

# House Research Act Summary

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**TOPIC:** Minnesota Comprehensive Health Association

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## Overview

This act involves miscellaneous changes in state law governing the Minnesota Comprehensive Health Association (abbreviated MCHA and pronounced "em-cha"). MCHA is a private-sector nonprofit corporation created under state law to act as a high-risk pool to provide individual health insurance coverage to Minnesota residents who have pre-existing health conditions that make it impossible or very expensive for them to obtain coverage in the private-sector individual health insurance market. MCHA's premium rates, as required by state law, are based on private market rates but are about 20 percent higher than what a perfectly healthy person would pay in the regular private market for equivalent coverage. They are much lower than what the person would pay in the regular private market if coverage were available there at all. MCHA does not receive state funding; its deficits are funded by a statutory assessment on private-sector health insurers, based upon their total premiums for coverage sold in Minnesota. MCHA is governed by a board of directors on which state law gives insurers a majority and is regulated by the Minnesota Commissioner of Commerce. MCHA currently contracts with Medica to serve as MCHA's third-party administrator of MCHA's health plan.

- 1 Establishment.** Paragraph (d) changes the method of calculating premiums to be charged for MCHA Medicare Supplement plans by basing the premiums on a weighted average of those charged by the top three sellers of those products in the private Minnesota market instead of on a weighted average of all sellers in that market. Paragraph (f), for purposes of determining premiums for all MCHA policies that go into effect in 2014 and thereafter, permits MCHA to use comparable private market health plans that have then not yet become available for sale, so long as the plans have been filed with the commissioner and are reasonably expected to be purchased in the year for which the MCHA premiums are determined.
- 2 Determination.** Makes changes in the procedures and timing for determining MCHA premium rates for the 18-month period beginning July 1, 2012, and for calendar years 2014 and thereafter. This results in switching annual premium rate changes from July 1 to January 1, resulting in MCHA moving to a calendar year system of premium rate changes beginning in 2014. Permits MCHA premium rates for 2014 and future years to be based on market data "trended forward" to the

midpoint of the calendar year to better reflect expected market premium trends during the year.

- 3** **Approval of state plan premiums.** Consistent with previous sections of the bill, provides that future MCHA premium rates will be determined based in part on premium rates and costs of medical care that are projected, through the use of accepted actuarial principles, to exist in the regular individual market during the period of time covered by the policies. Current law requires that MCHA's premium rates be based on the rates charged in the private sector during the preceding calendar year.