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Submitter Information

Name: Rebecca Normington
Address:
1515 Saint Joseph Ave
Marshfield, WI, 54449
Email: normington.rebecca@securityhealth.org
Organization: Security Health Plan of Wisconsin, Inc.

General Comment

1) Concerns we have with grandfathered status regulations and our preferred stance on the issue/reasons for that stance
• We believe plan structure changes such as going from traditional insurance to a health reimbursement arrangement, when members retain the same level of benefits and employers fund the full amount of the change, should not affect grandfathered status.
• Employer groups moving from a fully insured plan to a self-funded plan should remain grandfathered if no other changes occur to employees' benefit level. The rules state that going from self-funded to fully insured does not result in a loss of grandfathered status. The opposite should also be clearly stated: Moving from fully-insured to self-funding does not result in the loss of grandfathered status.
• Employer groups changing from an HMO plan to a point-of-service plan, or vice versa, should remain grandfathered if the benefit level for network providers remains the same for members, even though a new contract is issued.

2) To what extent is grandfathered status worth it? Is it worth it for employers to try and remain grandfathered? How does it affect the strategy of the exchange?

We believe grandfathered status is worthwhile only for very healthy groups that can retain a preferred rating status after 1/1/2014 for as long as they remain healthy. If many groups opt out of the community rating system, the integrity of community rating would become degraded -- so

encouraging grandfathered status for healthy groups undermines the success of the reforms. But to the extent others play this game, we will need to as well. Many provisions of the law either apply to grandfathered groups, or Security Health Plan has already implemented them as corporate initiatives. Therefore, we do not anticipate significant impacts, other than as statec in the concerns above.