

Monday, September 14, 2020

Mr. Eric Cioppa
Superintendent of Insurance
Maine Bureau of Insurance
State House Station 34, Augusta Me, 04330

Dear Superintendent Cioppa:

Let me begin by thanking you for allowing me to submit comments on this important public policy issue. I regret I was unable to attend the virtual presentation, and thus missed notice of the comment deadline. Your willingness to allow me some extra time is greatly appreciated.

When L.D. 2007 was presented this last session, Governor Mills, yourself and others were gracious enough to include me in a group of interested parties to discuss the proposal of merging the individual and small group markets. During the public hearing, the Maine State Chamber expressed concerns, not with the policy idea of assisting both markets, but the feasibility of a long-term solution resulting from the proposals contained in the legislation. Specifically, if there would be adequate long terms savings for both markets, and over the possibility of inadequate funding of the current reinsurance mechanism currently underwriting the individual market, and under this proposal, would be extended to underwrite a merged market. After reviewing the Gorman Actuarial report of August 25, 2020, I would say that our concerns have not be mitigated.

As you know, I have more experience reviewing workers compensation actuarial models, but I can see that under the Gorman analysis, it appears the market merger would essentially be a wash, with the individual market experiencing a 4% increase, while the small group market would see a *one-time* 4% decrease. Quite honestly, that does not seem to be adequate justification for such a significant policy shift. Furthermore, the analysis is a snapshot in time. We have no idea what kinds of changes may result from legislation submitted this upcoming session, or of other rulemaking/policy changes already underway at the Bureau. New legislation, the impact of COVID-19, or a host of other unknowns may well result in higher costs that could mitigate the 4% savings in part or whole.

As you and I have discussed, some in our membership have real concerns over the existing Maine Guaranteed Access Reinsurance Association (MGARA) assessments. Larger employers pay into the millions of dollars for a program they cannot access nor do they benefit. However, we recognize it has helped mitigate some of the volatility in the individual market. That said, the MGARA attachment point has been moved in the past and doing so further increases the solvency risk in our opinion. Further increasing the size of the reinsurance pool while at the same time adjusting the attachment point, as pointed out in the Milliman analysis, increases the volatility and financial stability of MGARA. What happens should it become financially unstable? As I indicated to you and the IFS Committee in my

testimony, it would be programmatically and politically improbable to simply stop reinsuring claims in the pool. Our fear is another source of revenue infusion would be required that may well increase the assessment used to fund MGARA.

It is clear that the small group market is in need of some type of assistance. And it may well be that the proposal contained in L.D. 2007 could help to provide a solution to rising health insurance costs. But as we have discussed, merging the markets alone will not solve the problem. We would urge the Bureau to slow the process down. There are a tremendous number of unknowns out there for the business community; the long term and short-term economic impact associated with the pandemic being first and foremost. Some of the small businesses open today will not survive the winter. That is not supposition, it is fact. The costs of doing business in this state – setting aside health insurance benefits – will increase. At the same time consumer spending going into the colder months is a complete unknown.

We recognize and appreciate the work both Governor Mills and you have put into trying to creatively address rising health insurance costs for small businesses. However, based on the information at hand, it appears to be premature to move forward with the merger of the markets until more of the many unknowns impacting small businesses become clear.

Thank you again for allowing me the opportunity to provide you with our comments.

Sincerely,

Peter M. Gore
Executive Vice President
Maine State Chamber of Commerce