

NEW YORK STATE OF HEALTH

TESTIMONY SUBMITTED TO:

SENATE STANDING COMMITTEE ON HEALTH

SENATE STANDING COMMITTEE ON INSURANCE

From: Dan Colacino

Date: January 7th, 2014

My name is Dan Colacino. I work for Rose and Kiernan, an insurance agency in East Greenbush. I am a NYS licensed insurance agent and a member and Co-Chair of the Legislative Committee of the New York State Association of Health Underwriters, NYSAHU. I am also certified by the NYS Department of Financial Services as an instructor of continuing education classes for agents and brokers with Life and/or Accident and Health licenses. As such I have taught producer certification classes for both the NYSOH SHOP and the Individual Marketplace. To date, I have conducted 12 such certification classes throughout upstate NY and Massachusetts. Over 400 brokers have taken classes that I have taught. The vast majority received SHOP certification and many are certified in both SHOP and the Individual Marketplaces.

My comments will address only those issues with which I have had personal experience since I like many of my colleagues have not enrolled any small employers through the SHOP.

Given the short time frame and the constantly changing regulations from Washington, the implementation of NYSOH went remarkably well. There was a significant underestimation of the initial volume of NYSOH website log-on attempts and telephone calls but I believe most of us underestimated what the volume would be at on October 1, 2013 with since there was so little publicity in advance. The effect of the Affordable Care Act (ACA) on the Individual Market has been a significant improvement in both pricing and availability of alternatives. The Individual Market in NYS has been a disaster for the past several years and was, for the most part, not accessible to most of the uninsured population due to the extremely high premiums. Premium rates have dropped dramatically, not only in the NYSOH Marketplace but in the off-Exchange products offered directly by the carriers. I think when calculating the impact of the ACA on New York's individual market, one needs to take into account not only the Marketplace enrollment but the enrollment that occurs outside NYSOH since those rates were the beneficiary of the ACA single rate pool requirement.

The impact on the small group market, from my perspective, seems to have been greatest with those who obtain coverage as a sole proprietor. Their prior coverage, as afforded them through the NYS Insurance Law, was a group rate with an increase of 10% to 15%. Sole proprietors without employees are now forced into the Individual Market with higher rates and often lesser benefits. This appears to be due to the requirements of the ACA which now defines the group market as 2 to 50 eligible employees instead of 1 to 50 eligible employees as stated previously within NYS law. If the State wants to help alleviate at least some of this issue, my recommendation would be to request a waiver from the Federal Government allowing NYS to develop a separate classification in the Group Market which would be for legitimate sole proprietors. There's no evidence to suggest that an actively working sole proprietor represents a higher risk than any other employer of two or three employees which should allow them to be treated as small employers, not individuals. Small employers are a significant piece of the small business market which has been the source of most of the new job growth in the State. NYS should be doing what it can to assist sole proprietors and this is one avenue that doesn't require any State funding or new taxes. The approach would be to develop consistent guidelines for defining sole proprietors to be used by all carriers which will minimize the potential that a member who legitimately

belongs in the Individual market will be able to enroll as a sole proprietor. The surcharge on group rates of 10% is acceptable and would allow sole proprietors to access coverage with more options and at group rates.

I can't offer much experience with SHOP since I have not had the occasion to use it nor have many of the brokers who attended the certification classes I taught. I believe it's a learning curve and the NYS Association of Health Underwriters is currently working with SHOP representatives to conduct statewide seminars on using SHOP. Over time, utilization of SHOP by brokers will increase as they become familiar with its processes.

The decision to not allow individuals to keep their existing insurance for another year was the correct move by New York State. The late timing of the Obama Administration's change in policy did not allow for rate review, communication with members, re-setting of carrier claim and customer service processes, etc. to accommodate a smooth transition back to the old contracts. It would have added to the year-end confusion and at best, only provide a temporary reprieve. I didn't see any way a reversal would have turned out to be a positive experience.

The impact on brokers and agents has been a lot of confusion due to the constantly changing Federal regulations and give-backs. In addition, the lack of time for proper testing of systems has led to errors and oversights being found after the plans went live. For example, not every agent's agency affiliation carried over to the NYSOH directory. Since commissions get paid to agencies, not agents, this could result in erroneous payments or individual brokers not being recognized by a carrier, delaying commission payments. The late availability of training materials from the vendor, Maximus, was a concern since there wasn't proper time for instructors to learn all the material and question inconsistencies and errors in the material before the first classes were held. The material should have included more about the enrollment process but since the system wasn't complete at the time the material came out, there was no information to give out, another issue caused by the tight time frame. I would say in retrospect, the Obama administration should have realized the time frame wasn't realistic and postponed plans until 2015. However, it's not really in retrospect since many of us in the industry saw this coming in early 2013 or even 2012 but it seemed as if the implementation of the Marketplace was going to happen in 2014 no matter what. I understand that the 2014 date was in the statute and probably would have required another statute to change the date (not likely to happen in the current U.S. Congress) but so much has been changed by Executive Order or by Federal Agency regulation, it seems this could have been accomplished in the same manner.

Finally, network adequacy seems to be satisfactory as long as the member knows that the providers in the carrier's 2013 network may not carry over into 2014. Many carriers, in order to obtain more favorable rates went to a smaller network which is appropriate but I would recommend better communication by the carriers to their members.

I thank you for the opportunity to submit my comments and regret that work commitments prohibited me from testifying in person.

#####

