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Sent: Friday, September 11, 2020 3:52 PM
To: 'Hooper, Mary M' <Mary.M.Hooper@maine.gov>
Subject: Merged Individual & Small Group Markets -- NFIB MAINE Comments

September 11, 2020

To: Eric Cioppa, Superintendent of Insurance

From: David Clough, NFIB State Director in Maine

Thank you for this opportunity to comment on the recent Gorman Actuarial report concerning a potential merger of the individual and small group health insurance markets in 2022. NFIB has a keen interest in this matter on behalf of those among its approximately 3,000 small business members in Maine who are affected either as employer or individual consumers.

We applaud Governor Janet Mills and her administration for considering a merged market as one way to bring down costs in the deteriorating small group market. We have been an active observer of the proposal but did not take a position for or against on the implementing legislation, LD 2007. This keenly interested observer mode continues but it appears the Gorman report does not build a strong or reliable case for going forward at this time to the next step of merging the two markets. Instead, NFIB urges that implementation be deferred at least a year; that additional actuarial analysis be conducted no sooner than mid-2021 to better reflect changed circumstances caused by the coronavirus pandemic and federal elections; and, that an analysis of merging the small and large group markets be added as potential method for achieving market stability with minimal adverse consequences. This caution is underscored by the fact that LD 2007 contains no mechanism for reversing the merger if experience reveals significant adverse consequences – the escape room of a merged market could become an entrapment for tens of thousands of small employers and the families they insure. The only way to avoid “no way out” is to avoid entering to begin with. Lastly, we urge that a second comment period be opened for interested parties to provide additional thoughts prompted by this first round of comments of interested parties.

Initial Observations – Best Estimate of 4% Savings in Projected Premiums

- 4% does not seem like a significant savings; it is too close to the edge of no savings or higher costs
- We don't know the degree of statistical confidence or how reliable that estimate is
- There appears to be only a one-time premium shift but no change beyond the first year
- We don't know what the effect would be of increasing or decreasing small employer participation
- We don't know whether 4% savings would be meaningful enough to slow, stop or reverse small group market deterioration
- We don't know what the projected results are for different geographic rating areas
- We don't know what the projected results are for different sizes of small employers
- We don't know what the projected results are for different types of small employer workforces

- We don't know what the projected results are for different average ages of small employer workforces

Initial Observations – Timing

- The enormous disruptions being caused by reactions to the coronavirus pandemic are creating a turmoil and changed situation not unlike that of a major hurricane, which suggests it is better to wait until things have established a new normal before proceeding with a potentially unwelcomed and unwanted change in the small group health insurance market
- A momentous election is just weeks away and might profoundly affect federal policies that may have a bearing on factors involved in making a merged market work.

Initial Observations – Uniqueness

- Only two states, Massachusetts and Vermont, have merged their individual and small group markets. Maine would be only the third state to do so and the first state to do so with a Section 1332 waiver. Going it alone does not give comfort or assurance a merged market is a good idea as currently designed in Maine.

Initial Observations – Alternatives

- NFIB does not have a position on the idea of merging the small and large group markets but is curious about the implications, tradeoffs and potential premium impacts of the idea.

Again, please be assured that NFIB applauds and supports the Governor's interest in finding a way to help the small group market but a strong case does not exist for going forward at this time with a merger of the individual and small group markets. A strong case exists for considering options but not for taking a chance on chance.

Thank you.