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ANALYSTS DIFFER ON INDIVIDUAL INSURANCE MARKET

The Senate Health Policy Committee heard conflicting views Wednesday on the potential for the individual health insurance policy to grow as well as differing views on who will be in that market and what reserves insurers will need to cover claims from that market.

Deborah Chollet, a senior fellow at the Washington, D.C. office of Mathematica Policy Research, said she did not expect, given the complexity of the individual health insurance market, that it would grow much in the coming years. And she said it would continue to be the least healthy people seeking that coverage.

Jack Burke, a consulting actuary at Milliman in Philadelphia, said the market would grow in the coming years and is currently mostly healthy people.

It was the latest hearing the Senate panel has held on legislation that would change the structure of the individual health insurance market, legislation ([HB 5282](#), [HB 5283](#), [HB 5284](#), [HB 5285](#)) backed by Blue Cross/Blue Shield of Michigan and opposed by other insurance companies.

Ms. Chollet said the individual market is a residual market where people go because they do not have access to other health care coverage. And she said many of those who would be the best customers for insurance companies, people who are young and healthy, choose not to buy the coverage for a combination of reasons including the complexity of applying.

Because of the nature of the market and the administrative costs of providing coverage to individuals, Mr. Chollet said there would never be much competition in the individual market.

"If you don't have many carriers, it's hard to see how you have competition," she said. "If you don't have many people, I don't see how you have more carriers."

And she said companies that have tried to increase their customer base have often done so with low-cost policies that also provided little value.

"Everyone doesn't buy health insurance when it's available; everyone doesn't buy health insurance when it's affordable," she said. "Short of a mandate you can't move toward universal coverage."

Mr. Burke said as the tax advantages of group coverage are moving to individual coverage and the number of employers offering coverage is dropping, more people are moving to individual policies. And he said much of that group is healthy people.

"The majority of the individual market is characterized by healthy and moderately ill individuals that can be managed by moderate regulation," Mr. Burke said. "There's a small population with excessive costs where a competitive market won't handle those."

And he said the state should not try to mandate rates or coverage as a way to get people into the market for fear of driving carriers out of the market.

"Because of the importance of the market, it's important we get the reforms right," he said, adding that the right policies would build competition in the market.

Ms. Chollet argued that a high risk pool to cover those people rejected by traditional insurers does provide a backup, but she said in most cases it sees only a percentage of those who would qualify because people get frustrated after being rejected by the initial carrier and do not apply again for the risk pool.

"A high risk pool isn't a good option unless you make it approachable," she said.

Mr. Burke suggested that could be resolved by requiring insurers to automatically submit applications they reject to the high risk pool.

Ms. Chollet said state subsidies for coverage have also had some

limited benefit, noting also that they would be entirely on the state budget because federal matching funds are not available for those programs.

On insurer reserves, Ms. Chollet said the larger insurers are, by definition, going to have larger reserves because they have more revenue coming in and more potential claims to pay. And she said non-profit carriers like Blue Cross Blue Shield of Michigan tend to have larger reserves because they are not paying dividends to shareholders.

Mr. Burke said determining whether a reserve is excessive would really have to be done case by case, not with any set policy or limit.