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PUERTO RICO
Health & Insurance
CONFERENCE 2018



**DEVELOPMENT BY STORM: HOW TO TURN POST-MARÍA RECOVERY
AS THE OPPORTUNITY TO FIX HEALTHCARE IN PUERTO RICO**

***Commercial Healthcare Insurance
from the Regulator's Perspective***

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Introduction

Office of the Insurance Commissioner of Puerto Rico – Our Role:

The insurance industry of Puerto Rico is covered by a high public interest, which is why it is strictly regulated by the State. The State delegated on the Insurance Commissioner the ministerial duty to regulate and supervise the different sectors of the insurance industry, a responsibility that entails ensuring that the administration of public policy on regulation and insurance in Puerto Rico meets the highest criteria of excellence and efficiency, and in particular, to adequately protect the interests of the insurance consumer.

Office of the Insurance Commissioner of Puerto Rico

Mission:

To promote solvency, solidity, competitiveness, and the development of the insurance industry as a vital sector of the economy of Puerto Rico, by creating an environment of regulation and supervision, innovative and flexible, which propitiates the satisfaction of insurance needs and the protection of citizenship.

Vision:

Exercise leadership in the development of an Insurance Industry of excellence, competitiveness, solvency and global ideas, focused on protecting the public interest and promoting the economic well-being of Puerto Rico.

Institutional Values:

Our Management, as a public servant, follows the following values:

Integrity and honesty

Agility and dynamism

Innovation

Commitment in providing excellent services

Sensitivity to the needs of those we serve

Transparency in our Management

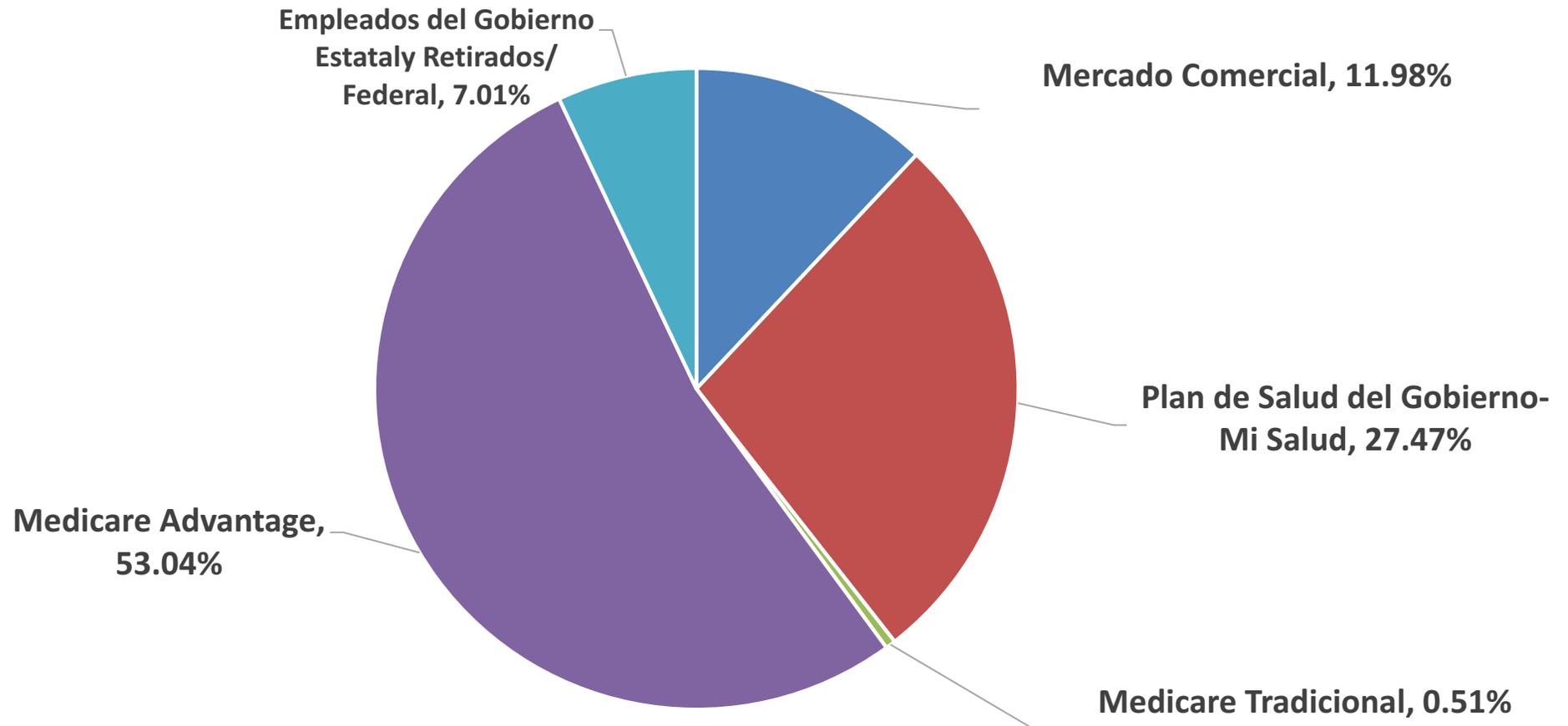
General Facts – Commercial Health Insurance Market:

