Joan Smith

From: Jamie Spriggs <jspriggs@armadaglobal.com>
Sent: Thursday, October 15, 2015 1:31 PM
To: al.redmer@maryland.gov
Cc: jim.brochin@senate.state.md.us; chris.west@house.state.md.us
Subject: Stop Loss Insurance
Attachments: 10-15-15 Armada Opposes Restricting Stop-Loss.pdf

Please accept the following letter via email.

Thank you,
Jamie

R. Jamie Spriggs
Partner & Chief Operating Officer
ArmadaGlobal

ArmadaGlobal
230 Schilling Circle
Suite 140
Hunt Valley, MD 21031

T: (410) 308-5201
C: (410) 404-2645
F: (866) 350-4218
E: jspriggs@ArmadaGlobal.com/

http://www.ArmadaGlobal.com/

(Via email: al.redmer@maryland.gov)

October 15, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

RE: House Bill 552 Study

Dear Commissioner Redmer,

Armada Global is a specialty insurance company with a TPA operation based in Hunt Valley, MD. We currently employ 86 employees and expect to exceed 100 in 2016. Armada is the largest TPA in the country administering top talent supplemental health insurance. I am a partner and the COO for Armada.

I have been advised that the Maryland Insurance Administration is currently conducting a study, following the passage this year of House Bill 552, to examine various aspects of self-funded health benefit plans and the use of stop-loss insurance in conjunction with those plans. Our company has a strong interest in health policy issues, and we have testified on them in Annapolis in previous years.

As a third party administrator, while we do not have clients who utilize stop-loss insurance in conjunction with self-funded health plans, we are quite familiar with this method of providing health benefits to employee groups, and we fully understand its value to the businesses that use it.

We understand that House Bill 552 made certain changes to Maryland law that restrict the usefulness of stop-loss insurance for employers. We further understand that some legislators may believe that stop-loss insurance may be used inappropriately to "game" the system and disadvantage traditional, fully insured plans. We do not believe this is true.

In our experience, employers consider their options very carefully when selecting benefit plans. Most small employers value the certainty that is a feature of these plans. Relatively few employers are willing to accept the risk that comes with self-funding.

Nevertheless, self-funding remains an important option for employers who decide to accept the risk. As a matter of policy, we do not believe that state law should hinder their ability to do so. The fear that self-funding will result in significant adverse selection, and therefore significant damage to the fully insured market, is simply unsupported by the facts. Employers want stability, they want predictability, and they recognize that health insurance rates, like underlying health care costs, are highly volatile. We use our experience to advise employers and to guide them, but ultimately they must choose the approach they want to take. At the end of the day, we believe that most small employers will continue to select fully insured plans. Quite simply, we believe that they should have as many choices as possible.

We applaud the efforts of the Maryland Insurance Administration in conducting this study. We strongly encourage you, however, to resist any further changes to Maryland law on the subject of stop-loss insurance. We will monitor the progress of your study with great interest, and if we can be of assistance to you in any way, please do not hesitate to contact me personally.

Sincerely,

R. Jamie Spriggs

R. Jamie Spriggs
Partner & Chief Operating Officer

cc: The Honorable James Brochin (email: jim.brochin@senate.state.md.us)
The Honorable Chris West (email: chris.west@house.state.md.us)

ATLANTIC
SMITH, CROPPER & DEELEY

Testimony Supporting SB 703- HB 552

Atlantic / Smith, Cropper & Deeley
7171 Bent Pine Rd
Willards, Maryland 21874
410-835-2000

Christian J Carroll
Vice President Employee Benefits Division
ccarroll@ascd.net
410-251-7472

Testimony in Support of Maryland SB 703 and HB 552- 3/4/2015

As a licensed agent with the State of Maryland, I have spent most of my career directly servicing the business community and marketplace impacted by these two bills. I have dedicated 18 years with the principal focus of providing insurance solutions to companies with 2 to 1,000 employees. I have a strong practical working knowledge of the marketplace and the consumers these laws will impact.

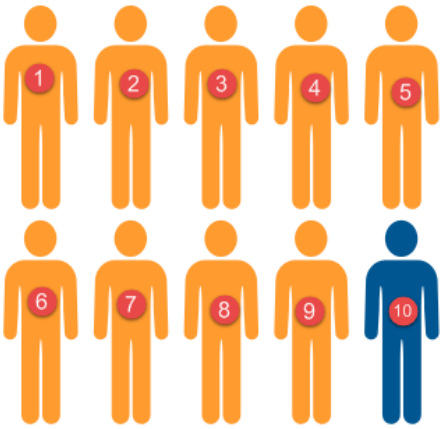
In my opinion, these bills are essential in order to provide sustainable long term stability in the expanding Maryland small group health insurance market place.

