



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
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SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

JANET T. MILLS
GOVERNOR

KIRSTEN LC FIGUEROA
COMMISSIONER

*Testimony of Anya Trundy, Deputy Commissioner
Department of Administrative and Financial Services*

Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services

In Support of
**LD 999, An Act to Include Employees of the Maine Indian Tribal-State Commission in the
State's Group Health Plan**
Sponsored by Rep. Laurie Osher

In Opposition to
**LD 1115, An Act to Expand eligibility Under the State's Group Health Plan to Employees
and Members of the Maine Association for the Education of Young Children**
Rep. Amanda Collamore

Senator Bailey, Representative Mathieson, and honorable members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services; I am Anya Trundy, a Deputy Commissioner for the Department of Administrative and Financial Services (DAFS), and I am providing joint testimony today in Support of LD 999, and in Opposition to LD 1115.

In a February 18, 2025 letter, you requested that the Office of Employee Health, Wellness and Workers Compensation develop objective criteria and guidance that the committee could consider before making a policy recommendation on proposed legislation to add ancillary groups. In response, the Office provided the following recommendation, based on our careful review of the 31 ancillary employers currently encompassed by 5 MRS §285:

"We recommend that the State needs to have an existing and significant financial interest in the requesting entity via operating funds being appropriated to them in the budget."

The Department's position on the two bills before the Committee today is consistent with this guidance and should not be construed as a position on either organizations' objectives and quality of the work. As I have expressed in previously submitted testimony related to eligibility, the State Employee Health Plan is not an insurance plan intended for purchase on the open market. Rather, the State Employee Health Plan is the self-insured health insurance plan offered to State of Maine employees as an employee benefit. In the cases where ancillary groups have been added to the list of eligible organizations and entities, those groups have most often fallen under the category of "quasi-governmental entities" which receive funds appropriated by the State, as indicated in the aforementioned recommendations.

The baseline General Fund appropriation for FY26 & 27 for the Maine Indian Tribal State Commission was approved in PL 2025, c. 2 (page 48), and totals \$268,500. This appropriation satisfies the requirements recommended by the Office of Employee Health and Wellness, and as such the Department is supportive of their inclusion under §285, if MITSC is responsible for their own premiums.

Unfortunately, where some organizations may be entitled to eligibility based on the recommended guidance, there must be those that are not. We maintain that organizations like the Maine Association for the Education of Young Children undertake critical and commendable work, and we sympathize with their desire to provide health insurance to their employees. But as Maine AEYC is an independent, non-profit organization that does not receive state funding, the State does not have an existing and significant financial interest, and therefore DAFS does not recommend extending eligibility.

Thank you for the opportunity to testify, I am happy to answer any questions you may have and will be available for the work sessions.



STATE OF MAINE
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Janet T. Mills, Governor
Kirsten LC Figueroa, Commissioner

Shonna Poulin-Gutierrez, Executive Director

April 4, 2025

Dear Senator Bailey and Representative Mathieson:

Thank you for your letter of February 18, 2025, requesting that the Office of Employee Health and Wellness (OEHW) "evaluate the ancillary groups that are currently participating in the group health plan and develop objective criteria and guidance that the committee could consider before making a policy recommendation on proposed legislation to add ancillary groups, like the Maine Association of Retirees, to the State's group health plan."

DAFS Deputy Commissioner Anya Trundy noted the following in her written testimony of January 28, 2025, in opposition to LD 91: "5 MRS §285 defines the eligibility of state employees 'and other eligible persons' for the State Employee Health Plan. Since its enactment, the statute has been amended numerous times to expand eligibility to 31 ancillary employers." Ms. Trundy's testimony further noted that most of those 31 ancillary employers "... would be considered quasi-governmental entities, that have an otherwise existing financial dependency on the State, as their operations are at least partially funded through the State budget."

We would emphasize that the **vast majority** of those 31 ancillary employers would be considered quasi-governmental entities; in fact, that is the **only** common denominator we have identified linking our ancillary groups. This implies a consistency in legislative intent over time that we would suggest is an important and appropriate precedent to consider in the HCIFS Committee's current and future deliberations regarding ancillary employer participation in the State Employee Health Plan (SEHP). **To express this criterion clearly: we recommend that the State needs to have an existing and significant financial interest in the requesting entity via operating funds being appropriated to them in the budget.**

Related legislation currently before the Committee includes LD 91, "An Act to Authorize Employees of the Maine Association of Retirees to Be Eligible for Participation in the State Employee Health Insurance Program," and LD 1115, "An Act to Expand Eligibility Under the State's Group Health Plan to Employees and Members of the Maine Association for the Education of Young Children." Neither of those independent, non-profit advocacy organizations – while certainly worthy of every Maine citizen's respect and support – meet the criterion noted above. Conversely, with respect to LD 999, "An Act to Include Employees of the Maine Indian Tribal-State Commission in the State's Group Health Plan," MITSC will receive a General Fund appropriation of \$268,500 in each year of the FY 2026/2027 biennial budget indicating that the State has an existing and significant financial interest in the requesting entity via operating funds being appropriated to them in the State budget.

Requesting entities often argue that they are only seeking coverage for a small number of employees as why their inclusion would not be a financial burden on the SEHP. However, the insurance business model is based upon averaging the claims risk of all plan members and across the entire pool of member premiums. With respect to an individual member, it would not be unusual for an individual's claims to exceed their individual premiums paid. In this situation, the financial burden of claims in excess of premiums for non-state-employees would be borne by the SEHP, which is subsidized by the State as an employer.

