TO: **Senator Heather Sanborn, Chair**

Representative Denise Tepler, Chair

Members, Joint Standing Committee on Health Coverage, Insurance and Financial Services

FROM: Dan Colacino, Vice President

DATE: February 21, 2021

RE: LD # 352: An Act To Maintain the Integrity of the Individual and Small Group Health Insurance Markets.

On behalf of the Maine Association of Health Underwriters (MaineAHU), I am pleased to have the opportunity to submit comments on the proposed bill.

MaineAHU is a state chapter of the National Association of Health Underwriters and represents licensed agents, brokers, and employee benefit consultants who sell and service individual and group health, disability, Medicare, and long-term care insurance.

We are writing in support of LD# 352.

We did not support the pooling of the Individual and Small Group Markets when the proposal first appeared in LD # 2007 last session. Our reasons are still relevant to the support for LD # 352.

1. The two markets differ significantly in their risk profile. The Individual Market contains significant selection bias. In the Individual Market, the decision to buy insurance is an economic decision based on personal need for medical care. In the Small Group Market, the decision to buy insurance is generally contingent on employment, not a need for medical care, resulting in a more randomly selected pool, a better spread of costs among members.
2. A more appropriate and fairer pooling process is spelled out in a proposal put forth by the Urban Institute, The Healthy America Program. In this program, the Medicaid market is merged with the Individual Market which are two markets with more similar profiles. We acknowledge the complications in merging these two markets, but the potential exists for a more homogenous, larger pool to spread costs. We would be glad to offer our assistance in reviewing the feasibility of a program like this.
3. It is generally recognized that the Individual Market has higher costs per person than the Small Group Market, primarily due to the factors outlined in our item #1. Therefore, the pooling will have a disproportionate impact on carriers depending on the relative size of their markets. The larger the Individual enrollment versus the Small Group Market enrollment, the higher the cost of the new blended premium putting those carriers at a competitive disadvantage. We don't feel that businesses should be subsidizing an attempt to lower Individual premiums.
4. The "savings" referred to in the bill are due to a redistribution of claim costs, not a reduction in claim costs. This results in a onetime reduction in premiums and is not a long-term sustainable mechanism, a point made in the Gorman report to the Bureau of Insurance (slide 23) and the Milliman report (slide 12). Any approach needs to address the true reason for higher premiums, the cost and utilization of medical care.
5. The Milliman study, commissioned by MGARA, differed significantly from the Gorman study. The follow-up Wakely study explained the difference as due to a more conservative approach in

the Milliman study resulting in the lower amount of grants from APTC recoveries. The different approaches can each be reasonably defended leading to the conclusion that, in years subsequent to 2022, there is a high degree of uncertainty in the projected results. We question whether the payoff from the merger, estimated at less than $13.00 per month in the Small Group Market, is worth the gamble.

6. The change in MGARA from a prospective model to a retrospective model seems to seriously jeopardize its ability to stabilize premiums in the Individual Market. Attachment points in a retrospective model need to be indexed yearly to keep pace with increasing costs. Since stop loss trends are higher than medical trends due to the leveraging applicable to high attachment points, without an adjustment to the $4 MGARA fee, those higher attachment point will have less and less of an impact on Individual premiums.

It's important to note that we do not assert any issue with the three actuarial reports or the firms who prepared them. I have worked with each of the firms in the past and can vouch for their professionalism and competence. It's simply a matter of the uncertainty in future results which would seem to make a merger an unnecessary risk to the small group market as well as produce a negative impact on the Individual market.

An alternative may be to study the impact of changing the definition of small group to 75 or 100. That also increases the pool size, adds what is probably a better risk population (a hypothesis that needs to be studied) and makes for a more homogenous population (all employer groups). This would require a repeal of the mandate of Clear Choice plans in the Small Group market since the 50 to 100 employee market has more plans available.

We would like to thank the Committee for considering our comments and the opportunity to express our views. If you have questions, please feel free to contact me.

Respectfully,

Dan Colacino

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