

Hon. Heather Sanborn  
Senate Chair  
Hon. Denise Tepler  
House Chair  
Joint Standing Committee on Health Coverage, Insurance and Financial Affairs  
Room 220, Cross State Office Building  
Augusta, ME 04330

Thursday, February 25, 2021

Dear Senator Sanborn and Representative Tepler:

The Maine State Chamber of Commerce to go on record in support of, **L.D. 352, *An Act to Maintain the Integrity of the Individual and Small Group Markets.***

When L.D. 2007 was presented this last session, which authorized the merging of the individual and small group markets among other things, Governor Mills, and others were gracious enough to include the Maine State Chamber a group of interested parties to discuss the proposal of merging the individual and small group markets. During the public hearing on the proposal, the Maine State Chamber expressed concerns, not with the policy idea of assisting both markets, but the feasibility of a long-term solution resulting from the proposals contained in the legislation. Specifically, if there would be adequate long terms savings for both markets, and over the possibility of inadequate funding of the current reinsurance mechanism currently underwriting the individual market and under the bill's proposal, would be extended to underwrite a merged market.

Under the Gorman analysis presented in August of last year, it appeared the market merger would essentially be a wash, with the individual market experiencing a 4% increase, while the small group market would see a *one-time* 4% decrease. Now it appears Gorman is indicating a 7% reduction in both markets, but only if the MGARA reinsurance is applied. Milliman's analysis appears to result in less savings, 3%. In our opinion, and one shared with the Bureau of Insurance in the fall, these quite honestly do not seem to be adequate justification for such a significant policy shift. Furthermore, any analysis is a snapshot in time. New legislation, the impact of COVID-19, or a host of other unknowns may well result in higher costs that could mitigate any actuarially devised savings in part or whole.

In addition, some in our membership have real concerns over the existing Maine Guaranteed Access Reinsurance Association (MGARA) assessments. Larger employers pay into the millions of dollars for a program they cannot access nor do they benefit. However, we recognize it has helped mitigate some of the volatility in the individual market. That said, the

MGARA attachment point has been moved in the past and doing so further increases the solvency risk in our opinion. Further increasing the size of the reinsurance pool while at the same time adjusting the attachment point, as pointed out in the Milliman analysis, increases the volatility and financial stability of MGARA. What happens should it become financially unstable? As I indicated to this committee and the Bureau in my testimony last session, it would be programmatically and politically improbable to simply stop reinsuring claims in the pool. Our fear is another requirement of revenue infusion would be needed that may well increase the assessment used to fund MGARA.

There is no question that the small group market needs some type of assistance. But as we have discussed with the Bureau, we are unconvinced merging the markets alone will solve the problem. While L.D. 352 seeks to end the merger process, as an alternative, it could be amended to slow the process down, allowing more time to develop a more accurate impact analysis. It appears there is a rush to undertake a policy shift with real implications for individuals and small businesses. We would ask, Why?

There are a tremendous number of unknowns out there for the business community; the long term and short-term economic impact associated with the pandemic being first and foremost. Some of the small businesses open today will not survive the winter. That is not supposition, it is fact. The costs of doing business in this state – setting aside health insurance benefits – will increase. As these costs rise, the ability to provide health insurance coverage to their employees becomes increasingly difficult. We are concerned that, however well intentioned, proceeding with the merger of the markets will have unintended consequences for Maine small businesses, and perhaps even large businesses. It is for this reason that we urge your support of L.D. 352.

We appreciate the opportunity to provide you with our comments.

Sincerely,

Peter M. Gore  
Executive Vice President  
Maine State Chamber of Commerce