

National Association of State Comprehensive Health Insurance Plans

NASCHIP

May 1, 2013

Dear Secretary Sebelius,

I am writing on behalf of the National Association of State Comprehensive Health Insurance Plans (NASCHIP). NASCHIP members have administered the Pre-Existing Condition Insurance Plan (PCIP) in 21 states since 2010. We were blindsided and very disappointed with the latest contract issued Friday afternoon, April 26th that would require renewing state PCIPs to bear the full risk for the remaining PCIP claims and administrative costs in their states until the program ends on December 31, 2013. We strongly request additional time beyond May 8th to more reasonably evaluate our ability to continue these 21 PCIPs at the state level. We would also like to offer our assistance in developing a solution to address this coverage and cost crisis that we and our members face. Additional time will allow us to apply the long time experience of our membership, some of whom have been successfully running risk pools for over 30 years, to the problem of how to get our existing PCIP members to exchange coverage without disruption and within budget. This will allow us to research alternatives such as reinsurance and stop loss coverage for our individual or pooled risk.

After three years of a dedicated partnership with the Centers for Medicare and Medicaid Services (CMS) to ably administer this groundbreaking coverage for 45,568 people, NASCHIP members are disappointed with the manner in which CMS has chosen to deal with its cost. More importantly though, we are concerned about what will become of our high risk members' access to this decent and affordable coverage in the waning days before the advent of exchanges in January. It would be unfortunate in the last seven months of the PCIP to lose a significant portion of these enrollees to continuous coverage and to as smooth a transition as possible to exchange coverage.

For a non-profit or state entity to even consider bearing the risk of this population's volatile, high cost claims, a thorough analysis of various claims scenarios and research into reinsurance and stop loss options would be necessary. CMS has given our member states until next Wednesday, May 8th, to conclude negotiations. We clearly need additional time to make an intelligent determination of the risk we are being asked to accept with these new contract terms.

State-run PCIPs know better than anyone the challenges CMS faces in managing the cost of this program within budget. As difficult as it will be to do that, we are concerned that this forced transfer of administration to the federal PCIP will create unintended financial consequences for both CMS and the remaining enrollees. State-run PCIPs have developed broadly accessible networks with commercially competitive reimbursement rates in most cases. Leveraging the volume and provider relationships from their state pools, they have been able to deliver good

value in this access/cost tradeoff. Some states have piggybacked on state risk pool enabling laws to deliver below market rates, including Medicare and Medicaid Plus. Without limiting access to exclusive provider designs, it is unclear to us how CMS will be able to glean the same value in their network relationships.

Enrollees also appear to be at risk of increases in both premiums and out-of-pocket costs that may make continued enrollment cost prohibitive. PCIP enrollees include a significant number of lower to moderate income individuals who have proven to be very price-sensitive over our history when faced with cost increases. We fear that a transition to the federal PCIP will almost certainly lead to large-scale enrollee terminations at this critical transition time. We are also concerned that the handoff will be complicated by the inability to transfer data to the federal PCIP administrator about deductible costs already met by individual members and that they will face additional deductible liability as a result.

Again, we ask that you allow this process more time to develop a better solution for all involved. We appreciate all that CMS has done in stewarding its resources to address the difficulties the PCIP has presented since its inception. We know that you feel as we do that it would be unfortunate at this late point in the game if we could not collaborate on a solution that would avoid what we fear could be a catastrophic disruption of coverage for these vulnerable individuals. We look forward to your response.

Sincerely,

A handwritten signature in cursive script that reads "Michael Keough". The signature is written in black ink and is positioned below the word "Sincerely,".

Michael Keough, Board Chair