- ❑ 724,451 aprox. lives insured within the Commercial Health Insurance Market.
 - ❑ This represents about 25% of the total of people with Healthcare Coverage in Puerto Rico (2,847,007), considering all other different lines.

- ❑ Commercial Health Insurance Market generates approximately \$857 millions in annual premiums for 2017
 - ❑ This represents about 12% of the total premiums generated in Puerto Rico (\$7.16 billions - all health lines).

- ❑ The Group and Individual Market is distributed among the 5 major carriers:
 - ❑ Tripe-S Salud, MCS, Humana, MAPFRE y First Medical.

Premium – Volume Distribution



General Facts

- ❑ Principal Purpose of the Affordable Care Act (ACA)
 - ❑ To guarantee a greater number of people the possibility of having health insurance that allows them access to basic health services and a better quality of them.

- ❑ According to the available data, about 400,000 people in Puerto Rico is currently without any health insurance. That is about 8-10% of the entire population.
 - ❑ In the USA, this is about 12% of the population.

- ❑ One of the mayor factors that contribute to these numbers is the fact that about 45% of the population in Puerto Rico gets Medicaid benefits (Plan de Salud del Gobierno).

General Aspects – ObamaCare

- ❑ Here are some of the general aspects of the law that have been implemented in the United States today and that have successfully aborted in the decrease of uninsured persons in the United States:
 - ❑ Limit in the contribution of the insured in the employer's health insurance premium.
 - ❑ Requirements for employers with 50 or more employees to offer medical plans to their employees.
 - ❑ Elimination of exclusion of covers due to pre-existing conditions.
 - ❑ Equality in the premiums by definition of sex.

General Aspects – ObamaCare

- Implementation of the health insurance market.
- Requirement of inclusion in the covers of medical plans that are known as essential benefits.
- Health insurance requirements for individuals and the imposition of penalties on those who do not have health insurance.
- Lower premiums for the person and higher for the young.
- Extension of coverage to dependents under the health insurance of their parents up to 26 years.
- Requirement to insurers to use 85% of the premium in health costs, thus limiting the budget available for administrative costs and profits plus 15%.

Critical Rules for Puerto Rico – ObamaCare

- ❑ The critical point for Puerto Rico with respect to the implementation of Obama care, was that not all the provisions of this law applied to the territories of the United States, including the health system of Puerto Rico. This caused some of the negative impacts experienced in Puerto Rico after the implementation of the ObamaCare.
- ❑ Many of the provisions of this law that applies today to Puerto Rico were determined as of 2013, by amendments made to the Puerto Rico Insurance Code by the local government, regardless of the dispositions of the Federal regulations.
- ❑ Therefore, many of the important provisions of the ObamaCare were not implemented as they were not available for Puerto Rico.
 - ❑ Ex: (1) the individual mandate to obtain medical insurance; (2) the employer’s mandate to offer it to their employees; (3) and the requirement to implement the “Health Insurance Exchange”.
- ❑ These caused a significant increasing in premiums in some sectors.

Critical Rules for Puerto Rico – ObamaCare

Some of the important critical rules that did applied to Puerto Rico are:

- Elimination of coverage exclusion for preexisting conditions.
- Extension of coverage to dependents up to 26 years.
- Requirement to include the so-called 10 essential benefit as coverage (Essential Health Benefits).
 - This really had an impact in Puerto Rico in the coverage of pharmacy, dental and vision, since the rest were benefits that already were covered by most of the health plans of Puerto Rico.
- Imposing taxes on insurers in the health industry – HIP Tax.
- Requirement for insurers to use 85% of the premium in health costs thus limiting the budget available for administrative expenses plus profits to 15%.

