

Testimony in Support of LD 1906

Distinguished members of the Committee on Health Coverage, Insurance and Financial Services,

My name is Edward Pierce. I am a Partner at Lockton where I advise large and mid-sized companies in their self-funded employee benefits programs. I work with Maine employers ranging from 350 employees to 20,000+. I am here today to testify in strong support of LD 1906.

This bill is about one simple principle: accountability. This bill, if passed, would enable employers to fulfill their fiduciary duty to the plan assets – which are a part of compensation that all of their employees receive. We want employers to act in the best interest of their employees – especially when it comes to anything compensation related. These are not hypothetical responsibilities—they are federally mandated under ERISA.

When employers can't access their claims data often due to restrictive audit language they cannot meet this obligation. They cannot be accountable. LD 1906 restores the tools they need to uphold this fiduciary standard.

In my work for clients, I have seen a range of receptivity from carriers and administrators.

Frankly, we have negotiated effectively in instances to get the carriers to acquiesce. However – the negotiations with one client do not necessarily trickle to another – even with the same administrator and especially for smaller self-funded employers. Why should one employer gain access to critical information on their dollars spent and another is prevented from getting that information to fulfill their fiduciary duty. It isn't right and carrier and administrators should be facilitating claims data sharing.

Some people might say that the carriers already serve in an audit capacity. This is obfuscation. In my experience, on the ground, the quality outside firms that are able to audit with access to the data, find much more fraud, waste, abuse, and mistakes by administrators. Further – an outside audit firm fully discloses and explains its findings to the client.

I'd like to add a suggestion of language to the bill as well. The bill includes language of "administrator". Please consider including language that includes full audit rights within the network administration agreement as well. This is critical – otherwise we may make progress requiring 100% audit language for the administrator via the Administrative Services Agreement but if the underlying Network Administration Agreement on which the administrator relies for a network does not have to comply with the same audit language, the client will be left in the same place they are in today.

I respectfully urge the Committee to advance LD 1906 because it will level the playing field, ensure compliance with existing fiduciary law, and protect employee benefit dollars from being misused. Let's ensure that those who fund the system – our employers - have a fair and enforceable right to understand anything that is driving costs.

Thank you.