Our chief concern in recommending continued adherence to this criterion is to allow our Office, in conjunction with the State Employee Health Commission (SEHC), to focus on the efficient and cost-effective administration of our

self-funded group health plan. Our mission is not to serve as a public health insurance option for entities tangentially associated with the State of Maine that are seeking high quality health insurance, or preferential rates.

Testimony from ancillary groups on legislation currently before this Committee, as well as from other ancillary groups testifying on similar legislation in prior sessions, focused on the desire of these groups to extend SEHP coverage to their employees as a means of attracting and retaining employees. This is understandable given the broad, state-wide awareness that State of Maine employees have access to excellent health insurance coverage; however, it should be noted that joining the SEHP is not the only way for such groups to provide their employees with competitive health insurance benefits. (Please see the Appendix on page 3 of this letter for information on other coverage options available.)

Another concern for consideration is that ancillary groups participating in the SEHP create significant administrative overhead for our Office. The actual fiscal impact of that overhead is diffuse and difficult to quantify but would certainly be compounded by allowing additional ancillary groups to enroll. The administrative overhead falls into several distinct categories:

- **Plan Structure** – Ancillary groups are assigned unique administrative division numbers, which must be communicated to the State's health insurance carrier and pharmacy benefits manager and reflected in various reports.
- **Manual Enrollment** – With the near future implementation of "PRISM," the State's new human resources management system, OEHW will be able to transition from our historical, paper-based enrollment process to an online process that promises to be user-friendly for employees and administrators alike. Ancillary groups are not included in the PRISM implementation plan; therefore, OEHW will be forced to continue our historical, paper-based enrollment process for each of these groups.
- **Manual Billing** – State of Maine employee premiums are deducted automatically from employee paychecks, whereas ancillary groups must be manually billed monthly by OEHW, and their premium payments must be manually processed. Manual billing and payment tracking is already administratively burdensome and will only be more so with additional ancillary groups.
- **Plan Member Communications and Compliance** – OEHW communicates with SEHP plan members primarily through digital means for plan updates and compliance-related notices, and our communications media are optimized for State of Maine employees. Communicating separately with ancillary employers and their employees requires separate plan member communications that are not as direct as our standard communications protocols – and may not be as reliable.
- **Health Premium Credit Program** – Our Office's Health Premium Credit Program provides participating employees with a financial incentive intended to influence employee behavior in the direction of improved health and wellness. It is the most direct and effective tool at our disposal for improving the health of our insured population through preventive care. Ancillary groups are not able to participate in this program; therefore, this missed opportunity poses greater risk to the overall health of our plan population.

Please note that our Office's staff members and SEHC members are considered fiduciaries of the SEHP; therefore, per the considerations noted above, we strongly recommend limiting future additional ancillary group participation in the SEHP. Thank you again for the opportunity to provide feedback to this Committee on this important topic. Please do not hesitate to let us know if we may be of any further assistance.

Sincerely,

Shonna Poulin-Gutierrez
Executive Director

Appendix – Group Health Insurance Options in Maine

- Without the State of Maine's generous employee premium subsidy, ancillary groups joining the SEHP are currently billed \$14,271 per year, per member, which is sufficient premium to purchase competitive health insurance coverage via the Small Group commercial or Individual (CoverME.gov) markets. Those two markets in Maine are currently merged: rates for each plan option have been set by the Maine Bureau of Insurance, and the only two factors that affect rates are the applicant's zip code and date of birth. The BOI's Merged Market Rate Calculator is available online: <https://www.maine.gov/pfr/insurance/consumers/health-insurance-for-individuals-and-families/rate-calculator-instructions/rate-calculator-2025>
 - Example: the rate for a 50-year-old employee in Kennebec County for the Community Health Options Clear Choice **Platinum** PPO 500 NE is \$1,209. (The actuarial value of this plan may be even higher than the SEHP's.) The rate for that same employee for the Anthem Clear Choice Individual Gold Blue Choice PPO 1500 is \$967 per month. Younger employees would of course have lower rates; older employees would have higher rates.
 - The BOI also devotes a section of their public website to "Health Insurance for Small Businesses": <https://www.maine.gov/pfr/insurance/consumers/health-insurance-for-small-businesses>
- An ancillary group with 50 or more employees seeking SEHP eligibility would be considered a "Large Group," and in the commercial market in Maine, such groups are "experience-rated"; i.e., the group's rates would be set by individual commercial carriers, based primarily on the group's demographic make-up and recent claims experience. **We would recommend that the Committee give especially careful consideration to experience-rated ancillary groups seeking SEHP eligibility to secure richer coverage at lower rates.** The underwriting principle known as "adverse selection" refers to the propensity of higher-risk individuals or groups to seek coverage from an insurer that may not be aware of the higher risk presented by such applicants. An experience-rated group with high-risk demographics or adverse claims experience could have an unfavorable impact on the SEHP's own claims experience, potentially contributing to increased premiums or reduced benefit levels for all plan members.
- Any group insured in Maine, large or small, can benefit from a tax-advantaged plan called an Individual Coverage Health Reimbursement Arrangement (ICHRA). An ICHRA, as defined by the federal Marketplace, is an efficient and cost-effective way for small organizations to provide defined non-taxed reimbursements to employees for qualified medical expenses, including monthly premiums and out-of-pocket costs, like copayments and deductibles. Employer contributions to an ICHRA plan are considered a tax-deductible business expense. Administrative costs for the employer are minimal, and health insurance brokers in Maine are widely available to guide employers through the process of setting up an ICHRA. Brokers can also assist employees with selecting and enrolling in an appropriate Marketplace plan funded by their employer's ICHRA reimbursement. Brokers are compensated by commissions paid directly by the insurance carriers; furthermore, marketplace premiums are the same whether employees enroll on their own, or with the assistance of a broker.