EXHIBIT 7
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HB

Health Insurance Reform in Montana

A presentation to the 2011 Montana Legislature

Presented by
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In Montana, **157,000** people are without medical coverage.

Montana law before health care reform:

- Does not restrict health insurance rate increases.
- Does not require health insurance rates to be actuarially justified.
- Unlike most states, does not give the state insurance commissioner the ability to review or disapprove health insurance premium rate increases.
- Allows insurance companies to deny someone an individual health insurance policy for any reason other than "race, color, religion or national origin."

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In Montana, **157,000** people are without medical coverage.

Montana law before health care reform:

- Allows insurers to impose annual or lifetime benefit limits on any individual for any type of coverage.
- Does not require insurers to spend a defined amount of the hard-earned premium dollars paid by families and employers on health care .
- Allows a health insurer to rescind an individual or family policy after that individual pays a premium.
- Requires health insurance companies to cover a few preventive benefits, while other important preventive services may not be covered or may be subject to significant co-pays or co-insurance amounts.

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Key Health Insurance Reforms Since March 23, 2010:

Create a Temporary High-Risk Pool

Montana Affordable Care Plan

- CSI chose to run the new federal high-risk pool along side the existing Montana Comprehensive Care Association (MCHA) pool. In the summer, the Commissioner approved a single application for both programs and began accepting applicants to the MAC Plan on July 1st. For those who applied before July 15th, coverage started on August 1st.
- As of 1/7/11, there are 181 enrollees. Many enrollees have major illnesses that were not being treated before getting on the MAC Plan.
- The program is a bridge to January 1, 2014 when insurance companies must offer coverage to everyone and high-risk pools will no longer be needed.

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Key Health Insurance Reforms Since March 23, 2010:

Comprehensive health insurance market reforms on all policies after issuance or renewal following September 23, 2010

Insurance companies have already implemented the immediate market reforms on applicable policies. CSI approved amended policy forms and consumers are experiencing these new benefits, especially the large number who have policies that renew after January 1, 2011.

Immediate market reforms include:

- **No Cost-sharing for Preventive Care and Wellness** (except grandfathered plans)
- **No Pre-existing Condition Exclusions for kids** under age 19 (except grandfathered individual plans)
- **Prohibition on Lifetime Limits**
- **Restricted Annual Limits for Essential Benefits** (except grandfathered individual plans)
- **Rescissions are limited to cases of fraud or misrepresentation of material fact**
- **Extends coverage to adult dependents to age 26**

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Key Health Insurance Reforms Since March 23, 2010:

Comprehensive health insurance market reforms on all policies after issuance or renewal following September 23, 2010

- The Commissioner's Office has worked with the insurance industry and various stakeholders to draft two pieces of related legislation to maintain state regulatory authority:
  1) HB 128 to implement the market reforms into federal law so that the CSI can help consumers when their insurance company is not correctly applying the new federal laws. Without this law, consumers will have to rely on a federal office, that may or may not be in Montana, to handle their complaints.
  2) HB 129 to update the current grievance and appeals process for individuals who were denied payment for treatment by their health plan. The NAIC model becomes federal law and will preempt state law in July 2011.

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Key Health Insurance Reforms Since March 23, 2010:

Expand consumer ombudsman services to help with insurance claim disputes

- The Commissioner's Office received a federal grant to increase existing CSI Policyholder Services Division resources. Each year, Policyholder Services collects $3-5 million in claims for consumers.
- The primary purpose of the federal grant is to develop consumer education resources and to enable Policyholder Services to reach out to consumers around the state and assist with insurance-related issues.
- Under the grant, PHS can also assist all consumers, regardless of their health plan, with internal and external appeals.

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Key Health Insurance Reforms Since March 23, 2010:

Review premium rate increases of insurance companies:

- As of January 1, 2011 minimum loss ratio is mandated on all health plans:
  80% MLR for individual and small group markets
  85% MLR for large group market
  Minimum Loss Ratio: percentage of premium paid for medical claims
  Companies may have to refund policyholders on a pro-rata basis if MLR is not met for the year. Insurance companies must file MLR documentation to the HHS Secretary.
- CSI received a $1 million rate review grant to begin collecting insurance company's rating data. Insurance companies have never filed rates with the CSI. Both current rates and premium trends must be sent to the HHS Secretary.

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Key Health Insurance Reforms Since March 23, 2010:

Review premium rate increases of insurance companies:

- Because the Montana Insurance Commissioner does not have rate review authority, HHS will review premium rate increases. Proposed HHS regulations state that any increase over 10% will trigger review by HHS if the state does not have effective review authority. HHS will continue to distribute grants over the next 3 years to cover state costs. The availability of future grants to Montana is unlikely if rate review authority is not granted to the Montana Commissioner.
- The Commissioner's Office has met with industry numerous times and researched other states' laws to draft legislation giving the Commissioner the minimum amount of rate review authority necessary to be considered effective by the HHS Secretary and to maintain state regulatory authority.

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Key Health Insurance Reforms Since March 23, 2010:

Establish a state-run Health Insurance Exchange for individuals and small businesses.

- An Exchange is a **one-stop online marketplace** for individuals and small businesses to compare rates, benefits and quality among health plans. All plans sold in the individual or small business Exchange are offered by **private health insurers.** The exchange is **not a government-run plan or public insurance option**.
- Individuals and small businesses can continue to purchase insurance outside of the Exchange or keep their current coverage. However, tax credits and subsidies to purchase health insurance will only be available in the Exchange.

Key Health Insurance Reforms Since March 23, 2010:

Establish a state-run Health Insurance Exchange for individuals and small businesses.

- To achieve establishing the Montana Exchange, the CSI has:
  1) Received a $1 million federal grant to begin planning Montana Health Insurance Exchange.
  2) Used grant money to contract with entities to research how to best design an Exchange for Montana's consumers and insurance industry.
  3) Selected consumers, insurance industry representatives, healthcare providers, and small business advocates to sit on an Exchange Stakeholder Involvement Council. Three meetings have been held in Helena, Missoula, and Billings since November.
  4) Based on comments by the Council, CSI drafted HB 124. A bill must be passed in 2011 to maintain state control over the exchange. Otherwise, a federal exchange will be established in Montana.
  5) Requested members of other state agencies to sit on an inter-agency working group to analyze how to integrate existing programs into the Montana Exchange.