

Classifying Insurer Activities: Where is the Value?

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Bad (Selection)	Uncertain (Rationing)	Good (Improving efficiency)
1. Risk selection/cream skimming	1. Limiting services provided	1. Identifying best and worst providers
2. Preexisting conditions	2. Shifting costs to patients	2. Improving members' health
3. Subtler Selection a. Refusal to respond to needs of high cost patients in order to drive them away b. Attracting disproportionate share of low-risk individuals	3. Constraining payments to providers	3. Better Administrative Services Organizations (ASOs) (via HIT, et al.) (how best to code, process claims, et al.)
SOLUTIONS	RESPONSES	REINFORCEMENT
1. Risk Adjustment a. subsidy b. risk sharing retrospectively, not just prospective responses to demographic or medical underwriting	1. Regulate limits a. Require these limits to be evidence-based b. Require evidence-based floor of care c. Appeal procedures	1. Subsidy for and regulation of rating function a. P4P to insurers best at assessing and reinforcing quality b. Regulation to assure transparent rating systems.
2. Guaranteed issue	2. Target cost-shifting a. Protect poor patients from excess cost-sharing b. Tiered copayments based on quality of care	2. Incentives for long term contracts
3. Subtler Regulation a. Re High-Need Individuals i. mandated list of benefits & response times ii. self-organization of groups (cf. diabetes group in Netherlands) to advocate for better chronic care b. Re Low-Need Individuals i. ceiling of coverage (e.g., no coverage of cosmetic surgery) ii. constrain marketing budget iii. limit group discounting	3. Ensuring a level competitive playing field a. Antitrust enforcement (Note that in many markets, providers appear to be in the driver's seat) b. Price transparency on all sides so that competition can occur.	3. Direct subsidy for best practices that take many years to implement.

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