At the core of the bill are three distinct issues for your consideration:

1. Is the current law in the Annotated Code of Maryland that established a reinsurance specific deductible limit of $10,000 good and essential law in the time in which it was written?
2. Has the passage of time and the medical inflation that has occurred during that time, undermined the core function of the current law? (Effectively making the laws protection practically meaningless).
3. If the market is allowed to use a self-funding vehicle to adversely select from the small group risk pool (Maryland Small Group risk pool –MSG) will this create market instability and with this negatively impact the consumers within Maryland?

Issue 1- Was the law written in 1994 good and sound policy that was essential to protect the MSG insurance market from being adversely selected against (pulling favorable risk from the market, and leaving less than the average risk behind to share the premium burden)? The short answer is yes. The use of self-funding has advantages for employer groups willing to partner with a carrier and assume risk in doing so. They are creating a positive incentive to manage risk and control costs. However these methods cannot be created in parallel to an open market risk pooled program that has no restrictions from movement in and out of the risk pool. What essentially will happen is illustrated on the information graphic below:

Over simplified view of how risk pools are impacted by over selection:



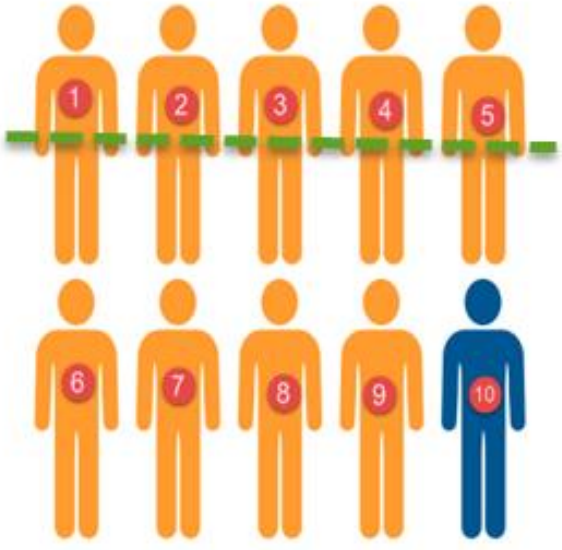
Each "Person" Represents 10% of the MSG percentage of the market. Each person has a "score 1-10" to represent their risk or share of the total paid claims for the population. Using known principals of insurance, the majority of the claims are paid for a small minority of the population (basic principal of insurance):

1= 10
2= 20
3= 30
4= 50
5= 60
6= 85
7= 120
8 = 150
9 = 175
10 = 300

Total claims- 1,000

Assuming administrative costs of 15-20% are basically constant for both markets (give or take 2-3%), the average cost of insurance for each represented group is 100 (100 x 10= 1,000 covering the cost of the pool). It is easy to illustrate visually that "member 10" at a risk of 300 is benefiting from the pooled community rating.

If 50% of the market determined they could create a fully insured, no to low risk solution in a competing market at a premium savings of 20%, they could effectively reduce their costs from 100 to 80. The remaining 5 members would be left to cover the costs of the claims totaling 830, now being shared by 5 members or 166 per member (66% increase). As this trend continues, significant financial burden is left on the members remaining in the pool. If the spiral continues, the few remaining members will not be able to pay the premium to offset their risk. If a small scale move of healthy risk occurs, the impacts can actual result in the opposite effect positive effect (increasing the total number of insured members at value based price points). But with the changes within the Affordable Care Act, coupled with the unadjusted $10,000 specific deductible limit in Maryland, major carriers are positioned to create a significant market shift that will negatively impact this market.

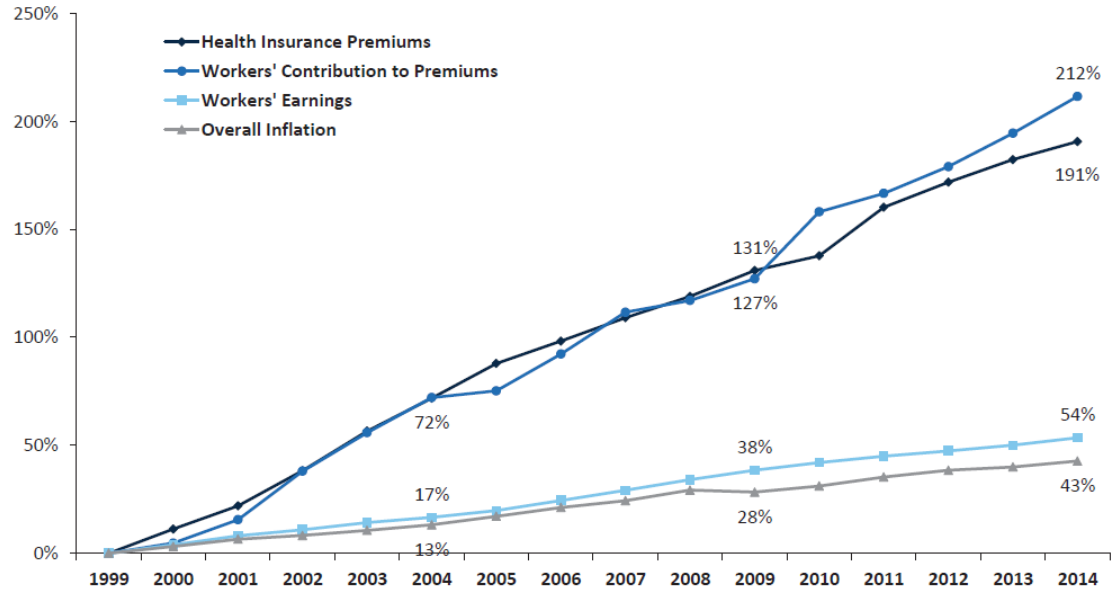


If you believe in the essential need for a small group market, the appropriate specific deductible limit is a key and necessary requirement to protect the risk pool from this shift.

