



May 12, 2021

Senator Heather Sanborn,  
Representative Denise Tepler,  
Joint Standing Committee on Health Coverage, Insurance and Financial Services

**RE: AHIP Comments on LD 1463, An Act to Make Health Care Coverage More Affordable for Working Families and Small Businesses (OPPOSE)**

Dear Senator Sanborn, Representative Tepler, and Committee Members –

America's Health Insurance Plans (AHIP)<sup>1</sup> and its members appreciate this opportunity to express our strong opposition to LD 1463, legislation that imposes a health care insurance tax of 2.85% on net written premiums for all health insurance providers that were subject the former federal health insurance tax under Section 9010 of the Affordable Care Act.

Every Mainer should be able to get affordable, comprehensive coverage regardless of their income, health status, or pre-existing conditions; *however, a state-based sales tax on health care will increase the cost of coverage for Mainers and Maine's employers.* Although the tax would be deposited into the Maine Health Care Affordability Fund to fund initiatives that would reduce the cost of health care coverage for some beneficiaries, *it is in the interest of affordability for all Mainers that AHIP respectfully opposes LD 1463.*

The price of health insurance coverage must include taxes. As a result, LD 1463's assessment will be borne by all of Maine's purchasers of health care coverage, including small-businesses owners and other employers who are currently providing health insurance coverage for their employees. While LD 1463 will reduce cost sharing for a small number of Maine's individual market participants, passage of LD 1463 would be a significant step backward in ensuring Mainers have access to affordable health care. In addition to making health insurance less affordable, LD 1463 may also cause some employer health plan sponsors to forgo offering health insurance altogether, simply because employers cannot continue to afford to pay for the increased costs.

Nationally, the cost of health insurance has been a top concern for small-business owners, including those in Maine, even before COVID-19. In fact, according to the National Federation of Independent Business (NFIB) Small Business Problems and Priorities report, "the cost of health insurance remains the most severe problem for small-business owners."<sup>2</sup> That is why a health insurance tax is opposed by many employer organizations including the Associated Builders and Contractors, National Association of Health Underwriters, National Federation of Independent Business, National Retail Federation, and the U.S. Chamber of Commerce.

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<sup>1</sup> AHIP is the national association whose members provide insurance coverage for health care and related services. Through these offerings, AHIP improves and protects the health and financial security of consumers, families, businesses, communities, and the nation. AHIP is committed to market-based solutions and public-private partnerships that improve affordability, value, access, and well-being for consumers.

<sup>2</sup> Wade, Holly and Andrew Heritage. "Small Business Problems & Priorities, Tenth Edition." National Federation of Independent Business Research Center, <https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>.

It is important to note that a bipartisan Congress overwhelmingly repealed the Health Insurance Tax (HIT) under the ACA in 2019, effective on January 1, 2021, because it found that hardworking American families and taxpayers should not unnecessarily pay more for health care. The savings that resulted from the repeal of the HIT tax went back into the pockets of all insured Mainers.

According to an Oliver Wyman Actuarial Consulting report, the federal HIT led to a projected 2.2% increase in premiums in 2020, which translated to annual premium increases ranging from \$154-\$479 depending on enrollee and product. Thus *at 2.85%, the impact of LD 1463's assessment on Maine enrollees would be greater than the federal HIT.* To further break down the impact of the federal HIT's impact on consumers, the report showed that in 2020, consumers faced a:

- \$196 increase per person in the individual market;
- \$154 increase per person and \$479 increase per family in the small group market;
- \$158 increase per person and \$458 increase per family contract in the large group market; and
- \$157 per Medicaid managed care enrollee.<sup>3</sup>

It is important to note that Congress recently made substantial investments in the individual market for 2021 and 2022 to address affordability and is currently debating making those changes permanent. In March, Congress and the Biden administration enacted the American Rescue Plan Act (ARPA), which was signed into law on March 11, 2021:

- Increases and extends ACA premium tax credits to middle income people who did not previously qualify for 2021 and 2022 as well as significantly increased the generosity of the subsidy for those who currently qualify;
- Offers maximal subsidies to those who receive unemployment benefits for 2021; and
- Expands open enrollment periods and commits \$230 million to fund navigators and outreach and marketing efforts.<sup>4</sup>

AHIP supported these ARPA investments and agree that they should be made permanent. In addition to these new affordability resources, AHIP has been a strong proponent of fixing the ACA's "family glitch" at the federal level to make coverage affordable for the approximately 6 million working families impacted by unaffordable coverage which would negate the need for specific state action. We strongly encourage you to reject LD 1463 given the potential it creates to undue the positive effects of ARPA on Maine's insurance market, the risk it creates of increasing premiums, and the likelihood it creates that employers facing increased premiums would drop coverage, increasing the number of uninsured Mainers.

The impact of the COVID-19 pandemic is real and significant. Since the beginning of the public health emergency in Maine, Medicaid enrollment has increased by 28,586, or about 60 percent, due in large part to the loss of jobs and loss of employer-sponsored coverage.<sup>5</sup> **Policymakers should refrain from adding a tax of any kind during a period of extreme financial hardship for Mainers and Maine small businesses due to the unprecedented COVID-19 public health emergency.** Taxing consumers and businesses that are trying to restart the Maine economy will further slow recovery efforts and could add to

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<sup>3</sup> Carlson, Chris, et al. "New Analysis: How the ACA's HIT Will Impact 2020 Premiums." Oliver Wyman Health, 27 Aug. 2018, <https://health.oliverwyman.com/2018/08/new-analysis--how-the-acas-hit-will-impact-2020-premiums.html>.

<sup>4</sup> Keith, Katie. "Biden's First 100 Days: The ACA And The American Families Plan: Health Affairs Blog." Health Affairs, 29 Apr. 2021, <https://www.healthaffairs.org/doi/10.1377/hblog20210429.417119/full/>.

<sup>5</sup> "MaineCare Expansion." MaineCare Expansion | Department of Health and Human Services, <https://www.maine.gov/dhhs/data-reports/mainecare-expansion>.

the number of uninsured. As Maine navigates through this unprecedented public health emergency, we respectfully urge the Committee to not compound the extreme financial hardships Maine is facing. Now, more than ever, is not the time for new taxes, especially when it will make health care access more expensive for all.

Thank you for your consideration.

Sincerely,  
America's Health Insurance Plans

A handwritten signature in blue ink that reads "Brendan H. Peppard". The signature is written in a cursive, flowing style.

By: \_\_\_\_\_  
Brendan Peppard