Maine Association of Health Plans

Testimony of Katherine Pelletreau
to the Joint Standing Committee on Health Coverage, Insurance and Financial Services

In Support Of

LD 352 An Act to Maintain the Integrity of the Individual and Small Group Health Insurance Markets

February 25th, 2021

Good Morning Senator Sanborn, Representative Tepler, Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services:

My name is Katherine Pelletreau and I am the Executive Director of the Maine Association of Health Plans (MeAHP). MeAHP has five members including Aetna, Anthem Blue Cross and Blue Shield, Cigna, Community Health Options and Harvard Pilgrim Health Care. Collectively, MeAHP's members provide or administer health insurance coverage to over 600,000 Maine people. The organization's mission is to improve the health of Maine people by promoting affordable, safe and coordinated healthcare.

When we testified For/Nor on LD 2007 last year, we withheld judgement on the proposal to merge the individual and small group markets as we felt it was premature to take a position without analysis.

Since then, three studies have been conducted (Gorman Actuarial for the Bureau, Milliman for MGARA, and Wakely to provide an analysis of the two). None show benefits to both the individual and small group markets over what exists today.

Given these findings, MeAHP has moved squarely into opposing a merger. There is significant risk for purchasers and consumers in both markets, MGARA, and the Plans, should it move forward. It is for this reason that LD 352 has been proposed.

This bill removes the pooled market provisions from the law.

There is no question that the small group market is struggling and needs help and we find the administration's focus there to be laudable, however, the full picture must be taken into account.

1. The most optimistic Gorman Report shows a modest 4% one-time benefit to small group will cost the individual market 4%
2. Merging the markets will be disruptive to all parties
3. Other disruptive changes are also underway including the move to a state-based marketplace (which we support), and standardized plans (we have concerns).

4. The Biden administration is working on policy changes such as expanding open enrollment periods, increasing subsidies to the individual market, and reducing the eligible age for Medicare to 60. Any of these changes will also be disruptive.
5. We are still in the midst of the COVID-19 pandemic and the full impact on individuals and small businesses is unknown.
6. Maine is proposing to be the first state to merge the markets via a 1332 waiver. There are other states including Massachusetts[1] and Vermont[2] that merged their markets only to re-examine the policy a few years later when the benefits were not realized. Both states are now contemplating re-separation.

Merging the markets will be damaging to the Individual market and preconditions required for a pooled market have not been met.

LD 2007 set out preconditions for pooling the individual and small group markets.

5. Preconditions for pooled market. This section may not be implemented unless routine technical rules as defined in Title 5, chapter 375, subchapter 2-A are adopted to implement this section and the Federal Government approves a state innovation waiver amendment that extends reinsurance under section 3953 to the pooled market established pursuant to this section based on projections by the superintendent that both average individual premium rates and average small group premium rates would be the same or lower than they would have been absent the provisions of this section. If this section is not implemented, the superintendent shall conduct an analysis of alternative proposals to improve the stability and affordability of the small group market.

The Gorman Report's best case merged market scenario shows an individual market premium ***increase*** of 4% and a small group market premium decrease of 4%. Were the markets not to merge, the individual market benefit would be an 11% reduction in premiums.

The "savings" in the Gorman Report were achieved by the use of a baseline without MGARA despite the fact that MGARA exists. The base year was deliberately selected to result in increased savings, but it ignores the reality that MGARA is already present. Even using this trick, Gorman's analysis shows only modest one-time savings to the Small Group market and premium increase in the Individual market.

MGARA will be negatively impacted by a pooled market. Under a merged market scenario, MGARA will be forced to use reserves and to set increased attachment points to remain solvent, thereby reducing the program's positive benefit to the market. MGARA has worked well for the Individual market, showing savings that have increased over time as carriers' comfort level with the program increased. We urge the Committee to let this proven trend continue.

The combination of proposed market reforms including merging the markets, moving to standardized plans, and establishing a State Based Marketplace, will shock the market and are too disruptive to implement all at once.

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[1] https://www.salemnews.com/news/baker-orders-probe-of-health-insurance-market/article_b28cf71e-f42a-11e9-855b-07539b6289b2.html

[2] https://legislature.vermont.gov/assets/Legislative-Reports/Act-63-Report-on-Health-Insurance-Affordability-and-Merged-Markets.pdf

MeAHP and its member plans have been expressing their opposition to the proposed merging of the markets for many months. This opposition has been communicated in a number and variety of ways to the Bureau and the administration. Despite these efforts and the identification of our many concerns stated above, the administration appears poised to move forward. Therefore, we felt it necessary to offer this proposal and request a legislative solution.

Thank you for your consideration of these comments.