



Marti Hooper
Maine Bureau of Insurance
34 State House Station
Augusta, Maine 04333

Re: Comments on the Report on Policy Option for Maine Individual and Small Group Markets

Dear Ms. Hooper,

The following are comments are submitted on behalf of Consumers for Affordable Health Care (“CAHC”), regarding the policy option to merge Maine’s individual and small group markets. We would like to thank you for the opportunity to provide comments on this issue. CAHC is a nonprofit, nonpartisan organization with the mission to advocate for Maine people to be heard, respected, and well-served in a health system that provides coverage, access and quality, affordable care to all. CAHC serves as Maine’s Health Insurance Consumer Assistance Program, which provides toll-free access to certified application counselors, who help Mainers understand their health coverage options and how to apply and enroll in private health insurance.

The fundamental purpose of health insurance is to spread risk and costs broadly across a common large pool in order to maintain comprehensive coverage at an affordable rate and to support the health of Maine people. As a general rule, to minimize health care costs for individuals and small business owners, risk should be spread across the widest, deepest pool possible. Reinsurance programs have also been demonstrated to be a useful tool in helping to stabilize health insurance markets and lower premium rates. Given the significant rate increases and declining enrollment in Maine’s small group market, expanding the scope of the Maine Guaranteed Access Reinsurance Association (MGARA) reinsurance program could help provide much needed relief to Maine’s small businesses owners and employees that are struggling to afford coverage in the small group market.

The report prepared by Gorman Actuarial titled “Policy Option for Maine Individual and Small Group Markets,” issued on August 25th, examines the impact of merging Maine’s individual and small group markets in conjunction with restructuring the Maine Guaranteed Access Reinsurance Association (MGARA) program and extending the reinsurance program to small group health plans, in the manner outlined in the report. The report estimates that merging the markets and expanding the scope of the MGARA reinsurance program will help stabilize premiums in the small group market, which would provide much needed relief to small businesses struggling to offer health coverage to their employees. As the report states, the average rates in the small group market have increased by 24% from 2019-2021. Unsurprisingly, enrollment in small group coverage has decreased by 18% since March 2017. It is clear that the rapidly rising costs of small group health coverage is unsustainable.

Findings from the 2019 Employer Health Benefits Survey released by the Kaiser Family Foundation show the average premiums nationally for employer sponsored health care have continued on an upward trend, with an average price tag of more than \$20,000 for family coverage in 2019. This



represents a 25% increase in premiums since 2014. Findings from the survey also indicate that, as the cost of employer sponsored coverage rises, the amounts paid by employees also increases. The national average employee contribution for family coverage in 2019 was over \$6,000, 8% higher than in 2018. Premiums for employer sponsored coverage are rising faster than the costs of workers' compensation or inflation, making the cost of employer-based coverage increasingly less affordable for employees, in addition to small business employers.¹

The report by Gorman Actuarial estimates that the proposed changes to the individual and small group markets and the MGARA reinsurance program will lower average premiums in the small group market by 4%. However, in addition to the initial rate reduction for small group plans that would occur from the expanded scope of the reinsurance program, moving to a single merged market would help mitigate potential unforeseen changes or disruptions to the market that could occur in future years within either or both of the two markets. Movement between private individual health coverage, employer-sponsored insurance, and public coverage options, like Medicaid and Medicare, is always to be expected. Some individuals and families may even experience multiple coverage transitions throughout the course of a year. Transitions in coverage have been further exacerbated by the increase in unemployment and economic downturn related to COVID-19. Given the ongoing and constant churn in enrollment, merging the individual and small group markets would help to minimize the impact of these transitions, as well as any other changes that could impact the composition of the risk pool or coverage for individual and/or small group health plans. This could be particularly beneficial in a state like Maine that has relatively small individual and small group markets, which are therefore at higher risk of volatility. There is also the potential for efficiencies to be gained in the long run by merged markets, such as with respect to rate filings and hearings, and lower administrative costs.

Although overall market stability would improve, the Gorman analysis also estimates that, under the proposed policy, the reinsurance program's impact on individual health plan rates would be reduced since it would expand the benefits to small group plans, which could contribute to affordability barriers for people purchasing individual coverage. However, it is worth noting that even if rates for individual market plans increase, most Mainers who purchase individual coverage likely would not have to pay higher premium costs as a result. The vast majority of Mainers with individual health plans purchase their plans through the Marketplace. Income-eligible Marketplace enrollees qualify for financial support in the form of an Advanced Premium Tax Credit ("APTC") to lower their monthly premium expense. The method used to calculate APTC amounts is based on the enrollee's income level and the cost of the second lowest silver plan premium, which means that if that premium rates increase, APTC subsidy amounts will also increase to offset the difference.

Eighty-four percent of Mainers who selected Marketplace health plans during the most recent open enrollment period qualified for an APTC subsidy, which means the majority of individual market enrollees would be largely shielded from the impact of a rate increases related to merging the markets and expanding the reinsurance program. With that said, many Mainers with incomes over 400% of the Federal Poverty Level (FPL) or who are otherwise ineligible for APTC subsidies on the Marketplace and other affordable health coverage options available, already face significant financial barriers to obtaining and maintaining health coverage due to high insurance premium

¹ 2019 Employer Health Benefits Survey, Kaiser Family Foundation. Available at: <https://www.kff.org/report-section/ehbs-2019-summary-of-findings/>



rates. We recognize there will be consequences to restructuring the reinsurance program currently operating in the individual market and are concerned about the potential impact it could have on affordability and access to coverage for populations seeking to purchase an unsubsidized individual health plan. For this reason, we encourage the Bureau to consider additional policy options or measures that could help to mitigate this and further improve coverage affordability and access for Maine people.

