NYSCOP | NEW YORK STATE CONFERENCE OF BLUE CROSS AND BLUE SHIELD PLANS

June 2, 2017

RE: AN ACT to amend the insurance law, in relation to conforming changes to discontinuance notices

A.7737 (Cahill)
S.5723 (Seward)

MEMORANDUM IN SUPPORT

Submitted on behalf of the Blue Cross and Blue Shield Plans

The New York State Conference of Blue Cross and Blue Shield Plans support enactment of this Bill, which would create a consistent standard across all types of health insurers in relation to issuance of a notice of discontinuance for individual health insurance products. This standard would correct the current disparate treatment between health insurers offering individual products and provide a significant benefit to consumers, as notice of product discontinuance will be provided in a more appropriate timeframe.

Current law requires not-for-profit (NFP) health insurers and HMOs to issue a notice of discontinuance of an individual insurance product 5 months prior to the termination of that product. However, commercial insurers and all payers (commercial, NFP and HMO) offering group coverage are required to issue a notice of discontinuance of an insurance product 90 days prior to the termination of that product. With most products and offerings being renewed annually on January 1 of each year, notices issued by NFP insurers and HMOs must be mailed by August 1 of the preceding year. This date is prior to the finalization of rates approved by the Department of Financial Services ("DFS"), prior to the final approval of policy forms and prior to the date insurers must decide whether to participate on the New York State of Health (NYSOH).

While the 5 month notice period may appear to benefit consumers by providing more time to identify a new insurance plan or product in the event their current product is terminated, the time frame actually harms consumers as it requires insurers to make a decision on their product offerings prior to rates for the next year being approved by DFS. The process forces insurers to make decisions on discontinuing policies prematurely, increasing the potential for an individual's product to be terminated. It also requires insurers to issue a notice of discontinuance for products that they may or may not discontinue, depending on the final approved rate, unnecessarily alarming consumers that their product will be discontinued when the notice may only serve as a placeholder for an insurer to maintain their right to terminate a product.

The New York State Conference of Blue Cross and Blue Shield Plans (NYSCOP) is a partnership of Rochester-based Excellus Blue Cross Blue Shield and New York City-based Empire Blue Cross Blue Shield. Together, the two health insurance plans provide comprehensive health coverage for millions of New Yorkers.

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Under the current 5 month process, while consumers are provided with ample notice of the termination of their product, the notice is provided at such an early stage that consumers are not even be able to begin looking for another product until the rates for next year's offerings are approved. In addition, consumers may spend valuable time reviewing a commercial product that ends up not being available the following year, as commercial insurers are not required to notify the public that they are discontinuing a product for another 2 months.

Establishing a consistent 90 day timeframe for all individual and group insurance products available to New Yorkers provides a greater benefit than the current 5-month notice requirement provides. The 90 day notice affords individuals the ability to immediately view all of the products that will be available for the upcoming year and allows all plans with full knowledge of the DFS approved rate in determining whether to discontinue a product.

For the foregoing reasons, the Blue Cross and Blue Shield Plans support this Bill and urge that it be enacted.

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