



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

June 20, 2007

The Honorable Tammy Baldwin
U.S. House of Representatives
2446 Rayburn House Office Building
Washington, DC 20515

**EXECUTIVE
HEADQUARTERS**

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The Honorable Tom Price
U.S. House of Representatives
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The Honorable John Tierney
U.S. House of Representatives
2238 Rayburn House Office Building
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**GOVERNMENT
RELATIONS**

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Dear Representatives Baldwin, Price and Tierney:

On behalf of the nation's state Insurance Commissioners, we are pleased to convey our support for your efforts to encourage innovative health care reforms on the state level. We believe that your legislation, H.R. 506, the Health Partnership Through Creative Federalism Act, represents an important recognition that health insurance coverage and affordability challenges differ from state to state and that the states are best situated to tackle this difficult problem.

The National Association of Insurance Commissioners (NAIC) represents the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories, whose primary objective is to protect consumers and promote healthy insurance markets. For the past year, the NAIC has been engaged in an effort to develop federal policy recommendations to encourage innovative state health reform efforts. This effort culminated in a four-part proposal that, among other things, recommends that the federal government support state reform efforts through financial assistance and waivers of ERISA restrictions to provide flexibility. Your legislation addresses both these goals and would help prepare the ground for a new generation of innovation in state health policy solutions.

We would like to suggest a few improvements to your legislation that we believe would provide maximum flexibility to the states and make the program more effective:

- The minimum benefit standards contained in 2(d)(1)(a)(ii) could limit the flexibility of states to create innovative reform plans. For example, under this provision states would be prohibited from providing universal catastrophic coverage to their residents that could be supplemented by employers. For maximum flexibility, we recommend that this requirement be removed.
- The prohibition of preexisting condition exclusions in 2(j)(1)(a)(i) would lead to adverse selection by allowing individuals to wait until they develop serious medical conditions before enrolling in coverage supported by state innovation grants. This adverse selection would ultimately destabilize state programs and limit its effectiveness.
- Finally, state Insurance Commissioners possess a wealth of technical expertise on the operation and regulation of health insurance markets and in many states are responsible for the operation of programs designed to improve health insurance access and affordability. We recommend adding two state Insurance Commissioners to the State Health Innovation Coverage Commission, which would benefit from their experience and expertise.

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Once again, we would like to express our appreciation for your efforts to bolster the ability of states to tackle the difficult task of improving health insurance access and affordability. We look forward to working with you on this important legislation, and on other efforts to improve health coverage for all Americans. Please do not hesitate to call upon us if we can be of any assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Walter Bell', with a long, sweeping horizontal stroke at the end.

Walter Bell
NAIC President
Alabama Insurance Commissioner

A handwritten signature in black ink, appearing to read 'Cathy Weatherford', with a large, stylized initial 'C' and a long horizontal stroke.

Cathy Weatherford
NAIC Executive Vice-President and CEO