



## In Support of Promoting Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care

### A Massachusetts Association of Healthcare Underwriters' White Paper

In July, 2008, the Commonwealth Connector plans to market Commonwealth Choice plans to Massachusetts employers. Even employers who already have existing health coverage for employees will be solicited by the Connector. The practice of unnecessarily replacing existing coverage with a Commonwealth Choice plan will lead to instability in the small group market, resulting in cost increases for small employers.

- The Connector has lobbied members of the Massachusetts Legislature to allow them to market to existing policyholders, even though it is duplicative. In a meeting with members of the MassAHU Board of Directors, Kevin Counihan, Vice President of Marketing of the Connector, stated that at some point the Connector would have to “stand on it’s own two feet,” and fund its budget entirely from the 4.5% added to any premiums of Connector plans. Therefore, it is highly unlikely that Mr. Kingsdale will agree to market to only uninsured businesses.
- Small groups already have experienced a 4.5% premium surcharge, spread across all policyholders, as well as a 1.5% to 2.0% increase due to the merger of the individual and small group market. The disaggregating of Commonwealth Choice plans will lead to further unintended rate increases and instability in health plan pricing.

*The following example illustrates the cost inefficiencies that would be created by the Connector: if all small employers purchased health insurance plans through the Connector, premiums would increase by approximately 4% over what they would be if small employers purchase health insurance directly from BC/BSMA, HPHC and THP.*

- The Connector has evolved into a “rate regulator,” in some instances replacing the authority of the Division of Insurance. As an example, in an effort to sell more, small group plans, the Connector requested and received a favorable interpretation of the “Group Size Rate Adjustment” rule, basically a change in the way small groups are rated in the marketplace. Unlike the usual process for an interpretation ruling, there was little or no input from the local health plans that have millions of members and decades of experience in the small group market, This ultimately could drive up costs negatively impacting the consumer and small businesses in your district.
- The Connector does not operate on a level playing field with the private market. It continues to offer a “young adult” rate, even advertising the savings of 2.7% on its website. However, the problem is that other health plans are not allowed to sell a “young adult” rate directly to their existing customers.
- As of March, 2008, the Connector has proposed underwriting guidelines that are inconsistent in some instances with established underwriting guidelines and market practices for small employers. For instance, a widening of the eligibility standards could lead to anti-selection.

- The Connector has created an alternative distribution insurance agency within the walls of state government. In fact, recent negotiations over 2008 renewals between the Connector and Massachusetts health plans was nothing more than trading “benefit buy-downs” for rate relief to achieve the stated goal of a 5% increase. This is a common tactic practiced by benefit broker consultants each and every day.
- In numerous public forums, the Connector has erroneously claimed that small groups are looking for choice of carriers, even though the feedback from the broker consultant community, which represents over 90% of existing policyholders, has been to the contrary. Small employers want choice of plans but also a single carrier to provide multiple plans, leading to simplification of plan communication and administration.
- Administrative burdens will be placed on small employers along with complex pricing through age-banded rates, leading to higher costs for older employees. There is a high probability that premiums will rise for all small employers due to added selection “charges.”

There is concern among many in the marketplace, including members of the Connector management, that the sub-Connectors will not be able to handle the administration and communication of small group plans effectively. No one wants a return to the type of confusion and disillusionment many individuals felt during November and December of 2007, when due to overwhelming volume, people seeking insurance were put on indefinite “hold” by the Connector.