Issue 2- Has the passage of time undermined the usefulness of the $10,000 deductible limit law? This is the easiest issue to address. The simple unequivocally answer is "Yes". Since 1999 to 2014 health insurance premiums have risen by 191%. This coupled with shifts in cost to members through higher deductibles and out of pocket expenses, the total cost of protection has doubled in the past 15 years alone. The $10,000 specific level deductible remaining unchanged for over 20 years has clearly diminished its relevant position in comparison to the total cost of insurance protection. A minimum adjustment of 2.5 to 4 times would be required to nullify the impact of medical inflation changes over the past 20 years.

Chart illustrates the premium changes over the most recent 15 years:

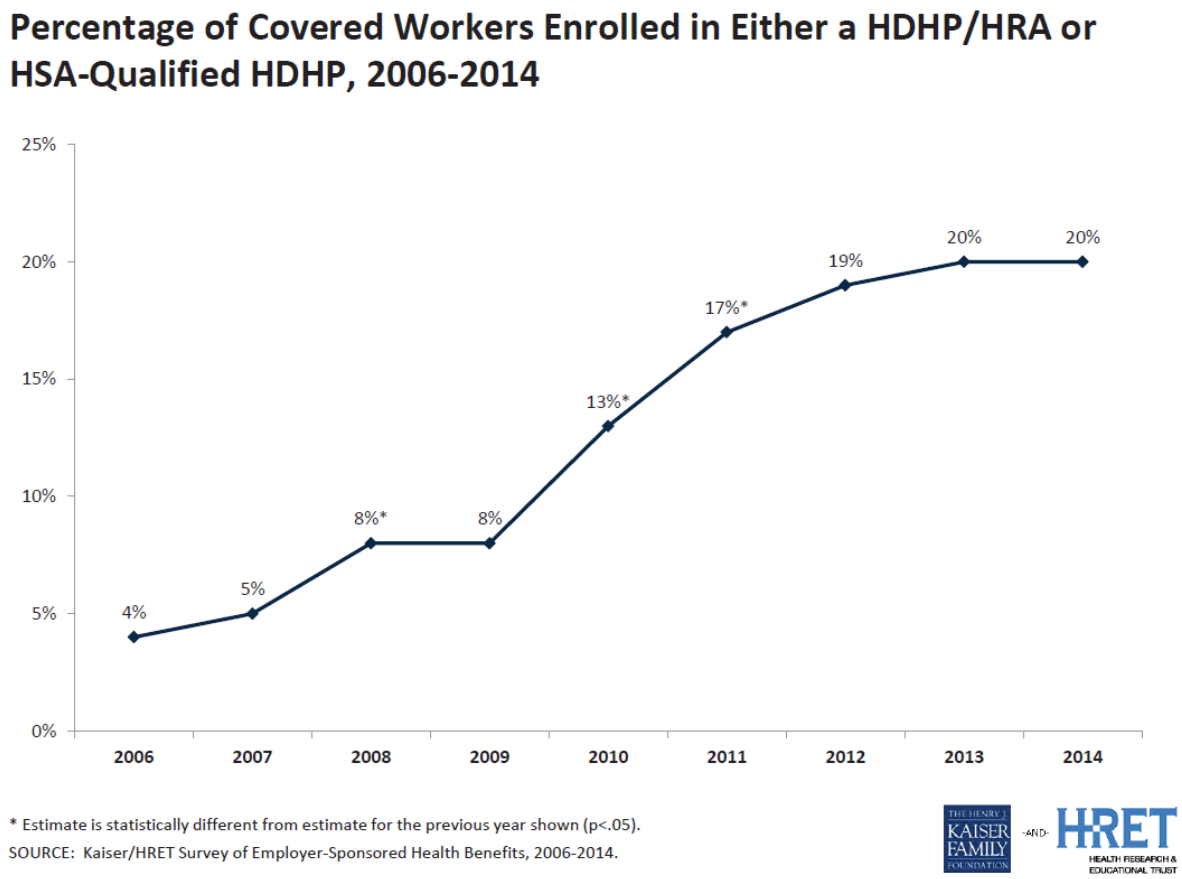
Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2014



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2014. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2014; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2014 (April to April).

