



NM Health Insurance Market Reforms

The following is a summary of the general feedback Leavitt Partners received from health insurers, insurance brokers and the New Mexico Division of Insurance (DOI) during a series of interviews conducted from October 1-October 2, 2012. Leavitt Partners is currently drafting a report that includes recommendations to New Mexico policy-makers on required legislative and policy decisions that bear implications for New Mexico's health insurance market.

1. Opposition to Further NM Reforms

Health insurance carriers appeared to be generally comfortable with the level of existing mandates in New Mexico's health insurance market. However, carriers expressed concerns about the potential of further New Mexico oriented reforms on federal insurance provisions (i.e. community rating, MLR, rating limitations, etc.), citing the potential for artificial premium price inflation in the short-run. Carriers expressed some concern about the administrative complexity that new rate-review and existing network adequacy standards create with an exchange environment.

2. Strong Support for Open Market

There was no appetite to impose restrictive requirements on health plans for exchange participation. Further, there was an acknowledgement of the challenges the immediate increase in volume of product filings will pose to the DOI. Several carriers expressed a willingness to allow the DOI to limit the number of products in the first year for all carriers as a pragmatic solution to DOI's administrative challenge. The only other caveat in QHP requirements came from a plan that had interest in phasing in a quality adherence approach to QHP participation.

3. Greater Competition is Needed

All carriers expressed interest in seeing additional competition enter the market. However, there was a shared perspective that market entry will be difficult because of geographic price and network disparities. Further, new entrants will have a difficult time establishing parity pricing due to the size and scope of Presbyterian and Lovelace networks.

4. Managed Medicaid Plans to Reduce Churn and Promote Competition

There was general support for allowing Medicaid Managed Care plans to develop commercial insurance products to reduce churning and to introduce a new competitive dynamic on the exchange.

NM Health Insurance Feedback

1. General opposition to further NM reforms, allowing current NM statute and ACA requirements to stand.
2. Strong support for an open-market exchange, with any nuanced requirements being phased in over time.
3. Market could benefit from greater competition, but this will be difficult given current market dynamics.
4. Managed Medicaid plans should be allowed to develop commercial product.
5. Carriers should be required to sell product state-wide.
6. Employers are evaluating their strategic options and will require a unique value-proposition to play in the SHOP exchange.
7. Brokers are essential for outreach.
8. All stakeholders expressed serious concerns about the DOI's capacity.
9. NM's PCP shortage has the ability to threaten market stability.
10. Ancillary benefits should be permitted on the exchange.
11. Update existing statute only and defer federal enforcement to a state agency, such as the DOI.

5. Carriers Prefer Mandate to Sell Statewide

Carriers cited significant disparities in contracted pricing throughout the different geographies of the state. As a result, most carriers were in favor of mandating a requirement to sell insurance throughout the entire state, as opposed to select parts to further reduce the propensity of adverse selection.

6. Employers Evaluating Options

Both carriers and brokers do not believe there will be a large-scale shifting of employees to the individual exchange. However, they acknowledged that employers are evaluating strategic options relative to health benefits offerings and that participation in a SHOP exchange will require strong value propositions to attract participants. Employers are examining traditional defined-benefit offerings, defined-contribution offerings, self-insuring and shifting employees to the individual exchange.

7. Brokers Must be Part of Outreach Efforts

Carriers widely view brokers as a necessary education/outreach channel. Carriers are observing both a consolidation of brokers and diversification of products being sold by brokers to hedge against changes in health insurance. There was a recognition on the side of both the brokers and the carriers that a model must be developed that fairly compensates brokers for their efforts in the individual market.

8. Carriers Concerned DOI Doesn't Have Sufficient Capacity in Short Run

There was wide skepticism about the DOI's capacity to handle the increased volume of rate and form filings through SERFF. Carriers generally cited an expectation of 6 -12 months for a product turn-around. However, carriers were highly in favor of ensuring that regulatory authority over product filings in the New Mexico Health Insurance Exchange remain with the DOI. If each plan were to file three new (or map existing) products at each metal tier, plus one catastrophic plan, then 65 products will require some type of approval in advance of October 1, 2013. Some plans expressed interest in an even greater assortment of product offerings through the exchange, which could create a potential bottleneck.

9. PCP Shortage is a Growing Concern

Health plans expressed a high level of concern to the states medical workforce shortage, particularly regarding primary care physicians (PCP). Carriers generally feel more could be done to leverage mid-level practitioners, telemedicine and increase state recruiting/retention efforts for PCPs.

10. Stakeholders Viewed the Inclusion of Ancillary Benefits Favorably

All stakeholders were generally supportive of allowing ancillary benefits such as dental, vision, and P&C in the exchange. Greatest support was expressed for these benefits to be sold as stand-alone products.

11. Updating New Mexico Statute

Most stakeholders preferred any health insurance statutory update to New Mexico's code be strictly limited to ACA provisions that are currently contemplated in NM law. For provisions not currently regulated, stakeholders believe simple legislation that enables federal standard enforcement be deferred to the DOI or some other state agency.