

# Rewriting NH small group rules won't reduce costs

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MANCHESTER, N.H. — New Hampshire's reform (SB 110) of its small group health market should improve competition in the Granite State but it's no panacea for the high costs that plague health systems everywhere.

For some, the new law will in fact translate into higher premiums.

"There will be rate shock for some as a consequence of SB 110," said Andrew Dillman, of The Sadler Insurance Agency. "It is going to cost some people lots more to obtain health insurance. It may cost less for some."

Dillman said the large majority of those with health insurance should expect a 10 percent swing either way and fewer than 20 percent will be hit with a big increase in health insurance cost.

The Sadler Agency sponsored a public forum at the Manchester Country Club with former Commissioner Paula Rogers to explain the changes, most of which go into effect Jan. 1, 2004.

SB. 110 changes the definition of a small group employer for health insurance from employers with one to 100 employees to employers with two to 50 employees. It also allows all private and public employers with at least 50 employees enrolled in their group health plan to receive health plan loss information upon request and without charge.

It increases the age band ratio from 3:1 to 4:1, but prohibits a carrier from charging a senior over 65 more than three times what a younger individual would be charged. More mature groups will face slightly higher rates.

Certain community rating factors and medical underwriting will be allowed. The community rating factors include location, industry and group size. To mitigate the rate shock the first year, increases will be capped.

A legislative oversight committee will monitor the effects of SB 110.

Proponents of the changes note that the uninsured population in New Hampshire is largely residents who are 45 years old and younger. They hope that SB 110 will attract some of these uninsureds into the system by with lower rates.

Former Commissioner Rogers said SB 110 "re-prices the marketplace" not by reducing costs but by shifting them from one segment to another.

The new law does not do much to control cost shifting whereby the insurance and medical industries pass along the unfunded portions of Medicare, Medicaid and the uninsured population to the private sector, she pointed out.

"What we have is a very fragmented system," she said. "There are excess administrative costs, there is the cost-shifting and there is unnecessary care, possibly as much as 30 percent."

However, she sees benefits from the bill for residents in the northern part of the state and she thinks it could possibly bring some new carriers into the marketplace.

Rogers maintained that several carriers are considering re-entering the state's health insurance market. Even more helpful, she added, will be the development of new plans by some carriers that never left, such as Guardian, Aetna and United Health Care.

"The difference will come if the new entrants to the market compete around product design," she said. "The more carriers there are, the greater the competition. What will actually get at the cost drivers of health care are changing product design and disease management."

Rogers observed the paradox that New Hampshire is considered one of the healthiest states while at the same time is one of the most expensive for health care.

Both Rogers and Dillman suspect there may be privacy issues that arise out of the new health status form that will be required now that medical underwriting is allowed. They warned that employers will need to guard against discriminatory hiring and firing practices such as refusing to hire older or less healthy applicants or letting go older or less healthy workers go. □