THE HENRY J. KAISER FAMILY FOUNDATION -AND- HRET HEALTH RESEARCH & EDUCATIONAL TRUST

Chart illustrates the 500% growth in higher deductibles being utilized by workers in the past 8 years:



Issue 3- If the Maryland Small group market was impacted negatively by the expansion of self-funded health plans adversely removing healthy risk from the MSG health pool, will consumers in Maryland being substantially harmed? My position is that a small and appropriate amount of self-funding does not create market instability. However a legal environment that allows what is effectively a fully insured alternative priced market, just for the preferred health population, will have a substantially negative effect on the Maryland Small group marketplace. Rather than describing the inequities that would be created generally, I offer some specific information on my clients that I know would be harmed significantly by the loss of price protections within the MSG market.

Example 1- Small business in Maryland that voluntarily provides health benefits to their employees, who have known health risk that would be completely uninsurable if not for MSG market. This small employer takes great pride in providing health insurance benefits for the employees and their families that work for him. One employee, whose attendance is near 100% for 3 years in a row, suffers from kidney disease. In the last 10 months, the employee has begun weekly dialysis, which annually cost in the area of $225,000. This risk alone could not be borne by the 5 employees of this company. In the absence of a fairly priced MSG market, the employer would be forced to stop providing health care benefits. For the employees of this company that earn more than 400% of the federal poverty level, the impact to them losing the employer provided health coverage would be devastating. I know this because we have done the analysis for the company. One 62 year old employee who earns $50,000 a year would be facing premiums in excess of $985 per month. This represents over 23% of the total gross income, which he will be required to pay after tax. This is not a hypothetical, or a theoretical example, this is a real small employer in Maryland who utilizes the protections of the MSG market. Any threat to that market will result in uninsured members and the loss of the employer's voluntary participation in the health insurance premiums.

Example 2 – Mid-Size Employer required to "Pay or Play" within the Affordable Care Act (ACA) as an Applicable Large Employer (50-99 employer size), but only insures the 10 fulltime year round eligible staff. This group has a seasonal business that extends beyond the 120 day protection of ACA, but has very few year round employees that qualify for health care. Under market changes, this group will continue to be protected from adverse rating due to the expansion of small group to 100 Employees FT/ FTEs. For this employer, the absence of a MSG market would create an economic hardship and unfair restriction of trade. The pay or play rules within ACA would mandate either a non-deductible tax penalty or the offer of Affordable health coverage, but would provide no protection of an affordable market place for the purchase of affordable health coverage. The mandate penalty for not offering coverage is NOT limited to the 10 eligible employees, but rather would apply to all employees working 130 hours or more in any month. In the high season, this monthly penalty would exceed more than $20,000 per month. Requiring the employer to provide health coverage under one set of rules, while not providing protection from rate uncertainty under another set of rules, is inherently unfair.

Unintended and unmeasured consequences:

Other factors can be predicted with large scale movement of small employers to self-funded insurance vehicles. An employer may be pressured not to hire employees with known health conditions, HIPAA privacy concerns can rise through smaller groups self-funding, and the lack of regulation would signify a move away from the pooled group rating adopted by Maryland in 1994. The "self-funding" of groups with as few as 5-10 employees fails the general sensibility test in labeling these insurance vehicles as self-funding. Bringing self-funding to this size groups, creates procedural issues related to hiring, the department of labor and general privacy concerns. Larger employers spend substantial resources in developing safe guards to protect against the risks in both hiring and the management of their health plans. This level of protection and surety will be hard to replicate in groups with 5-6 employees. In examining my own clients, I know that I regular have to spend time training them on procedures relating to the protection of electronic data and personal insurance files. If we expanded that access to the claims details of a self-funded plan, these micro sized employers may struggle with the obligation of acting as a plan sponsor.

In conclusion, as a broker I will always seek the most cost effective solution for my client that is legally available. This most recently has included providing the pros and cons to large employers in offering medical plans with substantially no protection for hospital coverage and surgical benefits. Since November, the viability of such plans is without substantial merit. However, our obligations as brokers is rarely to do what is best for the market, but rather to do what is best for our client.

In many ways you have a much higher and difficult responsibility. You have to do what is best for the whole, even if some consumers are not left in as favorably a position. Today I take the opportunity to put myself, with my experience, in your shoes. I am not concerned about the single client in front of me, but rather the market as a whole. In that context, protecting a risk pool from not being cherry picked will have obvious and potentially profound impact on the market. Ultimately this creates instability and will leave consumers without viable alternatives to become insured. Based on that analysis I respectfully request your support of bills SB 703 and HB 552.

Sincerely:

Chris Carroll
A/SC&D

An example of how cherry picking risk negatively impacts a risk pool and creates a destabilization of rates:

A fully insured health plan charges a premium to the consumer for a specified period of time. Regardless of the claims of that group, the insurance carrier bears all the risk and rewards associated with the claim activity of that group.

