



Implications of the Election

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Congress

The clean sweep by the Democrats of both the United States House and Senate will change the focus of attention regarding health related legislation considered by the new Congress.

While we can't be certain of all the health related initiatives the new Congress will want to pursue, we are confident that further consideration of association health plan (AHP) legislation will no longer be on the agenda. That is good news given our belief that AHP legislation would destabilize the small group health insurance market and increase the number of uninsured.

Nevertheless, the new Congress may well pursue other initiatives that could threaten to increase costs or otherwise limit the flexibility employers demand from their insurers. Neither political party is immune from pursuing initiatives that result in unintended consequences.

Blue Cross and Blue Shield of Kansas has no position on the general topics listed below that are likely to be the early healthcare focus of the new Congress:

- Major changes in the Medicare Advantage and Prescription Drug programs, such as giving the federal Department of Health and Human Services the authority to negotiate directly with prescription drug companies
- Addressing the uninsured with a priority on children's health - especially since the State Children's Health Insurance Program (SCHIP – in Kansas, known as HealthWave) is set to be reauthorized in 2007

- Promoting stem cell research
- Reimportation of drugs from Canada and elsewhere

At this point it is too early to know whether the new Congress will pursue other initiatives that will threaten to create pressure on health insurance premiums. As in the past we will monitor their actions closely and oppose any legislation carrying that threat.

Kansas Legislature

While the Governor was re-elected by a wide margin and Democrats were elected in two other high profile offices (Attorney General and the 2nd District Congressional seat), Republicans still control the House of Representatives and the Senate by wide margins. Nevertheless, the well-documented conservative/moderate split in the Republican Party continues making it difficult for that party to control the agenda. Undoubtedly, the Governor will again wield significant influence over all aspects of the legislative process. Given these varied dynamics, it's difficult to get a clear picture of the health related issues that will actually become law in 2007. We do believe however, that the following issues are likely to be considered.

Mandatory Assignment of Benefits

This issue has been around for several years but has never received favor. A negative recommendation came out of a 2005 Special Committee on Financial Institutions and Insurance that carefully studied the issue. We suspect that a coalition of provider-based organizations is working to keep the issue alive.

Mandatory Assignment legislation would force us to pay non-contracting providers directly for services they render to our members. This would eliminate most of

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Implications of the Election – *continued*

the incentive for providers to agree to contract with us. Without such incentives, we would have a difficult time maintaining an adequate network of contracting providers, and our members would lose the protection of our hold harmless provision. Through this mechanism, we were able to save our members approximately \$790 million in 2005.

Put another way, if we had simply paid charges as submitted to us instead of negotiating with providers, health insurance premiums would have been almost 56% higher than they were.

Other Health Insurance Issues

Additional issues that may be introduced in 2007 include:

Association Health Plans

With the likelihood of Congressional action on this issue subsiding, proponents may turn their attention to the state legislatures for relief. AHP legislation would allow “associations” to offer group health insurance coverage to their members. This coverage would not be subject to the same Kansas statutory rating rules currently applicable to such arrangements and to the regulated small group market in general.

Such legislation would result in the healthiest groups being siphoned out of the single community pool and into numerous smaller association-based pools. Currently, insurers are required to include all groups of 2-50 in size into the single community pool.

The resulting segmentation of the market would dramatically destabilize yearly premium adjustments to small groups. This would leave employer groups with less healthy employees and those that can't access coverage through an association, with much higher rates.

There are a variety of other problems with association health plan legislation, including potential solvency issues. As such, we will vigorously oppose efforts that would authorize the establishment of association health plans at the state level.

Mandatory Assignment Legislation

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Mandates

We again expect several health insurance benefit mandates to be introduced in 2007 including:

- Enhancements to the existing mental health mandate, including enhanced coverage for autism
- Clinical trials for experimental cancer treatments – Blue Cross and Blue Shield of Kansas currently pays clinical trials in certain situations.

Without a doubt, we will again be fighting a variety of initiatives during the 2007 Kansas legislative session that threaten to increase the cost of your health insurance. We are committed to keeping the cost as low as possible and appreciate your support in this important endeavor.