



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

INFORMATIONAL TESTIMONY ON HB 2317

HOUSE COMMITTEE ON INSURANCE March 20, 2013

Chairman and Members of the Committee:

Thank you for the opportunity to provide written testimony on HB 2317. The Department is neutral regarding the passage of HB 2317. The following testimony is intended to provide information for the Committee's consideration. Specifically, the Department would bring to the Committee's attention some important implications of the federal Affordable Care Act regarding the proposals contained in HB 2317.

Under the ACA, plans sold inside the exchange must include certain essential health benefits (EHBs). For Kansas, the EHBs have been determined by the selection of a benchmark plan. This plan does not include autism benefits and as such autism benefits will not be included in plans available for sale on the exchange. If plans with autism benefits are purchased outside the exchange, individuals or families that purchase such plans will not be eligible for tax credits or subsidies under the ACA.

Another issue is uncertainty as to whether adding autism benefits to plans sold outside the exchange would disrupt or distort the calculations required for the risk adjustment programs required under the ACA. Under the ACA, the risk pools for the insurance companies need to be the same both inside and outside the exchange. Adding autism benefits to plans outside the exchange but not to plans inside the exchange could create a significant difference in the premium rates between the markets inside and outside and outside of the exchange. It is not clear to what extent this may negatively impact the insurance companies operating in the Kansas market.

In addition to the concerns about the risk pooling, there are also concerns regarding adverse selection and pricing for plans that include autism benefits outside the exchange. Such plans could be significantly more expensive since the insurance companies will need to price for the risk that individuals buying outside the exchange will use those autism benefits. This could have the effect of driving other potential buyers to purchase insurance through the exchange, even if they do not qualify for a tax credit or subsidy, if the plans inside the exchange become significantly less expensive than those outside the exchange. If this happens, the price for plans outside the exchange could be driven up further because the companies would need to price those plans with the knowledge that those autism benefits are going to be used by almost everyone who buys them. Premiums could increase to the point that they recover the entire cost of the annual autism benefits.

Representatives for the Department are available to answer any questions.