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January 26, 2006

The Honorable John Ensign
United States Senate
364 Russell Senate Building
Washington, DC 20510

RE: S. 1955, Health Insurance Marketplace Modernization Act and Affordability Act of 2005

Dear Senator Ensign:

I am writing to you today to urge you to oppose S. 1955, that would allow trade associations to pool their memberships across state lines to obtain group health coverage. On July 2, 2003, I sent you a letter urging you to oppose S. 545 (association health plans).

S.1955 attempts to address some of the deficiencies of the association health plan bill by addressing state mandates, state oversight, self-funding and solvency issues. However, the bill does not adequately address these areas.

The bill will only require the coverage of mandates that have been passed in 45 states. State oversight is only imposed after a Commission decides what is best for Nevada. If the state does not enact what has been proposed as the harmonized standards, then the harmonized standards will supersede any and all state laws. The state is responsible for oversight and management whether they agree or not. This legislation would require that a state adopt the National Association of Insurance Commissioners (NAIC) rating standards for the small groups.

I do not recommend support of this bill because it would allow a carve out of the small group market in Nevada covering only those risks that were not able to join a trade association. Consequently, if only the adverse risk were available for the Nevada licensed carriers to cover, the cost of health care would rise in the local Nevada marketplace. Additionally, the NAIC standard for rating is different than that found in Nevada statutes. We have a wider margin for the carriers to address the guaranteed issue health status than the NAIC allows. This rating structure has created an environment in Nevada where the small employers have over twenty carriers to choose from when they purchase health insurance for themselves and their employees.

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I anticipate a reduced choice of carriers if this bill is passed. Finally, the bill assumes that they know what is best for the Nevada marketplace instead of our state legislature. Each state is demographically unique, and each state knows what will work best for its own residents. This bill, if passed, would presume that the Commission, established under federal law, would know what is best for Nevada.

I support initiatives that would lower the cost of health insurance for all small employers in Nevada and remain committed to ensure that Nevada small businesses have a choice for health insurance. Since S. 1955 does not allow each state to address the specific needs of the marketplace and all of its residents, and I strongly urge your opposition.

Sincerely,



ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

AAMA:da

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