



## Health Coverage in North Dakota:

# How Will Health Reform Help?

The House of Representatives is preparing to vote on an historic bill that, if passed, will dramatically improve the state of health care in North Dakota. Everyone—businesses large and small, seniors, children, those who currently have insurance, and those who don't—will be guaranteed access to coverage they can afford if America's Affordable Health Choices Act of 2009 (H.R. 3200) becomes law. Many of the problems in North Dakota's health care system will be fixed, so North Dakotans will be able to obtain and keep high-quality, affordable coverage that meets their needs. The major gaps in North Dakota's current health coverage system are described below, along with the significant ways in which H.R. 3200 will address them.

### Issue: Pre-Existing Conditions

#### What Happens Now?

If you try to buy a private insurance policy in North Dakota, most health insurers can refuse to sell you a plan because of any pre-existing conditions.<sup>1</sup> Or, an insurer can choose to sell you a policy only if it excludes coverage of your pre-existing conditions.<sup>2</sup>

#### How Will Health Reform Help?

Insurance companies will no longer be able to discriminate against North Dakotans based on pre-existing conditions. They will have to sell coverage to every person who applies, and that coverage will have to provide comprehensive benefits, including coverage for pre-existing conditions.

## Issue: Premium Pricing Based on Gender and Health Status

### What Happens Now?

If you try to purchase a private insurance policy in North Dakota, you can be charged higher premiums based on your gender and health status. For example, in one of the 10 best-selling plans in North Dakota, a 40-year-old woman is charged 29 percent more than a 40-year-old man for the same policy.<sup>3</sup> Insurance companies may also charge North Dakotans 35 percent extra for a plan based on their health history.<sup>4</sup> The combination of these rate hikes based on gender and health status can be so great that they price residents out of coverage altogether.

### How Will Health Reform Help?

Insurance companies will no longer be permitted to charge North Dakotans higher premiums based on their health status or gender, making prices fairer and more reasonable.

## Issue: Health Coverage—More Options, Better Options

### What Happens Now?

When individuals and employers shop for health coverage in North Dakota, they often find that their options are limited. In particular, they may struggle to find a quality plan that has comprehensive benefits, including preventive care, with deductibles and other cost-sharing that don't break the bank.

### How Will Health Reform Help?

A new Health Insurance Exchange will make a range of affordable coverage options available to all North Dakotans. The Exchange will guarantee that residents and employers will be able to choose from an array of high-quality, comprehensive private insurance plans. If the House bill passes, North Dakotans will also be able to choose a public insurance option, if such a plan best meets their needs. No one will be forced into any particular plan, public or private. Through the Exchange, plan options will be presented in a transparent manner (online and in paper formats) that will make it easy for residents to compare plan benefits and costs. All plans will offer a comprehensive range of services at an affordable price. This will include preventive care, which will have no cost-sharing. In addition, individuals and businesses who like their current health plans will be able to keep them.

## Issue: Affordable Premiums for Middle-Class Families

### What Happens Now?

North Dakota residents are facing higher and higher costs for health insurance. Over the past decade (2000 through 2009), family health insurance premiums for North Dakota workers rose 2.7 times more quickly than their median earnings.<sup>5</sup> These rapidly rising premiums are especially burdensome for middle-class families.

### How Will Health Reform Help?

North Dakotans with moderate incomes will receive sliding-scale subsidies to use toward the purchase of a high-quality health insurance plan. This will protect North Dakota families from having to spend too great a share of their incomes on health insurance premiums. And, as residents gain coverage, premiums will become more affordable for those North Dakotans who have insurance now and who pay a “hidden health tax”—on average, \$1,017 for each family with coverage in 2008. This is the extra price that families with insurance pay to make up for the care that doctors and hospitals provide to the uninsured.<sup>6</sup>

## Issue: Affordable Premiums for Small Businesses

### What Happens Now?

Small businesses in North Dakota have to struggle harder each year to provide coverage for their workers: Small business coverage is often more expensive than coverage for workers in larger businesses, and small business premiums can skyrocket due to the illnesses of as few as one or two employees.<sup>7</sup> In 2008, less than one-third (32.8 percent) of North Dakota businesses with fewer than 10 workers (and 67.9 percent of those with 10 to 24 workers) offered health insurance to employees, whereas nearly all firms with 50 or more workers (96.3 percent) offered coverage.<sup>8</sup>

### How Will Health Reform Help?

Small businesses in North Dakota will receive tax credits to help with the costs of providing coverage for their workers. And the Health Insurance Exchange (see “Health Coverage—More Options, Better Options,” on page 2) will provide a new market where small businesses can shop for coverage that is comprehensive and affordable. The Exchange will make premiums much more reasonable and predictable for small businesses, which are currently left to fend for themselves in the open market.

## Issue: Annual and Lifetime Caps on Coverage

### What Happens Now?

Currently in North Dakota, a health insurance policy may stop paying your claims if you exceed an annual or lifetime cap on your coverage. Therefore, if you or a family member becomes sick and needs significant medical care, you may “run out” of coverage and have to foot the bills on your own.