Critical Rules for Puerto Rico – ObamaCare

- ❑ In the group health insurance market, there was a change in the definition of what is known as “Small groups” or PYMES versus “Large Groups”.
- ❑ It was established (by local regulation) the definition of a “Large Group”, an employer with 100 or more employees
 - ❑ This was up from 50 or more employees, and without taking into consideration the way that it was implemented in the United States .

Challenges & Opportunities

Challenges in the implementation in Puerto Rico:

- Uncertainty in the application of the provisions of ACA here in Puerto Rico.
- Accessibility of the metallic plans with respect to their cost.
- Health Plans of Bonafide Associations.
- Payment of the Federal Health Insurance Provider Fee (HIP Tax).
- Discrimination and lack-of-parity in Medicaid and Medicare funds.
- Fragmented application of the provisions of ACA to the territories (Letter HHS 2014)

Challenges & Opportunities

- ❑ Increase in the premiums of individual group plans, as a result of the new requirements to increase benefits, without due protection to reduce the risk of adverse selection and the impact of the tax.
- ❑ Lack of tax incentives for both the insured and employers, so that they can acquire or provide health insurance and be able to convert obtaining medical insurance as a requirement.
- ❑ Support in the efforts to exclude the United States territories, including Puerto Rico, in the application of the HIP Tax, since Puerto Rico has never benefited nor will it benefit from the federal subsidies tax incentives that are supposed to be related to this tax.

Challenges & Opportunities

- ❑ Evaluate the other aspects of the current dispositions of ObamaCare that were not contemplated for Puerto Rico and actually worked in the United States.
- ❑ Non-Insured Population:
 - ❑ Identify initiatives to be able to maintain this low rate, before the possible elimination of the ObamaCare, that could come very possibly with cuts to the programs of Medicaid and Medicare in Puerto Rico, so fewer people would qualify to continue receiving medical services through these programs.

Achievements

- ❑ Approval of individual market products before the guaranteed subscription period begins.
- ❑ During 2017, the following products were approved by our Office, to be effective on 2018:

Metallic Level	Approved to be effective in 2018	
	Individual	Small Groups
Bronze	2	3
Silver	5	8
Gold	9	37
Platinum	3	56
Total	19	104

Month Ending: October, November, December 2017 & January 2018

Market	Carrier	Number of Contracts	Number of Covered Persons	Uninsured
Individual	Carrier A	45,438	55,277	7,159
	Carrier B	558	699	335
	Carrier C	681	843	568
	Carrier D	1,087	1,607	163
	Carrier E	48	55	55
	Carrier F	23,099	24,937	0
	Total		70,911	83,418

Market	Carrier	Number of Contracts	Number of Covered Persons	Uninsured
Small Group	Carrier G	0	0	0
	Carrier A	526	1,014	64
	Carrier H	87	133	0
	Carrier B	887	1,587	0
	Carrier I	38	69	0
	Carrier J	304	563	21
	Carrier C	0	0	0
	Carrier F	721	1,370	0
	Total		2,563	4,736

Month Ending: October, November & December 2017 and January 2018

Market	Metallic Level	2017 & 2018		
		Number of Contracts	Number of Covered Persons	Uninsured
Individual	Gold	47,179	56,806	5,519
	Bronze	2,248	2,470	57
	Silver	21,290	23,932	2,537
	Platinum	194	210	167
	Total	70,911	83,418	8,280

Market	Metallic Level	2017 & 2018		
		Number of Contracts	Number of Covered Persons	Uninsured
Individual	Gold	67%	68%	67%
	Bronze	3%	3%	1%
	Silver	30%	29%	31%
	Platinum	0%	0%	2%
	Total	100%	100%	100%

Market	Metallic Level	2017 & 2018		
		Number of Contracts	Number of Covered Persons	Uninsured
Small Group	Gold	832	1548	52
	Bronze	0	0	0
	Silver	243	402	8
	Platinum	1488	2786	25
	Total	2,563	4,736	85

Market	Metallic Level	2017 & 2018		
		Number of Contracts	Number of Covered Persons	Uninsured
Small Group	Gold	32%	33%	61%
	Bronze	0%	0%	0%
	Silver	9%	8%	9%
	Platinum	58%	59%	29%
	Total	100%	100%	100%

Recent Achievement:

Law 43 of 2018

- Bonafide Association were considered individual plans
- This limited the access of these associations to qualify as “groups”
- Now Bonafide Associations are considered as “groups” with the possibility of lower rates and better benefits, since they can create a bigger pool.
- Plans of Bonafide Associations was mathed as commercial group plans;
 - Small groups – up tp 50 employees
 - Large groups – 51 employees or more



Thank You

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