



PRINCIPLES FOR HEALTH INSURANCE REFORM

The NAIC recognizes that the nation's health care crisis is beyond the capacity of the states to solve independent of federal reforms. Health insurance markets are locally-based in response to the regional and jurisdictional diversity of our nation. The NAIC urges Congress to approach comprehensive reform via a federal-state partnership, recognizing the substantial experience and expertise of the states, and to consider these five keys for the successful transformation of the U.S. health care system:

Protect the Rights of Consumers. States already have the patient protections, solvency standards, fraud prevention programs, marketing rules and other oversight mechanisms in place to protect consumers; these should not be preempted by the federal government. The NAIC urges federal policymakers to preserve state oversight of health insurance and avoid preempting or superseding state consumer protections.

Address Health Care Spending. Any effort to increase access to and affordability of insurance will not be successful over time unless the overriding issue of rapidly rising health care costs is addressed. Whatever is done in insurance reform should be done in a manner that is consistent with sound and sustainable cost control practices. The NAIC cautions federal legislators that any changes in the health insurance sector will not be effective over the long run without accompanying substantial changes in the health care delivery system, such as ensuring access to primary care, managing chronic diseases, and eliminating waste and inefficiency.

Promote State Innovation. The NAIC urges Congress to review ERISA restrictions and other current federal laws and regulations, including CMS rules governing Medicaid and Medicare, which hinder state efforts to reform the health care system. Just as important, Congress must carefully consider the impact of any new federal reforms on the states' ability to be effective partners in solving our health care crisis. The NAIC encourages the development of broad standards rather than prescriptive rules wherever possible to maximize state flexibility to implement reforms in a manner that is responsive to local and regional market conditions.

Stop Cost-Shifting. Inadequate reimbursement payments in federal health programs have led to significant shifting of costs to the private sector. This has resulted in higher overall costs and decreased access for many consumers, and hampers the ability of states to implement reforms. Similarly, any federally-offered options must provide full federal fiscal funding to cover increased costs, most particularly for the most high needs beneficiaries. Additional costs cannot be absorbed by the already pressured state budgets.

Avoid Adverse Selection. Any program that grants consumers the choice between two pools with different rating, benefit, or access requirements will result in adverse selection for one of the pools. Likewise, setting different rules for different plans within the pool or allowing consumers to wait until they get sick to purchase insurance, without penalty, can have adverse consequences on the pool. Any reforms must be carefully constructed to ensure the long-term health of the market. The NAIC supports guaranteed issue and the elimination of preexisting condition exclusions for individuals to the extent that these reforms are coupled with an effective and enforceable individual purchase mandate and appropriate income-sensitive subsidies to make coverage affordable.