

The majority's recommendation that the MNSure Board use Active Purchaser authority to improve the affordability of MNSure's health insurance plan offerings in 2016 draws attention to a long misunderstood maxim of health insurance economics: a health insurance plan's premium does not necessarily reflect its true cost to the consumer. While I agree that this is an important point that must be better understood by the public and consumers, I do not agree with the majority's recommendation that Active Purchaser can or should be used to help address the concerns raised in the majority opinion.

The majority's recommendation suggests that the disparity between Minnesota's lower than average premiums and our higher than average deductibles compels the Board to intervene and to use "its active purchaser power to set criteria that result in a menu of plans that are more similar to other states in their balance of premiums and out-of-pocket expenses." The goal of the majority's recommendation is to raise premiums in Minnesota's health insurance exchange, particularly for the "benchmark plan" (the silver plan with the second lowest premium, which is used to calculate the amount a consumer can receive in subsidies through the Advance Premium Tax Credit), in an effort to increase the availability of premium subsidies through MNSure for Minnesota consumers.

The majority's recommendation suggests that all this may be accomplished through "a simple redistribution of the premium vs. deductible," as required by the criteria set by the Board using Active Purchaser. Setting aside concerns with the premise of the recommendation, it is not clear that MNSure or the Board has the actuarial expertise or the resources necessary to effectively set criteria that would deliver the results sought by the majority without significant impact on MNSure's marketplace. Additionally, because there are five different health insurance carriers offering various plans on the exchange, and because each of these carriers competitively prices its plans independently of one another, it is also unclear whether it is even possible for the Board to develop criteria sufficient to dictate the ideal redistribution of premium vs. deductible in the second lowest silver "benchmark" plan that is used to calculate the APTC. Finally, it should be noted that low deductible plans are already offered through MNSure by every participating carrier, and for those consumers who expect to utilize a significant amount of health care services in a given year, these already available plans may be a great choice. However, if there is concern about the distribution of premiums vs. deductibles in the health insurance plans offered through MNSure, it would seem appropriate that these concerns be brought to the Minnesota Department of Commerce. It is the Minnesota Department of Commerce which holds the responsibility, under state law, of reviewing and approving the rates for all health insurance plans before they are marketed to consumers.

There is also reason to question whether the use of Active Purchaser is necessary to bring about the majority's desired change in the pricing and design of health plans. On December 22, 2014, the Commonwealth Fund released a report detailing the shifts in exchange-available health plan premiums and deductibles nationwide. It found that premiums for health plans in Minnesota's exchange have generally increased 19%, with premiums for our benchmark silver plan increasing 17%.¹ Similarly,

¹ *Analysis Finds No Nationwide Increase in Health Insurance Marketplace Premiums*, The Commonwealth Fund, December 22, 2014

deductibles for Minnesota's silver plans have dropped 14%. As MNSure put it recently, "The benchmark premium from 2014 to 2015 increased across almost all parts of the state. This means that more consumers will qualify for and receive tax credits. This will reduce consumers' monthly health insurance premiums for 2015 from what their costs would otherwise be."² If market forces are already working to bring about the desired "redistribution of premium vs. deductible," it is not clear why the Board must intervene.

It is also important to consider the unintended consequences that may follow from the type of Board intervention supported by the majority. First, if high deductible plans are not available through MNSure but remain available off of the exchange, it may result in adverse selection as healthy individuals who do not expect to use their deductibles buy policies outside of MNSure to secure lower premiums and sicker individuals make up the bulk of the population served by MNSure. Second, the Board must consider the continued financial viability of MNSure when reviewing the majority's recommendation. Artificially increasing the premiums of plans offered through MNSure will make these plans too expensive for those who are not eligible for an APTC subsidy. As a result, only those in the individual market with incomes between 200% and 400% of the FPL will use the exchange, and it is not clear that there are sufficient numbers of these consumers in the individual market to ensure MNSure's financial viability going forward, given the premium withhold mechanism used to fund the exchange. This concern is only strengthened by the findings of the recent study commissioned by MNSure which found the consumers who are not eligible for subsidies largely purchased low premium PreferredOne plans in 2014.³ As these plans are now no longer available through MNSure, artificially raising the premiums of the plans that are still available through the exchange will put even greater pressure on these consumers to look elsewhere for health insurance.

The MNSure Board should not pursue the option of Active Purchaser. Whether as an attempt to address concerns about affordability or to dictate plan offerings or network requirements, using Active Purchaser to establish additional requirements on health plan design will only serve to limit competition and choice through MNSure. Last year, the Board wisely chose not to use Active Purchaser for MNSure's 2015 plan offerings. Instead, it decided to devote its energy and MNSure's resources to improving the functionality of the exchange to make it a more reliable and useful tool for consumers. This was a wise decision, and it's one that should be repeated.

Much of what Active Purchaser promises to deliver can and should be accomplished through improved usability, functionality, and comparability of the MNSure website. MNSure and the MNSure Board should focus all available time, energy, and resources on developing and perfecting these aspects of the exchange first, before considering any move toward active purchaser, because until these are firmly in place, it cannot be known whether there is any need for active purchaser.

² *Health Care Coverage and Plan Rates for 2015: A Snapshot of 2015 Premiums and Tax Credits*, MNSure

³ *Consumer Impact Analysis: Minnesota Individual Exchange Renewals*, Wakely Consulting Group, December 2014