

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

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

Good Afternoon 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.

LD 1150 is identical to bills brought before this Committee in 2017 and 2019.

Community rating rules, such as those proposed in this bill, prohibit insurers from varying premiums within a geographic area based on factors such as age, gender and health status such as smoking. While current Maine law provides for certain health insurance rating restrictions on geography, age and smoking status, the changes contemplated in LD 1150 would move Maine's individual and small group markets to "pure community rating" eliminating those variations currently permitted under Maine law. Maine law currently mirrors the ACA with respect to rating factors.

Maine has some history with a fully community rated market and guaranteed issue, and while that was prior to the implementation of the Affordable Care Act, it may provide a starting point to understanding what a serious public policy change this would be.

In 1993, Maine enacted guaranteed issue and modified community rating reforms on the individual market. After these reforms, there was a decline in the number of plans offering coverage from five to one. According to a white paper prepared by the Maine Bureau of Insurance, by 2001 it was "clear that the future viability of the individual health market in Maine was at serious risk". The Bureau concluded that "the market for individual HMO coverage does now appear to be in a death spiral."¹ This experience

¹ <u>Updated-Milliman-Report_GI_and_Comm_Rating_March_2012.pdf</u>

was followed by passage of the "PL 90" reforms that included changes to rating bands as well as the introduction of MGARA.

These themes are discussed further in the Bureau of Insurance Opposition testimony to LD 769 and LD 132 (like LD 1150 in every respect except for dates).²³

If the Committee is interested in moving forward, a serious study of the costs and benefits is warranted before passing changes of this magnitude.

Thank you for the opportunity to offer these comments.

 ² <u>Maine Bureau of Insurance Testimony in Opposition to LD 769</u> An Act to Eliminate Insurance Rating Based on Age, Geographic Location or Smoking History and To Reduce Rate Variability Due to Group Size, March 28th, 2017.
³ <u>Maine Bureau of Insurance Testimony in Opposition to LD 132</u> An Act to Eliminate Insurance Rating Based on Age, Geographic Location or Smoking History and To Reduce Rate Variability Due to Group Size, May 2nd, 2019.