In the traditional insurance market, some factor of the premium charged was based on the known or predictable health risk of the group. For example, if a company had an employee actively undergoing dialysis, the estimated cost of that procedure alone would be $250,000.

Let's assume this company had 10 single, male employees all 40 years old. If the associated average risk of an average 40 year old male is $4,000 per year, the total risk of this 10 person group would be $40,000 + $250,000 known high risk = $290,000. The rate per person would be $29,000 per year. The group would be uninsurable on its own merits.

This situation led to market reforms in which risk pools have been created to avoid the loading of medical risk into the premiums of any one employer group. The assumption is this group would be a risk outlier in a pool of 100 similarly situated employer groups. On its own, this group could not been insured, but as part of a pool of 100 groups the premium load is much less dramatic. If the other 99 groups were average, the net impact would be as follows:

- 1 high risk outlier group- cost per employee $29,000
- 99 average risk groups- cost per employee $4,000
- Blended average rate per 100 pooled risk groups- $4,250
- The average rate group was loaded by 6.25% to absorb the high risk load of the one group

This is the model Maryland has adopted since 1994 to provide an affordable solution and a fair market place for all Maryland small employer groups. Risk pools are not "fair" to the most preferred health risk, as they are paying in to a system more premium then would be required if measured on their own risk. The fairness does balance out over time, as employers in the small market place cannot predict their own future risk needs. They cannot hire or fire based on health conditions, nor can they predict future accidents or high risk illnesses. There for, over time a risk pool is fair to all in balance.

There is argument that allowing preferred risk discounts could actually increase the overall buy in to a pools success, as it sets a range of fair price points with incentives towards consuming health care wisely. <u>However there is not a credible argument that supports a pool's sustainability, if it is allowed to be cherry picked by a dual preferred health risk only market.</u>

In examining the usefulness of self-funding, what we see is some employers are encouraged to participate in a risk arrangement known as self-funding. This has historically not been seen as competition for small group risk pool members, as the risk sharing aspects of the arrangements kept these options limited to larger employers willing to act partially as their "own insurance company". As they demonstrated willingness to take the risk, it demonstrated a true self-funded solution that earned exemption from the Maryland Small group rules. The $10,000 specific deductible was principally the controlling aspect that limited the usefulness of this tool for small employers. Over time, the inflated costs of health care has allowed more small employers to create a fully insured insurance solution using the structure or chaise of a self-funded plan design. Not for the purpose of taking risk and increasing the creative options

allowable within self-funding, but rather as a vehicle to allow underwriting in a market segment that currently does not permit medical underwriting. Simply put, better rates for better health risk. As in our example, this group does not want to pay the 6.25% increase in pooled charges for the dialysis patient.

To see how this can happen with a low $10,000 specific deductible, but cannot in a higher specific deductible, we can examine a simplified example:

Current assumption:

- The Preferred health 10 employee group has been paying $4,250 per employee of $42,500 for the group of 10 employees
- Assume the employer pays 100% of the premium
- The actual risk of the preferred group is predicted at $2,000 per employee
- If the group purchases a policy with a $10,000 specific deductible and a 115% attachment point, the risk to the employer is:
    - No more than $10,000 for any one member
    - No more than $23,000 in total claims payments for all members
    - This makes the maximum risk under this arrangement
        - $23,000 in maximum claims
        - Plus fixed costs of the reinsurance and administration of the plan
        - Assume fixed costs of $15,000, the group has built a self-funded plan with
        - $38,000 in maximum and $33,000 in projected costs
- This arrangement represents total costs at maximum, below that of the pooled community rates. This arrangement causes no self-funded risk to the client, and is ONLY viable because their predicted claims were much lower than the pool of MD small group.

If the above example represented 1% of the MD small group pool, the impact to the remaining pool would be negligible: (99 groups left in the pool would see an increase from $4,250 per member to $4,272 per member or ½% increase).

In pool reality, 50% of the population in the pool uses 5% of the total claims.

If this shift occurrence could be replicated to impact the top 50% of the sample pool, the net result would be an increase in cost per member left in the pool from $4,250 to $8,100 (the pool lost 50% of the premium, but only 5% of the claims costs).

In demonstrating how the increased specific deductible level protects the small group pool, while still permitting self-funded arrangement for those wishing to take risk, we can examine the 10 employee group purchasing a $40,000 specific deductible:

- The Preferred health 10 employee group has been paying $4,250 per employee of $42,500 for the group of 10 employees
- Assume the employer pays 100% of the premium
- The actual risk of the preferred group is predicted at $2,000 per employee
- If the group purchases a policy with a $40,000 specific deductible and a 125% attachment point, the risk to the employer is:
    - No more than $40,000 for any one member
    - No more than $105,000 in total claims payments for all members
    - This makes the maximum risk under this arrangement
        - $105,000 in maximum claims
        - Plus fixed costs of the reinsurance and administration of the plan
        - Assume fixed costs of $10,000, (reduced since they are buying a higher specific deductible) the group has built a self-funded plan with

        - $115,000 in maximum and $28,000 in projected costs
- This arrangement represents total costs at maximum, above that of the pooled community rates. This arrangement causes self-funded risk to the client, and is not viable for a group of their size due to the risk associated with claims at maximum. It does not prevent a small group from leaving the pool to examine self-funding, but it makes the employer group carrier risk. This risk ensures that it is not simply an opportunity to underwrite themselves out of the small group pool, but rather a bona fide desire to be self-funded.
- The feasibility of this arrangement will likely require more employees, and a true risk arrangement to make practical sense.

