

*House Bill 2755. Sponsor: Rep. Nancy Nathanson
Reinsurance – A step toward health care cost containment*

One of the top concerns of constituents is the cost of health care and health insurance. Just as important as it is to increase **access** to health care, it's critical to address the **cost**: to slow the skyrocketing increases in health care and health insurance. Health care costs too much, and the costs are escalating far beyond the rate of inflation and people's ability to pay. More and more residents are uninsured or underinsured. As more people lose insurance the public sector will inevitably bear more of the costs of health care.

Of the half million Oregonians who lack health insurance ⁱ most are either employed or dependent on someone who is employed. A disproportionate number of those lacking insurance are employed by small businesses that are unable or unwilling to pay the high premiums required for health plan coverage.

In addition to the currently uninsured, another 299,000 insured Oregonians have experienced a health insurance coverage gap at some time during the previous 12 months.ⁱⁱ

The Department of Consumer and Business Services is the primary regulator of the commercial health insurance market, where roughly 42% of Oregonians get their insurance (Oregon Health Fund Board Report). From information supplied by the Department covering the first three quarters of 2008, rates for individual health care plans increased an average of 17.7%, and rates for small group health plans increased an average of 11%.ⁱⁱⁱ Inflation has been averaging less than three percent, while medical cost inflation has been more like nine percent per year. So it makes you wonder when you see health insurance rate increase requests for 15, 20, 25% or more, on top of last year's rate hikes. We need to understand what factors are driving the escalation in insurance rates and see what we can do to slow it down. That's why I've introduced House Bill 2755, concerning re-insurance.

Reinsurance is essentially insurance for insurers. It allows primary insurers to spread or share the risk with secondary insurers, or reinsurers. Many primary insurers currently purchase private reinsurance in order to protect against the risk that policyholders' medical expenses will unexpectedly exceed estimates. Public reinsurance pooling has currently been adopted or is under review for use in the regulation of private insurance in other states including New York, Arizona, Iowa, Missouri, and Kansas.

In the ongoing discussions of health care reform in Oregon, the concept of a single state-negotiated reinsurance plan has been identified as a possible way of spreading risk in the individual and small-group markets, to enable insurance carriers to compete based on quality and efficiency rather than on the health status of their customers. Some type of risk-spreading or reinsurance mechanism would almost certainly be necessary if we move to a health insurance exchange or other form of guaranteed issue market in which buyers of insurance cannot be refused coverage due to pre-existing conditions and poor health.

How to structure this risk-spreading or reinsurance concept will require analysis, the type of analysis proposed by this bill. I hope you'll agree that we should put the wheels in motion to start this work now – we, and Oregon's citizens and businesses, really can't afford to wait any longer.

ⁱ 576,000 (15%) Health Insurance Oregon, Dept. of Consumer & Business Services

ⁱⁱ Oregon Health Fund Board Report

ⁱⁱⁱ Health Insurance Oregon, Dept. of Consumer & Business Services