

Merging Markets Study

November 21, 2016



- ACA provides states with the option of merging their individual and small group health insurance markets. Requirements include:
 - Single risk pool
 - Calendar year plan year
 - Annual rate adjustments
- MHBE Act of 2012 requires the MHBE to report on whether to continue to maintain separate small group and individual markets or to merge the two markets
 - Due December 1, 2016
- Standing Advisory Committee reviewed the report and was given the opportunity to provide verbal and written comments

- Recommend deferring a policy decision at this time and revisiting the issue when more data are available.
- Considerations:
 - Stakeholders preferred this option.
 - Rate impact - Premiums in the small group have been fairly stable, while the individual market is currently more volatile; insufficient data at this time to predict actual rate impact.
 - Carrier participation - Not all carriers participate in both markets. Merging would require carriers to participate in both or withdraw.
 - Plan year - Federal rules require merged markets to operate on a calendar year basis, while the small group is not required to do so.

- Timing of rate adjustments - Federal rules require merged markets to make annual adjustments, while the small group can do so quarterly.
- Essential health benefits - Benefit is slightly different between individual and small group.
- Risk adjustment - Merging markets may affect risk adjustment payments.
- Other states - Only DC and 2 states have merged markets, and none of these are fully ACA compliant.