### How Will Health Reform Help?

Insurance companies will be forbidden to place annual or lifetime spending caps on North Dakotans’ insurance policies, making sure that they aren’t left out in the cold if they get sick.

## Issue: Out-of-Pocket Costs

### What Happens Now?

Even when they have insurance, North Dakota residents often have to spend a great deal out of their own pockets to obtain the health care they need. These expenses come in the form of deductibles, co-insurance, and other cost-sharing. In 2009, 44,000 non-elderly North Dakota residents with insurance were in families that spent more than 25 percent of their pre-tax income on health care.<sup>9</sup> Such high out-of-pocket costs are what drive many American families into debt and even

### How Will Health Reform Help?

Insurance plans will have to place caps on how much North Dakotans are required to spend out of their own pockets on cost-sharing. Starting in 2013, no individual will be required to spend more than \$5,000 a year on out-of-pocket costs, and family out-of-pocket costs will be limited to \$10,000 a year. Caps will be set on a sliding scale, so that lower-income people will have even greater protection from out-of-pocket costs.

## Issue: Guaranteeing Value for Premium Dollars

### What Happens Now?

Currently in North Dakota, health insurers can spend a large portion of your premium dollars on administration and profit, instead of on providing health care.<sup>10</sup>

### How Will Health Reform Help?

Under H.R. 3200, insurers will be required to spend a set portion of premiums on actually delivering care to North Dakotans, not on administration and profit. If they do not meet this requirement, they will have to provide premium rebates to subscribers.

## Issue: Maintaining Coverage when Individuals Get Sick

### What Happens Now?

One troubling insurance company practice is revoking insurance when people become sick and file claims; this practice is known as “rescission.” In these instances, insurers accuse individuals of intentionally omitting information about a medical condition on their insurance applications, while those accused argue that they had no knowledge of the condition or that it seemed too minor to mention. In North Dakota, there is little oversight of insurance revocations, and consumers don’t have strong appeal rights.

### How Will Health Reform Help?

New rules will prohibit insurers from revoking North Dakotans’ coverage once they get sick. Insurers will be able to rescind policies only in clear instances of fraud where individuals truly intended to mislead the insurer. When accusing an individual of such a violation, the insurer will have to notify the individual ahead of time and provide an opportunity for an independent, external reviewer to examine the situation and make sure that the insurer is not unfairly revoking coverage just because the person needs care. In addition, insurers will be required to continue paying for care until the situation is resolved by the external reviewer, protecting individuals from high medical costs when they face unfair rescissions. Moreover, when reform is fully implemented, insurers will not be able to deny coverage based on health status, making it much harder for them to unfairly revoke coverage.

## Issue: Renewing Coverage when Individuals Are Sick

### What Happens Now?

Individuals and families have a guaranteed right to renew their insurance policy each year, as long as they’ve paid all their premiums. However, if they become sick and file claims for care, there is no limit to how much their insurer might increase their premiums when enrollees renew their coverage.<sup>11</sup> Sometimes, rates go up so much that people are priced out of their coverage just when they need peace of mind from their health insurer the most.

### How Will Health Reform Help?

By prohibiting all premium pricing based on health status, H.R. 3200 will protect people from facing large premium hikes that make their coverage unaffordable when they get sick. Individuals and families will be guaranteed high-quality, affordable coverage that will be there for them when they need it the most.

## Issue: Coverage for Unemployed Workers

### What Happens Now?

Since most workers get coverage through their jobs, rising unemployment is driving up the number of uninsured working-age individuals in North Dakota. Unemployed workers have few affordable options for coverage. The average cost of COBRA for an individual in North Dakota was \$357 a month in 2008.<sup>12</sup> Unemployed workers got some help paying for their COBRA premiums this year as part of the economic recovery package, but this assistance will end in 2010. Furthermore, if a business closes or stops offering coverage, its former workers may have no high-quality, affordable insurance options, especially if they are in less-than-perfect health.

### How Will Health Reform Help?

North Dakota workers who are laid off will still have access to COBRA coverage, but they will also have a new option to obtain high-quality, affordable coverage through the Exchange. Coverage available through the Exchange will be comparable to that currently provided by large employers, but access to it will not depend on whether or not an individual is employed. And, unlike in the current individual health insurance market, the Exchange will not turn people away or charge people higher premiums based on their health. Sliding-scale subsidies to help people purchase coverage through the Exchange will make sure that unemployed workers can find a high-quality plan at a price that fits within their budgets.

## Issue: Coverage for Low-Income People

### What Happens Now?

North Dakota residents with low incomes often can't get insurance because Medicaid doesn't cover any adults under the age of 65 unless they are pregnant, are parents, or have a disability. (Working parents can get coverage if their incomes are less than 62 percent of poverty, or \$11,352 for a family of three in 2009.<sup>13</sup>) Low-income adults without dependent children can't get help with their health coverage, even if they are penniless.

### How Will Health Reform Help?

H.R. 3200 will expand the Medicaid program to cover all low-income uninsured residents, including adults without dependent children and those who do not have a disability. Therefore, people who earn too little to purchase coverage will finally be able to obtain the care they need. And covering more low-income adults will help reduce insurance premiums for North Dakotans who already have coverage (see "Affordable Premiums for Middle-Class Families" on page 3).