Larger employers with 80-100 employees can absorb the risk associated with higher aggregate deductibles, while smaller employers will find less feasibility in these strategies.

In examining how the increased specific deductible can practically work in the larger employer group size, we can examine a 100 employee sample group:

- 100 employees with predictable risk of $2,000 per employee
- $40,000 specific deductible
- Fixed costs $1,000 per employee x 100 employees= $100,000
- No more than $40,000 in claims cost for any one claimant
- Claims at maximum: $375,000
- Claims at Projected: $300,000
- Cost summary: $400,000 projected cost and $475,000 maximum cost
- As the pooled group cost was $425,000 this larger group is likely to consider self-funding as a bona fide vehicle to provide an effective solution to their health care needs
- There is true and appropriate risk borne by the employer
- The arrangement correctly represents the principals of self-funding

Why the issue is critical today more than any time over the past 10 years is because of the market conditions emerging in Maryland. Maryland small group market is being pulled from both ends. The small employer's commitment to benefits is eroding. The pressure on the market is enhanced by the presence of the new guaranteed issue and underpriced individual market. And now several major carriers are building and have built products to capitalize on the opportunity to medically underwriter in this Maryland Small group market through the use of fully funded self-insured plans. This is what is unique about today's market that could initiate the pricing death spiral in the Maryland small group market.

If the goal is to eliminate the Maryland small group market, I would suggest taking no action on this bill. If the belief is this market provides needed consumer protection and is a necessary market place for Maryland small business, you are compelled to take action to protect it.

Nick Cavey -MDInsurance- <nick.cavey@maryland.gov>

Stop Loss, SB 703 / HB 552

1 message

Suzanne Henig <Suzanne.Henig@bobsbmw.com> Thu, Sep 24, 2015 at 5:32 PM
To: "nick.cavey@maryland.gov" <nick.cavey@maryland.gov>
Cc: Bob Henig <Bob.Henig@bobsbmw.com>

Mr. Cavey,

As business owners, my husband, Bob Henig, and I have been dedicated to providing a living wage, good benefits, and a good work environment for the 30-40 people we've employed over the years. Usually employment-related bills don't have a negative impact on our business because whatever the bill is proposing has usually already been in place for years at Bob's BMW Motorcycles. SB 703 / HB 552 is a different story that could hurt not only us, but our employees as well.

For over 25 years we paid 100% of our employees' health insurance premiums. When our rates went up 21% in 2014, we had to reduce that to 90% of the premiums. Employees now pay 10%, still a good deal for them but it was a bitter pill for us to swallow after all those years of proudly paying 100%. The only way we can afford 90% is because we have a self-funded health plan that includes stop-loss coverage. Our coverage has a specific deductible of $10,000 per covered person.

I understand that our current plan is grandfathered in and I've been told that it will stay that way as long as we remain in the self-funded market. But we have had to change carriers and/or reduce benefits every few years because of rate hikes. My options have now been narrowed further under the law; if we leave the self-funded market for a year or two, there is no going back.

We could not participate in a self-funded plan if we had to absorb the first $22,500 of an employee's medical expenses instead of the first $10,000. We couldn't take the risk; $10,000 is scary as it is. It might not be a big deal for bigger companies, but we just can't absorb any more. Conventional health plans are a lot more expensive than the self-funded plans, so our employees would have to take on a higher share of their premium costs.

Of course our renewal rates are always what drives what we can do for our employees. Every year is a new adventure. I'm always trying to find the best health coverage for my employees that we can afford, and I need all the options I can get.

Suzanne Henig

Bob's BMW Motorcycles

10720 Guilford Road

Jessup, MD 20794

301-497-8949 x211

www.bobsbmw.com

Bob's Events Schedule

October 21, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

Dear Commissioner Redmer,

I appreciate this opportunity to reach out to you. I first heard you speak at the Insurance Town Hall meeting you held in Salisbury back in June, and I want you to know that I am impressed that you took the time to visit our community to hear from citizens on insurance issues. Thank you for doing so.

We own and operate hospitality businesses in Ocean City, Maryland. Our main restaurant, Fager's Island, has been in operation for 40 years.

For many years, we did not offer employees a health plan. We have just begun doing so within the last year or so, as it is a valuable benefit for the people who are insured. Because we are, for the most part, a seasonal restaurant, only our full-time employees are offered coverage through our health insurance plan. The cost of coverage is a significant cost and will more than likely increase in the years to come.

