The Allumbaugh Agency
Integrated Benefit Management

April 8, 2021

From: Joel Allumbaugh
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RE: L.D. 1150

To the Distinguished Members of the Joint Standing Committee on Health Coverage, Insurance & Financial Services:

I come before you today in opposition to L.D. 1150, An Act To Eliminate Insurance Rating Based on Age, Geographic Location or Smoking History and To Reduce Rate Variability Due to Group Size.

I would like to take this opportunity to introduce The Allumbaugh Agency. We are a full-service employee benefit agency specializing in the design and administration of employee benefit plans. Our customers are Maine small businesses and their employees. I am also a Visiting Fellow with the Foundation for Government Accountability, a non-partisan, non-profit organization that strives to improve health care policy in the states and Washington, D.C.

This bill is not promoting new ideas or policies whose effects are unknown. We don't have to speculate about the results. We have been here before and changed our laws as a result of the harmful impacts. If this bill is passed, individual and small group insurance premiums will rise, plain and simple. We should not be considering reimposing these bad policies.

This will increase insurance premiums dramatically for Maine consumers. Age factors in health insurance rating exists for a reason. It is fundamental to the rating rules in the affordable care act. It is what enables insurers to rate policies to attract young, healthy consumers to purchase insurance, the demographic any insurance pool needs to be viable. Compressing rate bands does not lower rates for older consumers, it pushes out younger consumers and results in a higher average age in the risk pool, so everyone pays more.

This will reverse changes that reduced health insurance rates in Maine. In 2011, Maine changed its insurance rating laws to align with the recently passed Affordable Care Act. We moved from a 1:5 maximum age rating variation to 3:1, exactly the change this bill seeks to reverse. The results are well documented by the Maine Bureau of Insurance, rates dropped and the average age of those insured began to decrease. There were other changes at that time such as the establishment of MGARA and the changes imposed by the ACA in 2014 that complicate the analysis, but the effect of the age rating changes are not in dispute. This would push Maine's insurance markets into a death spiral once again.

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This makes Maine an outlier that will once again result in Maine consumers paying more for health insurance than the rest of the nation. Prior to the law changes in 2011, Maine boasted some of the highest health insurance rates in the nation. Many of us recall the comparison to rates to our neighboring state of NH where 60-year-old consumers paid rates lower than 40-year-old's in Maine.

This will complicate the pending individual and small group market merger. The merger is itself a complicated change. We have witnessed the growing concern caused by the complexity and uncertain results, informed by multiple actuarial analyses showing varied results. These significant market changes exponentially complicate that analysis. The merger itself requires federal approval through the granting of a 1332 waiver, that approval could be put at risk if the federal government does not feel it can adequately quantify the results.

Insurance carriers do not rate for group size today so this adds a provision that will disadvantage our smallest employers. Among the damaging effects of reduce age rating bands, other changes in this bill are also harmful. Among those is the addition of a group size rating factor. When group size rating was in practice prior to 2014, the smallest employers, often sole proprietors with one or two employees, paid significantly higher insurance rates than their larger employer counterparts. This is particularly harmful to start up enterprises that are the lifeblood of our economy.

This bill requires consumers making healthy choices to pay for consumers making poor health decisions by eliminating rate variation for tobacco use. This is at odds with many other state initiatives aimed at promoting healthy lifestyle behaviors. Is this really behavior we now want to incentivize?

Thank you for your consideration. We should not raise insurance premiums for Maine consumers. I urge you to vote ought not to pass on LD 1150.

Respectfully Submitted,

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