



Good morning, Chairman Keiser and Members of the Health Care Reform Committee, my name is Jessica Stimpson and I am the Health Care Reform Advisor at Blue Cross Blue Shield of North Dakota. I appreciate the opportunity to discuss with you BCBSND's experience with the Affordable Care Act's Transitional Reinsurance Program and Risk Corridors.

Blue Cross Blue Shield of North Dakota has analyzed these temporary programs and the potential for impacts to premium beginning in 2017 when these programs are no longer available.

Transitional Reinsurance

The transitional reinsurance program has impacted premiums since the program began in 2014. BCBSND has had to include additional fees for all fully-insured group business to contribute to the reinsurance pool. In addition, self-funded groups contribute to the reinsurance pool. The program provides protection for high cost enrollees on metallic plans in the individual market. Funding to this program is reduced each year until it sunsets. Beginning in 2015 metallic rates needed to factor in the diminishing value of the Transitional Reinsurance Program. The value of the program will continue to decrease and will impact 2016 and 2017 individual metallic rates. Rates will no longer be impacted starting in 2018. BCBSND expects the pricing impact in 2017 to be similar to the 2015 and 2016 pricing impact.

Risk Corridor

The Risk Corridor Program provides protection against mis-pricing. The goal is to provide actuarially sound rates based on health data available to BCBSND. The Risk Corridor was set up to protect against the unknown of a guarantee issue market, not for issuers to take advantage of possible funding for deliberately pricing below market. The elimination of this program will have no impact to BCBSND's pricing assumptions for 2017 and is not a factor for any current or future premium increases in the individual and small group market.

Health Insurance Provider Fee

I would also like to take this opportunity to talk about another impact to premium as we look to the future landscape of health insurance.

The health insurance provider fee is assessed against all fully-insured group and individual health insurance plans. Each carrier must collect and pay the tax based on their proportion of the national premium. For perspective, the North Dakota health insurance premium tax is 1.75% of premium. For 2016, BCBSND's portion of the health insurance provider fee equates to 2.5% of premium. The tax has fixed annual targets, steadily increasing through 2018 and beyond, regardless of the size of the fully-insured pool being assessed. As employers move from fully insured arrangements to self-funding, the tax is levied on fewer health insurance consumers. As such, this tax has the potential to be an ever increasing portion of premiums in the fully insured market. The tax is expected to impact pricing by more than 3% by 2018. BCBSND has seen a shift to self-funding as businesses look for ways to reduce costs.

This concludes my written testimony and I am available for questions.