In the process of our annual review of employee benefit options, I looked into the subject of self-funding our employee health plan, which I understand would require the use of stop-loss insurance. I have learned that the Maryland legislature earlier this year increased limits on stop-loss insurance that would make using it more difficult and restrictive. My purpose in writing to you now is to ask that further changes to limits and aggregate attachment percentages be deferred or reduced to pre-legislative levels until businesses like Fager's Island have the opportunity to consider this option as a viable method of providing health insurance to more of our employees.

I hope you will consider this request, and I am happy to speak with you or your staff about our health insurance plan at your convenience.

Very truly yours,

Michelle Fager

cc: Public Officials
The Honorable James N. Mathias, Jr.
The Honorable Charles J. Otto
The Honorable Carl Anderton, Jr.
The Honorable Mary Beth Carozza

fager's island
60th Street In The Bay, Ocean City, MD
410 524-5500
Fax 410 723-2055

Mailing Address: 201 60th Street
Ocean City, MD 21842
Web Site: www.fagers.com

Lighthouse CLUB HOTEL
AN INN AT FAGER'S ISLAND
56th Street In The Bay, Ocean City, MD
410 524-5400 888 371-5400
Fax 410 524-3928

FPC Distribution

Solutions *That Work!*

October 1, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

RE: House Bill 552 Study

Dear Commissioner Redmer,

I am President of FPC Holdings, Inc. which is a wholesale distributor to businesses and organizations. I am writing to you because our company provides health insurance to our 46 employees using a self-funded health plan together with stop-loss insurance. It is my understanding that you are currently conducting a study of stop-loss insurance under House Bill 552, and I'd like to share our company's experience on that subject.

For many years, we purchased standard health insurance for our employees through NCAS. Our broker, Kelly Benefit Strategies, would survey the health insurance market for us each year, and we could select good coverage from a good company at a reasonable cost. Costs for health insurance generally, however, have increased dramatically in recent years, and we asked Kelly to help us identify our alternatives. As it turns out, the self-funded plan that we selected offered the best combination of cost and coverage, together with the protection of a stop-loss insurance policy. Without the option of a good stop-loss insurance policy, we could not accept the risk of self-funding. We have used self-funding for 20 years.

I know that House Bill 552 made changes to the Maryland laws on stop-loss insurance, and that some of the changes reduced the advantages for companies like ours who purchase stop-loss insurance. After consulting with our representative at Kelly, we understand and accept the changes that were made in the bill. My concern, however, is that the legislature may react to your study by restricting stop-loss insurance even more. In my opinion, this would be bad public policy.

Stop-loss insurance is a tool that our business needs to compete in the marketplace. In our business, we have competitors in states like Virginia, in which I understand the use of

6630 Amberton Drive
Elkridge, Maryland 21075

Phone (410) 579-1000
Fax (410) 540-4148

stop-loss insurance is not restricted. It would be unfortunate to arbitrarily place Maryland companies like ours at a competitive disadvantage to companies from other states.

I've been told that part of the concern expressed to legislators was that companies would move in and out of self-funded plans frequently to leverage price differences between self-funding and traditional insurance. In our case, this is simply untrue. Switching health insurance plans is a major decision and involves significant effort. It can be quite disruptive to our workforce. We don't make changes unless we absolutely must do so.

I hope these comments are helpful as you conduct your study. I'm certain that our representatives at Kelly will be communicating with you throughout this process. I am available if you have any questions about our company's views on this subject, or our experience with self-funding.

Very truly yours,

Richard W. Roe
President

6630 Amberton Drive
Elkridge, Maryland 21075

Phone (410) 579-1000
Fax (410) 540-4148

Medical Stop Loss Public Hearing
Maryland Insurance Administration
September 28, 2015

The Maryland Association of Counties (MACo) and the Maryland Municipal League (MML) would like to thank the Maryland Insurance Administration (MIA) for providing the opportunity to comment on the study of the use of medical stop-loss insurance in self-funded employer health plans as required by Ch. 494, Acts of 2015. The following individuals will comment regarding the impact of stop-loss policy changes on local governments and of any changes to the attachment points or consumer protections in medical stop-loss insurance policies and contracts.

Andrea Mansfield, Legislative Director, MACo
Tom Curtin, Government Relations and Research Associate, MML
James Hechler, Vice President, Actuarial Services, The Benecon Group
Martin Hale, Director of Human Resources, Kent County
Andrew Bowen, Town Administrator, Middletown

At this point, our central concern is for the Maryland Local Government Health Cooperative. The Cooperative is an insurance pool whose membership is limited to Maryland's counties and incorporated cities and towns, and was established to allow public entities to more efficiently finance their employee health benefits through self-funding. The Cooperative was formed in 2010 and currently has 19 local government members.

