

REPRESENTATIVE GEORGE FLAGGS (MS): So we -- I guess we open up for discussion on first decision point one on the market structure open versus restricted. Any comments? Just on the design for the blueprint for a successful affordable healthcare insurance exchange. So, here she is. Yes, I guess we're going to take -- yeah, let's do the pros to open market first, and then cons. How's that?

REPRESENTATIVE JOE ARMSTRONG (TN): Okay, I think the open market would not, number one --

REP. FLAGGS: Yeah, open market. Okay, we're taking pros for open market first, and then we'll take -- well, why don't we just take about three points on each one of them. Three pros and three cons.

REP. ARMSTRONG: Open market will open it up for smaller companies to participate for economic development or smaller insurance companies.

REP. FLAGGS: Okay, that's one.

REPRESENTATIVE BILLY MITCHELL (GA): Billy Mitchell, House of Georgia. I have to concur with the president-elect. The competition that would be created as a result of the open market concept would probably give us a better cost effective and containment method.

REP. FLAGGS: Okay, you got that? One more pro, wouldn't it -- okay.

REPRESENTATIVE GLORIA FOX (MA): State representative Gloria Fox from Boston, Massachusetts. I believe any plan, any health plan, has to be consumer-driven. So if we're talking about an open market that gives consumers choice in their health -- in healthcare, I am all for that. That would be my vote.

REP. FLAGGS: Okay, I think the open market puts more in line with the industry, and then when we get to consumer, they active purchaser is what you're talking about I think.

REP. FOX: Exactly.

REP. FLAGGS: Okay, so we need I think one more point on open market. And I think -- I guess it said the smaller can also mean, Joe, that the third one being you have a larger market -- a larger volume of --

DELEGATE SHIRLEY NATHAN-PULLIAM (MD): You can include, you can include a larger market in different groups of people with open market.

REP. FOX: We're trying to open it up for people of color and other folks to become involved in that.

REP. ARMSTRONG: You're expanding the number of companies both minority and majority companies to participate in the open market.

REP. FLAGGS: Okay, all right, now I guess --

REP. ARMSTRONG: Can I give just a little history based on that?

REP. FLAGGS: Okay.

REP. ARMSTRONG: When you look at even the life insurance market, which most companies have sold life and health insurance, it used to be back in the as early at the early '80s, you had over 38 black insurance companies in this country. Now you have about three. And it's because of having access to markets. And so opening this up will give access to the market.

REP. FLAGGS: So if write, expanding the number of companies, majority or minority, that can participate in the competitive process.

REP. ARMSTRONG: Yeah, both small companies also. Even in the Affordable Care Act, it looks -- if you look that when it comes to administrative costs, they allow smaller companies to be able to have 20% (cap for administrative costs) as opposed to the large companies where they only can have 15% administrative costs. So if a large company has more than 15%, then they rebate that excess amount back to companies. For smaller companies, development companies, they can have up to 20% before the rebate actually kicks in. So this adds entrepreneurs, allows more people to compete in the market and develop more insurance companies in healthcare.

REPRESENTATIVE JOE GIBBONS (FL): Joe Gibbons from Florida. But does that not hurt the consumer, because if in fact at 15%, you are allowed -- the level to return money at 15% is lower than the level to return money at 20%? So then the consumer will get-- the opportunity of getting a rebate back at 20% while it provides that opportunity, it also then -- we're paying for that opportunity in the form of, you know, of higher costs than-- because I'm not going to get money back.

REP. ARMSTRONG: But what you do is you gain more people enter in the market to compete. So overall, instead of having three large companies that kind of set the price for the industry, you have these smaller companies that find innovative ways to come in and be able to lower. So the larger companies have to compete with the smaller companies. And so overall, you're instead of having three large, you might have, you know, 20 companies total.

REP. GIBBONS: So what he's saying is that it'll drive the price down because of the competition. And so, instead of getting it back on the rebate in the long end, you get it back on the front end with a lower cost. Is that correct? Thank you, sir.

REP. FLAGGS: But then -- but you're looking at -- you're talking about the rebate which was back on the -
- because my understanding is for the consumer, right? But you look at it on the bigger part -- when you
started talking about ownership of the big company, how many minorities can get into this healthcare
change and sell the product? Is that where you're coming from?

REP. ARMSTRONG: Yeah, because truthfully, this is not about healthcare, this is about providing
insurance. And insurance is different. And you know, I always tell people, you know, health buys health
insurance, money only pays for it. And it is a business, you know. And you know --

REP. FLAGGS: And the biggest part of the market is our constituent. And that's who you're trying to
serve. And at the same time, to have our folk out there participating in ownership of these companies,
and I think that's what happened while the bigger companies started buying out all the small companies
couldn't participate. I think that's --

REP. FOX: This begs the question -- Gloria Fox from Boston again. This begs the question of what kinds
of safeguards do we have on insurance companies to make sure that it is not so much a business that it
harms the consumers. We're going to deal with that I guess when we talk about enhancing in the second
half, I presume. But we better make sure that we add that as a part of our recommendations. And the
first thing that I mentioned that was not supposed to be in the first half but in the other half. Can you
remember what I said?

