Kristine M. Ossenfort
Senior Government Relations Director

Anthem Blue Cross and Blue Shield
2 Gannett Drive
South Portland, Maine 04106
Tel: 207-822-7260
Email: kristine.ossenfort@anthem.com

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Mr. Eric Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, Maine 04333-0034

Re: Comments on the Gorman Actuarial Report and proposed Merger of the Individual and Small Group Markets

Dear Superintendent Cioppa:

Thank you for the opportunity to submit comments on the Report by Gorman Actuarial, Inc., ("Gorman Report")[1], and the proposed merger of the Individual and Small Group markets in Maine. On behalf of Anthem Health Plans of Maine, Inc., d/b/a Anthem Blue Cross and Blue Shield, I would like to offer the following observations to expand upon the comments offered at the public meeting on September 3, 2020.

There is no question that the small group is in need of relief; however, the Gorman Report demonstrates that a merger of the individual and small group markets is not the solution. This conclusion is further supported by the report prepared by Milliman[2] for the Maine Guaranteed Access Reinsurance Association ("MGARA").

While the reports use different approaches and different assumptions, both arrive at the same basic conclusion—that while there may be a small, one-time benefit to the small group market, it is at the expense of the individual market.

Not surprisingly, membership in the small group market continues to be healthier than in the individual market. As a result, merging of the markets without the application of any reinsurance, results in a subsidization of the individual market by the small group market, and actually serves to increase rates in the small group market.

With expansion of the MGARA program to a merged market, and the conversion of MGARA from a prospective to a retrospective model, the value of the MGARA reinsurance is diluted and as result, small group rates are lowered, but individual rates are higher than they would be if the markets were kept separate and MGARA continued to reinsure only the individual market. The

[1] Policy Option for Maine Individual and Small Group Markets, Gorman Actuarial, LLC, August 25, 2020, https://www.maine.gov/pfr/insurance/legal/ga_indiv_and_sm_grp_policy_option_report.pdf.
[2] Individual market small group market merge analysis, Milliman, September 3, 2020, https://www.maine.gov/pfr/insurance/legal/notices/pdf/milliman_individual-smallgrp_merge_analysis.pdf.

Gorman Report estimates that small group rates will decrease by 4% if the markets are merged, but individual rates will increase by 4%. The small decrease in small group rates is a one-time impact and does not justify the decrease in the value of the reinsurance program and the corresponding increase in individual market rates, let alone the significant disruption to both markets.

The requirements for a merger of the market under 24-A M.R.S. § 2792(5), as enacted by P.L. 2019, c. 653, are quite clear: the average premium rates in both the individual and the small group markets must be lower than they would be absent the provisions of 24-A M.R.S. § 2792 ("section 2792").

Both the Gorman Report and the Milliman Report found that rates in the individual market would be higher in a merged market than they would be in an individual market reinsured by MGARA. As a result, the threshold requirement established in section 2792 to proceed with a merger of the markets has not been met.

The Gorman Report contains comparisons of individual rates in a merged market to rates in the individual market without MGARA; however, that is not an appropriate comparison under section 2792, subsection 5. Absent the provisions of section 2792, the individual market will continue to be reinsured by MGARA. Thus, the individual rates in a merged market must be compared to the rates of the individual market reinsured by MGARA. Furthermore, such an incorrect comparison, as contained in the Gorman Report, falsely implies that individual members will benefit from a merged market, when in fact they will be actually be harmed by the proposal.

As noted in the Gorman Report, both the Individual and Small Group markets have declined in size—enrollment in small group has decreased by 18% since March 2017, but enrollment in the individual market has declined by 22% during that same time.

Maine's individual market has experienced significant disruption over the past couple years. Medicaid expansion in 2020 has caused many highly subsidized members to shift out of the ACA market, which caused some individual market deterioration. In addition, MGARA has already increased its attachment points, which will reduce the value of reinsurance and thus cause upward pressure on individual premium rates.

The proposed market merger and change in type of reinsurance program for 2022 would cause another bump up in individual rates by 4% on average. A merger of the markets will only add to the disruption, and that is without taking into account the disruption that will result from the movement to clear choice plan design, which is being implemented in a separate but related effort.

The proposed retrospective claims-based reinsurance program is worth significantly less than the current program to the individual market (estimated 30%-50% less value according to Milliman).

The attachment points will be a key parameter for the program to remain actuarially sound on an annual basis. Altering the attachment point each year will cause significant volatility in the value of the reinsurance, which in turn will cause issuers to price more conservatively.

Maine can little afford to have individual rates increase as a result of this proposal. The individual market is also declining in size, and increases to individual rates will exacerbate this trend. Furthermore, the increase in individual rates will have the most significant impact on those who receive little or no subsidy, as they will bear the weight of the increase.

Finally, if the Bureau elects to move forward with a merger of the markets in contravention of 24-A M.R.S. § 2792 (5), there is not adequate time for such a merger to be properly implemented by January 1, 2022. The Bureau indicated that it plans to initiate rulemaking in October or November, which means any rule would not be finally adopted until early next year at best. In order to prepare for 2022, carriers need to know by the end of this year whether there will be a merged market in 2022.

There are other initiatives that could be explored to stabilize the small group market. Because these options have not been studied, we cannot say whether we would support them—we certainly have concerns about some of them. But all options must be studied and compared in order for the State to make a well-reasoned and informed decision. Alternative proposals that could be considered include expanding the definition of small group from 50 to 100 employees.

The State should also consider solutions that will address the cost of care and reduce costs not only in the small group market, but across all markets. As the Bureau knows well, health insurance premiums are a reflection of health care costs and until costs are addressed, premiums will continue to rise. We would welcome the opportunity to work with the Bureau to identify policy changes that would address rising health care costs.

Thank you for the opportunity to share these comments. Please do not hesitate to contact me if you have any questions.

Sincerely,

Kristine M. Ossenfort

Kristine M. Ossenfort, Esq.
Senior Government Relations Director

Cc: Marti Hooper, ASA, MAAA,
Life and Health Actuary