



MEMORANDUM IN OPPOSITION

FOR IMMEDIATE RELEASE: June 19, 2008

Re: S.8225-A (Volker) A.11176-A (Schroeder) AN ACT to amend the insurance law, in relation to excepting from community rating requirements group health insurance policies issued to multiple employer trusts consisting of municipal corporations and public benefit corporations.

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This legislation, S.8225-A/A.11176-A, creates a new exception from the community rating law to allow municipalities with fifty or fewer employees to join multiple employer trusts and thus obtain access to experience rated insurance products. The New York Health Plan Association (HPA) opposes this legislation because the exception to the community rating requirements proposed in this bill would have a detrimental impact on the community rated market as a whole.

Community rating uses the same premium rates for a specific pool of individuals without considering individual medical conditions and cost experience, thereby spreading the costs of individual medical conditions across a broad and large number of individuals in the community. Experience rating uses a defined group's history of premiums and claims to calculate premium rates. Current New York law only allows large group employers, those with more than fifty employees, to participate in experience rating.

This legislation would create a disparity between small employers and small municipalities and encourage the gaming of the small group community rated pool. Community rating serves a very important role in ensuring that health insurance is affordable and accessible to the small group market by spreading the risk of high cost medical conditions across a large number of individuals. Under this proposal a municipal cooperative trust would be able to game rating rules to dump high cost or bad experience municipalities back onto the community rated pool in order for the trust to maintain its more favorable experience rating. Thus, this type of cost shifting to the community rated pool will clearly result in increased costs for small employers.

This proposal would have a detrimental impact on the community rated market and would result in a serious imbalance where municipalities are treated in manner that unfairly hurts small employers. Accordingly, HPA opposes S.8225-A/A.11176-A.

The New York Health Plan Association represents 27 managed care health plans that provide comprehensive health care services to nearly 7 million New Yorkers.