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

Testifying in Favor

LD 2148, An Act to Amend the Health Insurance Premium Cap for State Employees

Presented by Sen. Cameron Reny

To the Joint Standing Committee on State and Local Government

Senator Baldacci, Representative Salisbury, and members of the Joint Standing Committee on State and Local Government, I am Anya Trundy, Deputy Commissioner of the Department of Administrative and Financial Services. I come before the Committee today to impress upon you the necessity to pass LD 2148 and raise the statutory premium cap that applies to the State Employee Health Insurance Plan.

First, you should know that the State Employee Health Plan is a self-insured health plan; state employees' health insurance claims are directly funded by premiums paid by state employees and by the State as an employment benefit

State statute (5 MRSA §285, sub-§7, ¶K) limits the percentage by which the State Employee Health Plan (SEHP) can increase employee premiums year over year to CPI + 3%. At first blush, this may seem like a good thing; it is not. The premium cap does nothing to constrain rising healthcare costs, which the State Employee Health Plan endeavors to manage through innovative cost savings programs, but is not immune to.

For the current plan year, from July 1, 2025 to June 30, 2026, claims were forecasted to increase 11.9%, but the CPI was 3%, so the increase in premiums was capped at 6%. (Additionally, as of December, claims were reforecast to run 3.4% over budget.)

To bridge the gap between projected plan costs and premiums, the State Employee Health Commission (SEHC) was forced to make changes to the plan design, in other words, cut benefits.

It is urgent to increase the statutory cap this legislative session, because pre-renewal projections for the next plan year beginning July 1, 2026, anticipate cost increases of 12.3%, and premium increases capped at around 6% by current law. If the State Employee Health Commission is forced to again make significant changes to plan design, there is very real possibility that the State Employee Health Plan will no longer be a platinum rated plan, undermining it as a recruitment and retention tool.

Once benefit levels are eroded, it becomes almost immediately insurmountable to restore them given the associated fiscal impact.

For many State employees, particularly those raising families, the State Employee Health Plan is a major factor in why they initially seek and then remain in State employment. In comparison to the health insurance offered by private sector employers, the State Employee Health Plan provides practically unheard of affordable, platinum level coverage.

The State of Maine as the employer significantly subsidizes monthly premiums, so for an individual state employee with an annual salary between $50-100K, with the Health Premium Credit, the employee's bi-weekly payroll deduction for their premiums is $29.06 (just $755.56 annually), while the State contributes $552.20 bi-weekly (a $14,357.20 value annually). For an individual employee with children the bi-weekly payroll deduction is $169.73 ($4,412.98 annually) and the State contribution $786.50 (a $20,449 value annually). For the current plan year, if the increase in premiums hadn't been statutorily capped at 6%, the necessary 11.9% increase would have amounted to a $30.71 biweekly premium for the individual employee and a $179.35 biweekly premium for the employee with children. This amounts to an annual difference of $42.90 over the allowed premium increase and $85.02 over the prior year for the individual employee and $250.12 over the allowed premium increase and $495.82 over prior year for the employee and children.

To demonstrate the point, I refilled a non-generic prescription last week, that now has a $50 co-pay instead of the prior $30 co-pay—as a single woman with no children, just needing to refill this single prescription for the year would have made an 11.9% premium increase preferable to the reduction in benefits that was required.

For a close friend, who is also a state employee with two children, one who regularly sees several specialists and takes multiple prescriptions, she would have much preferred an additional $495.82 payroll deduction spread over the course of the year than the $400 increased deductible, $10 increased provider co-pays, and $15 increased prescription co-pays.

In closing, if the State Employee Health Commission, isn't given room to navigate rising healthcare cost and has to cut benefits several years in a row as a result of being hemmed-in by the current cap, the State Employee Health Plan will no longer be a platinum rated plan, it will no longer be a sought-after benefit that attracts people to State services, and it will negatively impact the State's total compensation package.

I strongly urge you to support LD 2148. I am happy to answer questions and will be available at the work session.