited to, the scope and applicability of these new requirements to the various types of health insurance products in the marketplace. We note that Congress intended to apply the new individual and group insurance market reforms established under PPACA to comprehensive, major medical coverage. This is reflected in the interim final rule on the PPACA grandfathered plan provisions.² “HHS is encouraging States *not* to apply these provisions to the issuers...of excepted benefits.”³ (*emphasis added*). We urge caution when making federal reform-related updates to Indiana law and regulation to avoid inadvertently including unrelated products into the scope of the updates.

In addition, it is critical that throughout the implementation process Indiana act after federal interpretative guidance is issued, prior to pursuing the enactment of conforming state amendments. Many changes will require new government regulations, state law changes, and/or guidance from the U.S. Department of Health and Human Services (HHS) and other federal agencies. How these new provisions are implemented will be an important determinant of whether the new reforms improve the market with respect to the operation of health plans without increasing costs, reducing choice, or creating solvency issues throughout the system.

We note that many of the most significant insurance market reforms, coverage expansions and reforms aimed at promoting affordability do not go into effect until 2014. It is important that these reforms are combined with an effective and enforceable personal coverage requirement. If there were no personal coverage requirement, “many individual would wait to purchase health insurance until they needed care...The requirement is essential to creating effective health insurance markets...”⁴ Evidence from the states underscores that failing to implement reforms with a coverage requirement will raise premiums.⁵ In fact, premium costs are highest among the states that implemented market reforms in the 1990s without an effective and enforceable mandate.⁶ Therefore, we encourage the Task Force to approach and prioritize implementation

² See 75 *Federal Register* 34538 (June 17, 2010).

³ *Ibid* at 34540.

⁴ See PPACA §1501(a)(2)(I), Pub. L. No. 111-148, as amended by Pub. L. No. 111-152.

⁵ See “The Impact of Guaranteed Issue and Community Rating Reforms on Individual Insurance Markets,” Milliman Inc. (August 2007).

⁶ See “Individual Health Insurance: A Comprehensive Survey of Premiums and Availability and Benefits,” America’s Health Insurance Plans (October 2009). Also see “Small Group Health Insurance in 2008: A

of the reforms in chronological order – beginning with the immediate and near-term reforms that become effective during the 2010 and 2011 plan years and then turn the focus to the group of reforms that become effective in 2014.

Finally, as Indiana moves forward in evaluating an Exchange, we emphasize four fundamental principles that are critical:

1. Exchanges should supplement but not replace existing markets and regulatory functions should not be duplicated.
2. Exchanges should offer consistent and objective participation.
3. Mechanisms should be established that ensure increased participation and mitigate risk selection both inside and outside of the Exchange market.
4. Ensure to the extent appropriate, uniform standards by which data elements are used to ensure that consumers have access to useful, accurate and understandable information.

The health plan community stands ready to be a resource and engage in partnerships with states to develop solutions that address structural, policy and technical challenges that will need to be navigated to ensure the development of workable structures that fulfill the promise of the legislation. We recommend that Indiana consider passing legislation that requires the establishment of a special health insurance Exchange committee to conduct a study that carefully evaluates policy objectives including deficiencies in the current market that an Exchange seeks to address, key design and structural elements necessary to meet those objectives, and state readiness to build what is required. We recommend this committee have multi-stakeholder representation across both the public and private sector.

Recently, states such as Mississippi, Nevada and New Mexico passed such legislation with the objective of framing the challenges, evaluating the solutions and providing specific recommendations in advance of building Exchange structures. States that have already built Exchanges, including Massachusetts and Utah, spent years developing a model that works for their particular market. Indeed, crafting a strategy unique to a specific marketplace requires adequate assessment to ensure that duplicative regulatory frameworks are not created and any perceived inadequacies of a market are addressed.

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We appreciate the opportunity to provide comments, and we look forward to working with you throughout the implementation process. If you have questions or would like additional information, please contact me at 202.861.1463.

Sincerely,

A handwritten signature in black ink, appearing to read 'Katie Dunning', with a stylized flourish at the end.

Katie Dunning
Regional Director
America's Health Insurance Plans