



Testimony of Executive Director, Ben Lucas

Testimony in OPPOSITION to LD 1150 “An Act To Eliminate Insurance Rating Based on Age, Geographic Location or Smoking History and To Reduce Rate Variability Due to Group Size”

April 8th, 2021

Senator Sanborn, Representative Tepler, and members of the Committee on Health Coverage, Insurance and Financial Services, my name is Ben Lucas, I live in Portland, and I serve as the Executive Director of the Maine Jobs Council. The Maine Jobs Council is a new, statewide, nonpartisan, member-driven advocacy organization that advances public policies to support the creation and preservation of foundational jobs in Maine. I am here today to testify in opposition to LD 1150.

According to the UPenn Leonard Davis Institute of Health Economics, in 2016 Maine ranked #4 in America for highest healthcare cost burden. This compares average health premiums and deductibles to average income. This research showed that 35% of Maine’s household incomes went towards family premiums. This is the highest in New England and the next highest New England State is Vermont at #17. If LD 1150 passes, it will increase insurance premiums for Maine consumers and continue to make us an outlier with the rest of the region. Maine consumers will continue to pay more for health coverage than the rest of the nation.

This legislation will also raise insurance premiums for small employers and again make us an outlier. It reverses changes made in 2011 that significantly reduced insurance premiums. Many of our members with the Maine Jobs Council are small employers who employ under 50 people, they provide foundational jobs and this legislation will have a negative effect on their ability to do so. Oftentimes, smaller employers, tend to pay significantly higher insurance rates than the

larger employers. Small employers have a limited ability to cope with higher operating costs, and legislation that increases the cost for them to operate makes it more difficult to be successful. For small groups, if you allow rating by group size, that means reallocating premiums making them higher on the bottom end and lower on the top end (meaning higher for smaller employers and lower for large employers).

If this legislation passes, eliminating age as a rating factor means rates go up for younger people and down for older people. As rates for younger people go up given their generally more limited financial resources, they drop their coverage. This forces rates higher for those remaining in the market and starts the death spiral that the 2011 changes reversed. This legislation may well be motivated by a desire to lower premiums for older Mainers, but even if it does that initially, we know from experience that it cannot and will not last. If this legislation passes, Maine will soon be in the death spiral that drove the reforms of 2011. To fix the problem we actually have to reduce underlying medical costs and not just try to reallocate them.

We encourage this committee to take a far more comprehensive look at the bigger picture to see how we rank with the rest of New England. We should consider legislation that makes us more competitive, not less.

Thank you.

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