REP. FLAGGS: Okay now --

REP. FOX: Okay.

SENATOR JEAN BREAUX (IN): Is the rebate when the --

REP. ARMSTRONG: Oh, explanation of rebate, whenever insurance companies charges a business,
suppose the state of Indiana, and they have to utilize 85% of it has to go to providing services and only
15% can go toward administration. If they show that they got 25% in profits, then they would have to
rebate that back to their customer.

REP. FOX: Can I say something on that issue?

SEN. BREAUX: But most likely though, once this gets into place, they're going to -- right now they're
giving rebates now, but at some point down the road, they won't have those rebates because they will
stop using more for administrative cost.

REP. ARMSTRONG: I think that's a part of the affordable healthcare. That 15% is the ceiling that large companies can actually charge and they've reduced it for smaller companies encouraging them to 20% administrative costs, so.

DEL. NATHAN-PULLIAM: It's-- Shirley Nathan-Pulliam from Maryland--It is called the lost ratio. Okay, and 85% is what should be spent on the consumer, and 15% is what they would use in the profit margin to do what else they need to do. If they go over that 15%, then they have to give that money.

SEN. BREAUX: That will go away at some point, right? That 15%?

DEL. NATHAN-PULLIAM: No, the 15 is not, that's set. That is basically set, 85 and 15.

REP. FLAGGS: That will go back to the consumer, the policyholder, I guess,. That's who will benefit from a rebate.

REP. FOX: As long as there's people buying in and companies coming in that it's still going to be that ratio.

DEL. NATHAN-PULLIAM: Minimum package. Well, I think the essential benefit package talks about ten categories. And I guess this is the time that we have to really determine what are the areas that are important under those categories for us.

DELEGATE NATHANIEL OAKS (MD): The federal government started off by giving us a guideline that --

DEL. NATHAN-PULLIAM: They gave us the guidelines.

DEL. OAKS: We must incorporate this minimally and go from there.

REP. FLAGGS: You just go with it.

DEL. NATHAN-PULLIAM: But we have to choose which ten that we think that impact on the African American communities. Yeah, there's a list, there's a list of things, but you maybe decided that in your own state that some of those things within that list you don't want because it's going to cost more money.

DEL. OAKS: She's absolutely right because some communities you might have a need that's not necessarily incorporating and what the federal government said, so therefore we do have to look at that and then list it accordingly to tailor-make it for your own community. Nathaniel Oaks from Baltimore.

REP. GIBBONS: Like in some states you may need more for mental health and drug abuse as opposed to some other type of benefits. So I think we have to categorize and prioritize what would be in our enhanced benefit package. I think that's what they want. Do we want the maximum, but do we want the minimum?

REP. FLAGGS: Exactly. Do you want to take the minimum and expand on -- to expand the minimum?

REP. GIBBONS: But it costs more money to expand it. Exactly, exactly.

DEL. OAKS: The definition the federal government gave is so broad, we might be able to incorporate it so it [inaudible]

DEL. NATHAN-PULLIAM: Well, maybe the question then is do we want to keep the minimum, or you want to go beyond, or you want to exchange some of those minimums?

REP. FLAGGS: Great point.

REP. FOX: Some things that are missing. For instance, the whole thing around juvenile justice in terms of healthcare is not in here, the issue around violence as a public health issue, violence as a public health issue is not listed.

DEL. NATHAN-PULLIAM: Well, we have ten -- it's in the top here because --

REP. FOX: And this isn't it?

DEL. NATHAN-PULLIAM: It's mentioned at the top.

REP. FOX: This isn't it?

DEL. NATHAN-PULLIAM: It has ten areas attached -- it speaks to -- it speaks to ambulatory emergency service, hospitalization, maternity, newborn care, mental health, substance abuse disorder. Yeah.

REP. GIBBONS: We have to choose then.

REP. FLAGGS: And then you have to model it down for the juvenile.

SEN. BREAUX: Those are the basics of it.

DEL. NATHAN-PULLIAM: Those are the basics, but keep in mind that do you want to expand it or do you want to stay within that, because if you expand it, it's going to cost more money to your state.

REP. FOX: There are some things that are amiss. I listed one.

