



May 12, 2021 (Revised May 16, 2021)

To: Sen. Heather Sanborn and Rep. Denise Tepler, co-chairs
Members, Committee on Health Coverage, Insurance & Financial Services

From: David R. Clough – Maine State Director

Re: LD 1463 -- An Act To Make Health Care Coverage More Affordable for Working Families and Small Businesses

This statement in opposition to LD 1463 is on behalf of the nearly 3,000 small business owners in Maine who are members of the National Federation of Independent Business. Member businesses are located throughout Maine and collectively span a wide range of economic activities. The typical member employers fewer than 10 workers.

LD 1463 imposes on the state level a health insurance premium tax of 2.85% that no longer exists nationally as part of the federal Affordable Care Act (Sec. 9010). NFIB was one of numerous groups that had opposed the ACA premium tax.

Top Issue for Small Business

Health insurance cost has been a top concern of NFIB members for decades. Whether members purchase group health insurance for their employees or individual insurance for themselves, the cost of premiums has been a continual problem.

LD 1463 Make Premiums More Costly

A report by actuaries at Oliver Wyman estimated the Sec. 9010 tax in 2020 costs at:

- \$9.174 million in the individual market
- \$7.061 million in small group market
- \$28.902 million in the large group market

The 10-year cost (2020-2029) was estimated \$116,485M (individual market), \$87,387M (small group) and \$357,665M (large group). Although individuals, employers and employees no longer face those significant costs at the moment, LD 1463 would overturn those substantial savings and reimpose the premium tax. LD 1463 would move Maine toward higher costs.

Distressed & Stressed Small Group Market

The small group market situation may be worse than committee members realize. Declining enrollment has been noted in numerous briefings by the Bureau of Insurance, but less noticed and rarely remarked about are the yearly average rate increases that also act to drive down enrollment and disadvantage small businesses.

Small Group Market

	Average Rate Changes		Enrollment	
	(Bureau)	(Gorman)	(Bureau)	(Gorman)
2021		+ 5.5%		
2020	+ 6.94%	+ 8.8%		50,228 (March 2020)
2019	+ 10.03%	+ 11.0%		51,432
2018	+ 9.78%		59,980	52,202
2017	+ 12.53%		63,626	61,218 *
2016	+ 3.49%		70,555	
2015	+ 3.32%		73,943	
2014	+ 6.66%		75,708	

Sources

Gorman Actuarial, 1332 Waiver Actuarial and Economic Report, February 26, 2021 (App. C)

www.maine.gov/pfr/insurance/mgara/index.html

* Gorman Actuarial reported 61,218 March enrollment for 2017 in its February 26, 2020, pooled market report to HCIFS but reported 53,129 in its February 2021 Section 1332 waiver report.

www.maine.gov/pfr/insurance/legal/notices/pdf/ga_maine_modeling_ld-2007_feb_26_2020.pdf

Bureau of Insurance, HCIFS Orientation, January 17, 2019

<https://legislature.maine.gov/doc/2674>

The cumulative rate increases from 2014-2021 for small employer groups is over 57%, according to the Bureau, and NFIB calculates the compounded increase is around 70%.

Maine Employers Hit Hard Compared to Other States

When the Maine is compared to that of other states, nationally or regionally, the data reveals a separate, disturbing picture of high cost for employer coverage.

Average Annual Single Premium per Enrolled Employee for Employer-Based Health Insurance

	(1=Highest Premium/Contribution)		
	Total Premium	Employer Contribution	Employee Contribution
2019	ME 7 th	ME 4 th	ME 26 th
2014	ME 14 th	ME 11 th	ME 26 th

Kaiser Family Foundation, Employer-Based Health Insurance Premiums and Deductibles

www.kff.org/state-category/health-costs-budgets/?state

Massachusetts and Connecticut ranked higher for total premiums in 2019 but Maine ranked highest in New England for employer contribution. Maine ranked lowest among the New England states for employee contribution; however, that suggests more potential to shift higher premium costs to employees.

Undermines Multiple Efforts to Help Small Employers

In addition to making healthcare coverage more expensive, imposing a new state tax on health insurance will undermine numerous legislative and administrative efforts over the past two years, and

ongoing today, that are intended to lower costs for small employers. While we have questions about the efficacy of some efforts, we applaud the intent to help small business.

The February 26, 2021, report by Gorman Actuarial shows an expected average premium savings of 4.2% in the small group market under the pooled market scenario authorized last year by the Governor's reform bill, LD 2007, that was signed into law as Chapter 653.

4.20% one-time average savings in small group pooled market
-2.85% annual tax on small group premiums
1.35% net savings

In other words, LD 1463 would slash by over 47% the average potential benefit for small employer groups.

Governor Mills earlier this month announced a Small Business Health Care Cost Relief Program to provide \$39 million in "short-term relief from rising health insurance premiums." ([The Maine Jobs & Recovery Plan](#), May 4, 2021) LD 1463 would follow this short-term relief with long-term grief of some \$87 million over a 10-year period, based on the Oliver Wyman report.

Thank you for being mindful of how small employers may be affected by LD 1463, a bill that would go in the opposite direction of what is needed and being attempted to help small employers.

We respectfully urge an Ought Not to Pass report.

Public Hearing Follow Up

Q – Are NFIB members hearing from employees about the cliff issue?

A – Perhaps, but this is not something NFIB has queried members about. The NFIB Research Center has been focusing its survey work on matters relating to how small businesses are affected or responding to COVID-19 challenges.