## Issue: More Affordable Coverage for Medicare Enrollees

### What Happens Now?

Currently, North Dakota seniors and people with disabilities face a gap in coverage in the Medicare Part D drug benefit called the “doughnut hole.” This means that they must pay up to \$3,454 a year out of their own pockets, on top of their annual Part D premiums. In addition, many preventive services that are covered in Medicare come with out-of-pocket copayments, co-insurance, and deductibles that discourage the state’s 106,005 Medicare beneficiaries from using them.<sup>14</sup> And lastly, the Medicare hospital trust fund is projected to be insufficient to pay full benefits as soon as 2017.

### How Will Health Reform Help?

The Part D doughnut hole will be gradually eliminated. In addition, an immediate 50 percent discount on brand-name drugs in the doughnut hole will make prescriptions more affordable right away. Preventive care will also be more affordable for people with Medicare: All copayments, deductibles, and co-insurance for preventive services under Medicare will be eliminated. Other improvements, such as an expansion of assistance to more low-income beneficiaries and a five-year extension of the life of the Medicare hospital trust fund, will also improve access to health care for people with Medicare, both now and in the future.

## Issue: Coverage for the Uninsured

### What Happens Now?

More than one in four working-age North Dakota residents (27.9 percent) were uninsured for one month or more during 2007-2008.<sup>15</sup> Sadly, the problem is only getting worse—290 more North Dakotans lose health coverage each month.<sup>16</sup> People who work for themselves or for small employers, along with people who earn low wages, are especially likely to be uninsured.

### How Will Health Reform Help?

Under the House bill, 34,000 North Dakota residents will gain coverage by 2013, and by 2019, 55,000 residents will gain coverage.<sup>17</sup> The path to coverage will depend on each resident’s situation: Some will enroll in coverage through the Exchange, some through Medicaid, and some through their employers or other sources.

## Endnotes

- <sup>1</sup> Ella Hushagen and Cheryl Fish-Parcham, *Failing Grades: State Consumer Protections in the Individual Health Insurance Market* (Washington: Families USA, 2008).
- <sup>2</sup> Kaiser Family Foundation, *Individual Market Portability Rules (Not Applicable to HIPAA-Eligible Individuals), 2008* (Washington: Kaiser Family Foundation, December 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=355&cat=7>.
- <sup>3</sup> Lisa Codispoti, Brigitte Courtot, and Jen Swedish, *Nowhere to Turn: How the Individual Health Insurance Market Fails Women* (Washington: National Women's Law Center, 2008).
- <sup>4</sup> United States Government Accountability Office, *Health Insurance: Enrollment, Benefits, Funding, and Other Characteristics of State High-Risk Health Insurance Pools* (Washington: GAO, July 22, 2009).
- <sup>5</sup> Kim Bailey, *Costly Coverage: Premiums Outpace Paychecks in North Dakota* (Washington: Families USA, 2009).
- <sup>6</sup> Kathleen Stoll and Kim Bailey, *Hidden Health Tax: Americans Pay a Premium* (Washington: Families USA, 2009).
- <sup>7</sup> Kaiser Family Foundation, *Small Group Health Insurance Market Rate Restrictions, 2009* (Washington: Kaiser Family Foundation, January 2009), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=351&cat=7>.
- <sup>8</sup> Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey—Insurance Component, 2008, Table II.A.2: Percent of Private-Sector Establishments that Offer Health Insurance by Firm Size and State: United States, 2008* (Washington: AHRQ, 2008).
- <sup>9</sup> Kim Bailey, *Too Great a Burden: Americans Face Rising Health Care Costs* (Washington: Families USA, April 2009).
- <sup>10</sup> Families USA, *Medical Loss Ratios: Evidence from the States* (Washington: Families USA, June 2008).
- <sup>11</sup> Telephone conversation between Vance Magnuson, North Dakota Insurance Department, and Claire McAndrew, Families USA, September 21, 2009.
- <sup>12</sup> Cheryl Fish-Parcham and Claire McAndrew, *Squeezed! Caught between Unemployment Benefits and Health Care Costs* (Washington: Families USA, January 2009).
- <sup>13</sup> Families USA, *Upper Public Program Eligibility Levels for Children and Adults* (Washington: Families USA, 2009).
- <sup>14</sup> Kaiser Family Foundation, *Total Number of Medicare Beneficiaries, 2008* (Washington: Kaiser Family Foundation, July 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=290&cat=6&sub=74&yr=63&typ=1&sort=a>.
- <sup>15</sup> Kim Bailey, *North Dakotans without Health Insurance* (Washington: Families USA, March 2009).
- <sup>16</sup> Families USA, *The Clock Is Ticking: More Americans Losing Health Coverage* (Washington: Families USA, July 2009). These data do not fully account for the loss in coverage that has occurred due to rising unemployment. Actual losses in coverage are likely greater than those reflected here.
- <sup>17</sup> Families USA, *Coverage for America: We All Stand to Gain* (Washington: Families USA, July 2009).

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