REP. ARMSTRONG: Can I make a point? When we talk about minimum benefits and just the experience from Tennessee, because we had universal healthcare in Tennessee that we put all our Medicaid population in managed care. And how each one of the managed care organizations competed with each other that they carried additional benefits that that particular individual liked. One company offered life insurance, and so all we did was mandate that the companies, number one, be financially solvent and, number two, is to offer a minimum and then whatever they wanted to do in addition to that was competition. And so we had a basic package.

And like I said, others offered all type of other incentives, but one was life insurance for the recipients. And certainly if I had a vote here, I'd vote on the minimum package and allow the marketplace and allow those companies to battle it out on those additional benefits.

REP. FLAGGS: We got five minutes? Okay, we got five minutes.

REP. GIBBONS: I agree with Representative Armstrong because that fits into what we said in the first part of the decision. It's the same thing you did with the 85% versus the 80%. You're making competition because you have a consumer base that you want to get the most of your insurance company. And so what you do is you're making it more -- you're making it competitive, driving down the costs because you're offering more benefits. So you have to be then more efficient than as a company to be -- to stay at the 15% and offer additional benefits to get the additional customers. So you have a larger part of the pool.

REP. FLAGGS: So I'm assuming that it'll be beneficiary for states to take the open market, one, and then when you get to the open market, do minimum, and then if company wants to come in and go exceed that through their own -- the market competition, then they can. Okay, and that'll be the least cost to the state. Is that what I'm hearing?

DEL. OAKS: Yeah, but you all -- Nathaniel from Baltimore. You all keep talking about saving money on the state. You're going to pay one or the other if you don't have the coverage, you're going -- the state's still going to end up paying on the other end. So, adding some additional benefits in the package does not necessarily cost more in the long run.

REP. FOX: Absolutely not.

REP. GIBBONS: But what we're saying is that if you -- in the competition, you're going to make sure you have those essential things, otherwise people aren't going to come to you.

DEL. NATHAN-PULLIAM: And can I say something else too? Keep in mind that the federal government gives you a timeframe to tell them exactly what you want in that package. So you may not have the option to go back and add more to it later, okay. So you have to really work on that now. So we should pretend that we're going to --

REP. GIBBONS: Then you're saying that there's no competition then? If you're saying that the federal government is telling you, then there's no competition.

DEL. NATHAN-PULLIAM: They're going to be competition, but you have a timeframe to work on it. You can't wait until 2014. You've got to be able to work on it before that.

REP. GIBBONS: Yeah, and that's what we're doing here as we save our exchange, we're working on it. That's exactly what we're doing.

REP. FOX: The point is, do we add to what we have in our ten points or not? We're at that point now. We've made some additions.

SEN. BREAUX: What I have written down is that we accept the essential health benefits and allow the marketplace to develop and determine what other services are demanding and then provide it.

PANELISTS: [inaudible].

DEL. OAKS: That's a bagging of the question, but I guess that's something you could do. That's not really -- it's not really saying much.

REP. GIBBONS: You're defining what it is. In this market for competition, you have so many tools in your toolbox, you got to use the tools that bring you the most customers if it includes the things you talked about, Representative Fox, about the juvenile violence and things like that, that makes your package then that much more attractive, and you will then get the most customers.

DEL. OAKS: But if time is of the essence, you got to -- can they give us the ten basic ones, we might have to throw some other things in there. Now if you don't want to throw some other things in there right now, then you go over the basic ten. But at what point do you throw it in there or do you just wait for the marketplace to dictate what else should be in there?

REP. GIBBONS: As you compete, as you compete, you have the basics, all right. But now I'm Blue Cross-Blue Shield and you're Aetna. I'm Blue Cross-Blue Shield. I know that this particular state has a particular problem with juvenile violence or something like that. I'm thinking going to put that in my --

DEL. OAKS: There's 50 states in the United States.

REP. GIBBONS: And so I'm going to get more of the customers, that's all. And I'm going to have the more business, I'm going to make more the money.

REP. FOX: And it might fall under this category that's called prevention and wellness services. That is -- that can be considered as a part of these ten core things that we already have listed.

REP. GIBBONS: Now, you're adding on.

REP. FLAGGS: This is my understanding now is that -- this is my understanding that when you go with the open market first, and then you come with the minimum, the market going to dictate and bring in exactly what Nate and everybody else is saying. Because they're going to try to come up with a brand that fits the state's need. And if you have a high juvenile behavioral problem, then they're going to do that. I mean, insurance companies -- if you -- as I understand free market, the market -- the demand going to dictate, and that's where they're going because if there is no demand, then the insurance company can't make money.

DEL. OAKS: All right, can I move that we accept the ten -- that the --?

REP. FLAGGS: That's what I think it works, now I don't know.

DEL. OAKS: Let's do that for the sake of five minutes.

SEN. BREAUX: Do we accept open market too?