We recognize that the amount of funding received by reinsurance programs affects the degree to which the program impacts premium rates. The individual market small group market merge analysis conducted by Milliman on behalf of MGARA explains “The ability to stabilize market premiums decreases as the attachment points increase.” It also references a decrease in the federal pass through funds that are available for the reinsurance program due to decreased enrollment of highly subsidized enrollees who have transitioned to Medicaid coverage. According to estimates from the Kaiser Family Foundation, only 63% of people in Maine who were eligible for subsidies through the Marketplace were enrolled in a subsidized Marketplace plan in 2019.² Every effort should be made to enroll the remaining 37% of Maine’s potentially subsidy eligible individuals in Marketplace coverage by addressing enrollment barriers that make it difficult for people to apply for and afford coverage. Efforts to enroll uninsured APTC-subsidy populations, particularly those with lower levels of income, will not only benefit the individuals directly enrolled as a result, but will also increase the available federal pass through funding from the additional APTCs, and in turn help to stabilize and lower rates within the larger pooled market.

Investments in marketing and outreach activities and in direct enrollment support, such as through health insurance navigators and other certified enrollment assisters, have been demonstrated to be effective strategies in increasing enrollment in health coverage programs.³ In addition to reducing barriers to applying for coverage, affordability barriers to enrolling in and maintaining coverage must also be addressed. Other states have also succeeded in both increasing enrollment and improving their risk pools through providing state financial assistance in addition to the federal APTCs, to further lower coverage costs for populations likely to face financial barriers to enrolling in coverage.⁴ Massachusetts, for example, which had the highest state rate of enrollment among potentially eligible populations in 2019, provides financial assistance to lower the costs of coverage for people with incomes up to 300% FPL. A Families USA report estimates that if Maine were able to achieve Massachusetts’ level of Marketplace enrollment among its potential APTC-eligible

² Marketplace Enrollees Receiving Financial Assistance as a Share of the Subsidy-Eligible Population, Kaiser Family Foundation (2019). Available at: <https://www.kff.org/health-reform/state-indicator/marketplace-enrollees-eligible-for-financial-assistance-as-a-share-of-subsidy-eligible-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Percent%20of%20the%20Potential%20Subsidy-Eligible%20Population%20Enrolled%22,%22sort%22:%22desc%22%7D>

³ Sommers, B. D., Maylone, B., Nguyen, K. H., Blendon, R. J., & Epstein, A. M. (2015). The impact of state policies on ACA applications and enrollment among low-income adults in Arkansas, Kentucky, and Texas. *Health Affairs*, 34(6), 1010–1018. doi:10.1377/hlthaff.2015.0215. Available at: <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2015.0215>.

⁴ Stan Dorn, Innovative Options to Cut Health Insurance Costs by Expanding the Circle of Coverage, National Center for Coverage Innovation at Families USA. Available at: https://familiesusa.org/wp-content/uploads/2019/09/NCCI_State-Coverage-Policy-Options-Report_Report.pdf.



populations with income below 300% FPL, enrollment would increase by 21,000 people, who would draw down an additional \$152 million in APTC subsidies.⁵

Additionally, as is stated in both the Gorman and Milliman reports, medical costs have increased by over 18% between 2017- 2019, which has contributed to rising premium costs. However, recent rate filing documents submitted by carriers indicate that increases in claim costs are primary driven by inflation in prices rather than increased utilization by consumers. Measures aimed at addressing other underlying cost drivers, without compromising quality or access to care, as well as minimizing carrier administrative costs should also be taken. For example, several states, including California, Rhode Island, and Oregon, consider cost containment efforts as part of their health insurance rate review process, which has helped address underlying health care costs.⁶ For example, the Rhode Island Office of the Health Insurance Commissioner (OHIC) has established Affordability Standards for carriers aimed at improving primary care and reducing costs through the adoption of payment reform strategies. The rate review process includes evaluating carrier contracts with hospitals and requires contracts to meet specific terms and conditions that, for example, encourage care coordination or quality incentives. According to the OHIC, the Affordability Standards have produced tangible results, including increased carrier investment in primary care spending, along with a slowed rate of hospital cost increases.⁷

A comprehensive approach is needed to sufficiently address all of the affordability challenges and barriers that exist for small business owners, employees, and Maine people in obtaining health coverage. However, measures aimed at reducing segmentation and increasing stability within insurance markets will help prevent market volatility from exacerbating these barriers and can help promote long-term health and access to coverage within Maine's insurance market, which is why we support moving forward with the proposed policy to merge Maine's individual and small group markets and to expand the scope of the MGARA reinsurance program to small group plans.

Thank you very much for this opportunity to provide these comments. We appreciate the Bureau's work to increase stability within Maine's insurance markets and improve coverage affordability. If you have any questions, please feel free to contact me at 207-622-7083 ext. 1206 or kende@mainecabc.org.

Sincerely,

Kate Ende
Policy Director, Consumers for Affordable Health Care

⁵ Stan Dorn, How States Can Use New Revenue to Lower Consumer Costs for Individual Health Insurance, National Center for Coverage Innovation at Families USA. Available at: https://familiesusa.org/wp-content/uploads/2020/03/COV_How-States-Individual-Market_Report_03-13-20a.pdf

⁶ Dena B. Mendelsohn, Health Insurance Rate Review: A Powerful Tool for Addressing Consumer Health Costs, Altarum Healthcare Value Hub (2015), available at: <https://www.healthcarevaluehub.org/advocate-resources/publications/healthinsurance-rate-review>.

⁷ Rhode Island Office of the Health Insurance Commissioner, Reform and Policy—Affordability Standards, accessed on Aug. 9, 2020, available at: <http://www.ohic.ri.gov/ohic-reformandpolicy-affordability.php>.

