

## National Health Policy Forum Briefing

### Issues in Health Insurance Reform: Regulatory Options and Subsidy Administration

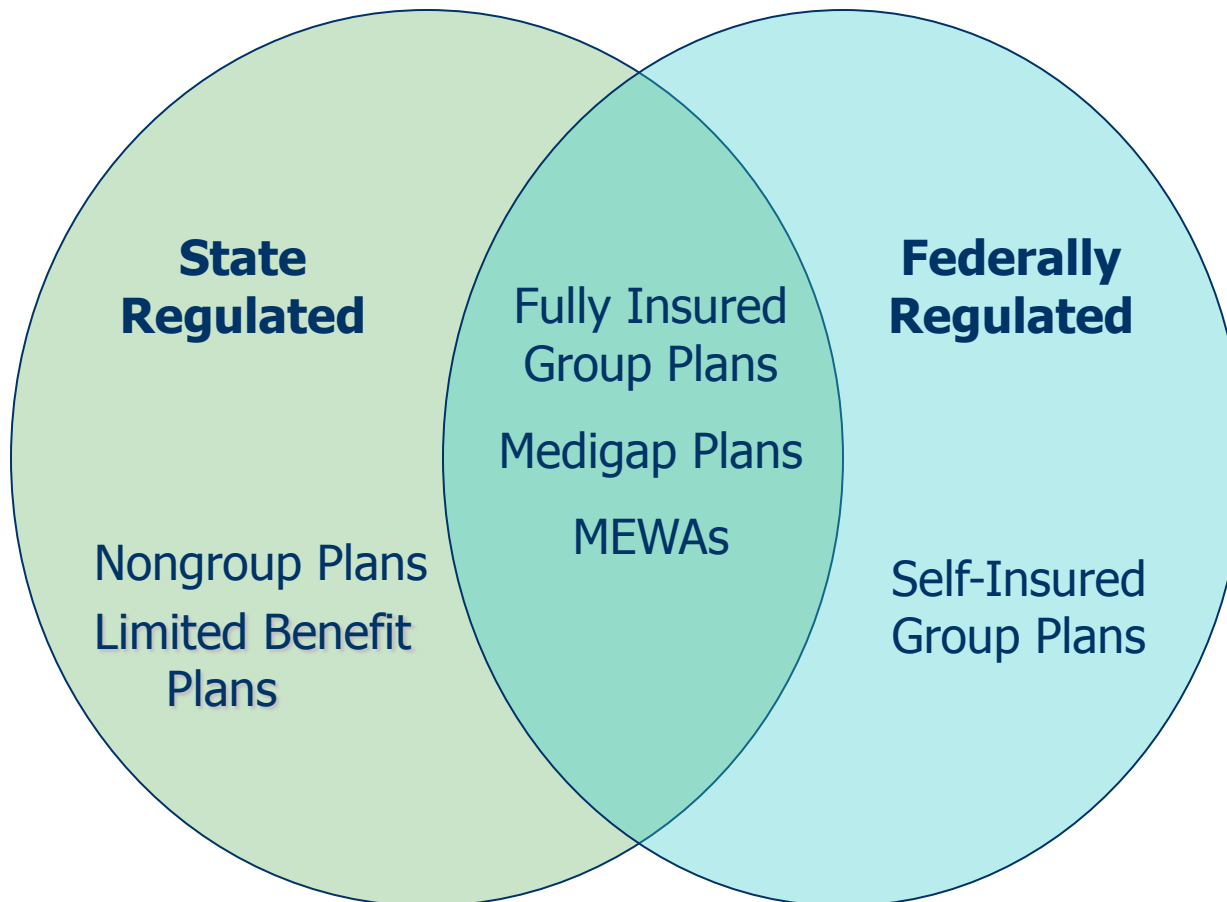
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# Who Regulates Health Insurance?



# State Regulatory Activities

## Key Areas of State Regulation

- Licensure
- Solvency
- Rates and Forms
- Access to Coverage
- Protections
  - Consumer Protections
  - Provider Protections
- Oversight

# Federal Rules – State Enforcement

- **Most comprehensive health reform proposals include two key components**
  - Guaranteed Access to Coverage
  - Rating Reforms
- **This raises important questions:**
  - “What are the roles of federal and state regulators?”
  - “What if a state chooses not to implement or enforce?”

# Option 1: Carrot and/or Stick

- **Carrot:** Allow only residents of states who have implemented the reforms to receive subsidies
- **Stick:** Reduce current federal funds to states that do not comply

## Option 2: HIPAA Model

- **Noncompliant state laws would be preempted and a federal agency would enforce the rules**
  - All states eventually enacted HIPAA rules – states did not want to lose regulatory authority
  - Federal government has limited resources and expertise to enforce laws if states do not
  - Contracting with state departments of insurance in noncompliant situations has been suggested, but may not be workable

# Option 3: Federal Fallback

- **Create a national exchange (with access and rating rules) that would begin operations IF states do not implement federal rules**
  - Establish deadline for the states
  - Create federal enforcement entity
  - Complications occur if states are later found to be out of compliance

# Option 4: Dual Enforcement

- **Federal:** Institute federal tax on carriers that do not comply with federal rules and make their plans ineligible for subsidy (see Tax-Qualified LTC Plans)
- **State:** Report on the access and rating practices of the plans – continue to enforce existing state rules
  - No action by states on federal rules necessary
  - Carriers could sell noncompliant plans
  - Dual enforcement can lead to confusion for insurers and consumers



# Questions???

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