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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**

**Perspectives of the Health Insurance
Companies of Puerto Rico**

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- After the approval of ACA, the health insurance carriers in Puerto Rico have significant challenges in offering accessible alternatives to the commercial market.
- This is due to the unique situation of Puerto Rico and the following factors:
 - Not all ACA provisions are applicable to Puerto Rico, including the mandate for employers with 50 employees or more; the individual mandate, and the requirement for the implementation of “Health Insurance Exchanges”.
 - The Health Insurance Code of Puerto Rico, however, adopted the essential health benefits provided in ACA.



- Other ACA provisions that have been applied in Puerto Rico are:
 - No exclusion of benefits for pre-existent conditions.
 - Extension of coverage to dependent children up to 26 years.
 - Inclusion of the 10 essential health benefits as mandated benefits. Among these benefits, it is important to note that pharmacy, vision and dental coverages were not previously included in health contracts as a mandated benefit. These benefits had a significant effect increasing the premiums.
 - Application of the Health Insurance Tax (the HIT tax), even when the funds derived of such contribution are not used in Puerto Rico, since the Health Exchanges are not applicable here.



- Application of the MLR rule, under which 85% of the premium must be used in the payment of covered health services, and any excess not used, must be reimbursed. This requirement limits any administrative expenses and profit to 15%.
- There was an obstacle for small business to access affordable health benefits since they were considered as individuals subject to the gold, silver and bronze levels, until the approval of Act 43-2018, signed January 23, 2018. This act amends the Health Insurance Code, in order to establish the requirements for offering group health plans by *bona fide* associations, making it more affordable for these associations to obtain a health insurance plan for their members.



- Other threats are:
 - Massive migration of Puerto Rico residents to the States
 - Increase in costs and utilization of specialty drugs
- All these conditions result in a significant increase in the cost of health insurance due to the application of all EHBs, without any protection from adverse selection and with the impact of the HIT tax.
- As a result, many employers are opting to discontinue the health insurance benefit as part of the fringe benefits for their employees. In other cases, employers opt to limit the employer contribution to those plans.



SOLUTIONS

- As set forth by CMS, on a July 17, 2014 letter addressed by Marilyn Tavenner, CMS Administrator, there are certain ACA provisions in connection to essential health benefits are not applicable to territories, including Puerto Rico.
- Therefore, there is a space to enact laws and regulatory actions to balance the industry's capacity to offer more affordable products.**



- Actions that the health insurance industry and the Government shall undertake to improve the conditions of the health insurance commercial market are:
 - Amendments to the Health Insurance Code, allowing the marketing of alternative plans” with deviations of ACA’s essential health benefits, particularly the drug coverage.
 - Evaluation of alternatives representing a sound actuarial arrangement in connection to the coverage of specialty drugs.
 - Approval of any tax incentives to individuals and employers to promote the subscription of health insurance.





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