

**LD 1331, An Act To Make Individual and Small Group Health Insurance More Affordable
in Certain High-premium Counties**

SUMMARY:

This bill reduces the maximum rating factor for geographic area that may be used by carriers to determine individual and small group health insurance premiums to 1.35 for plan year 2023 and to 1.25 for plan year 2024 and thereafter. Under current law, the maximum rating factor for a geographic area is 1.5.

The bill also requires the Superintendent of Insurance to report on the difference in premium rates in each geographic rating area used by a carrier in this State to the joint standing committee of the Legislature having jurisdiction over health coverage, insurance and financial services matters for plan years 2022, 2023 and 2024.

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CURRENT LAW:

Under current law, health insurance carriers providing individual and small group health plans may vary rates on the basis of age at a ratio of 3:1 (consistent with the federal Affordable Care Act). Rating on the basis of tobacco use (consistent with the federal Affordable Care Act) is permitted to vary up to 1.5 to 1. The ACA would allow unlimited variation for geography, but Maine law limits geographic variation to a 1.5:1 ratio.

There are 4 geographic rating areas:

Area 1: Cumberland, Sagadahoc, York

Area 2: Kennebec, Knox, Lincoln, Oxford

Area 3: Androscoggin, Franklin, Penobscot, Piscataquis, Somerset, Waldo

Area 4: Aroostook, Hancock, Washington

Currently for 2021 individual rates, the Bureau of Insurance reported in their testimony that geographic rating factors range from a low of 0.89 in Area 1 to a high of 1.325 in Area 4. 2021 group rates share similar ranges, from a low of 0.862 in Area 1 to a high of 1.325 in Area 4.

TESTIMONY: Written testimony can be found at this [link](#)

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ISSUES FOR CONSIDERATION:

1. The Bureau of Insurance noted in their testimony that Maine has applied for a federal State Flexibility Grant. Some of the money would be allocated to studying Maine's geographic rating. The Bureau is waiting for an award announcement by CMS.
2. Consider that proposal will not decrease the underlying cost of care or to address high health care costs?
3. Consider that change in geographic rating factors will lower costs for some and raise costs for others? Reductions in the rating bands will shift the higher costs paid by those in northern and rural Maine to those in more urban, usually southern, areas.
4. The committee asked the Bureau of Insurance to look at whether carriers' rating factors are currently meeting the requirements of LD 1331. The information provided by the Bureau of Insurance indicates that all of the carriers already meet the first requirement of not exceeding 1.35. Only Harvard and Community Health Options would have to adjust their factors for the 1.25 requirement. According to the Bureau of Insurance, this may lead to a small impact in rates based on an estimated weighted average premium between the rating areas; aggregate premium for Area 4 decreased by 5-6% and the other areas increased by around 1% or less. See additional detail in email from the Bureau of Insurance.

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ISSUES FOR CONSIDERATION (cont'd):

5. Consider recent changes in federal law to increase availability of premium subsidies for those enrolled in individual plans through the marketplace?

6. Previously considered similar proposals (most recently in 129th and 128th Legislatures) that were not enacted. 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 prohibits insurance carriers providing individual health plans or small group health plans from varying premium rates based on age, geographic location or tobacco use on or after January 1, 2022. LD 1150 has been tabled to allow for further consideration of amendment to phase out tobacco use as a rating factor; work session also scheduled for today.

FISCAL INFORMATION:

Not yet determined