For small counties and municipalities of all sizes, the Cooperative represents an opportunity to maintain relatively high benefit offerings for their employees through self-insurance, an option that would be unavailable to them acting alone. Through the Cooperative, counties and municipalities come together and support each other by sharing in both the risks and benefits of self-insurance. As a result, these local governments avoid unexpected and cost-prohibitive premium increases from year-to-year. Members have found that self-insurance allows for greater, more flexible and transparent coverage at a lower cost to employees. In turn, savings have been passed on to both taxpayers and employees.

169 Conduit Street, Annapolis, MD 21401
410.269.0043 BALT/ANNAP ◆ 301.261.1140 WASH DC ◆ 410.268.1775 FAX
www.mdcounties.org

1212 West Street, Annapolis, MD 21401
410.268.5514 BALT/ANNAP ◆ 800.492.7121 TOLL FREE ◆410.268.7004 FAX
www.mdmunicipal.org

For these reasons, both MACo and MML were pleased that the final version of this legislation included a two-year sunset and a study to further examine issues and their effects on local governments. MACo and MML welcome the opportunity to provide MIA with information regarding the current self-insured market and the impact of changes to stop-loss law on local governments. We will also work to gather additional information from our members and consultants as questions arise during the course of this study

Today, a representative from Benecon (the actuary for the Cooperative) and two local government representatives will speak to the benefits of the Cooperative and how the changes made to the stop-loss market in Ch. 494 will affect future participants in the cooperative. MACo and MML representatives will also share the data and resources they can provide following this hearing to assist with the study.

MACo is currently collecting information relative to stop-loss carriers and the specific and aggregate attachment points for the counties that self-insure and should be able to provide this information in late fall. MACo is also willing to survey its members for additional information the MIA may need to complete the Study. MML is conducting a survey of its members based on the study language in CH. 494 and will compile that information as well.

Thank you again for the opportunity to comment today. Both MACo and MML look forward to working with the MIA on this important study.

Julia M. Huggins
President, Mid-Atlantic Region
Vice President, CHLIC

111 S. Calvert Street
Suite 1600
Baltimore, MD 21202
Telephone 410.864.1880
Facsimile 800.657.3073
julia.huggins@cigna.com

October 13, 2015

The Honorable Alfred Redmer
Commissioner,
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, Md 21202

Dear Commissioner Redmer:

Thank you for the opportunity to comment on the study proposed under Chapter Law 494 of 2015. Please include this letter as part of the public record prepared in conjunction with the study and to supplement the record from the September 28th, public hearing in Baltimore.

Cigna is dedicated to helping the people we serve improve their health, well-being and financial security. Cigna offers products and services under the Connecticut General Life Insurance Company (CGLIC) or the Cigna Health and Life Insurance Company (CHLIC). Cigna-HealthSpring, formerly Bravo Health, also offers a variety of Medicare Advantage related products. All of these Cigna companies proudly serve our Maryland customers by providing health care solutions to meet their unique needs.

While we recognize that your charge when completing this study is far-reaching, we recommend that you more heavily weigh the criteria contained in section 2, paragraph 12 of the law. This section requires "an assessment of the impact on local governments and small employers of any changes to the attachment points…"

During the September 28th public hearing you heard directly from a number of Cigna's private and public sector employer customers about the important role stop loss insurance plays in their benefits strategy. Companies that self-fund can offer custom health care plans, tailoring benefits to meet the specific needs of their workers. Employers have a stronger incentive to promote better employee health and workplace wellness because they pay their employees' health costs directly. The employers present at the hearing spoke directly about the many positive features of self-funded benefits.

Many employers struggle financially to provide health benefits to their employees and self-funded plans are sometimes the only means by which they can afford to provide coverage. Every additional dollar spent on benefits coverage is one less dollar that a business can spend to hire new employees or invest in their products/services. In this regard, the current market for stop loss in Maryland has served small employers well. Small employers deserve the same choices available to large employers. We believe that variety, choice and competition in the employee health benefit market benefits employers of all sizes in Maryland. Choice of funding options, with the financial protection of stop loss insurance, is critical to maintaining robust competition.

Julia M. Huggins
Vice President, CHLIC
President, Mid-Atlantic Region

Stop loss coverage provides a financial safety net that allows small businesses to provide health care for millions of households nationwide. With stop loss coverage, businesses that self-fund can avoid financial ruin when faced with a sudden surge in claims, such as those related to a flu outbreak, catastrophic injury, or serious illness.

Any proposed stop loss regulation that effectively denies small employers access to self-funded plans could disadvantage Maryland employers Vis a Vis their competitors in other states. Under the federal Affordable Care Act's employer mandate, employers with more than 50 full time employees or full time equivalent employees must offer health benefits coverage. Self-funded plans that are "affordable" to individual employees and provide "minimum value" as defined in the law satisfy the coverage requirement. There are some small employers who may only be able to satisfy this mandate by offering a self-funded plan with the financial protection of stop loss insurance. If that option is not available to them in Maryland, they may decide to locate their business in another state.

Cigna stands ready to work with you and your staff to help prepare the study required by law. If you have any questions or need additional information, please do not hesitate to contact me.
Thank you for the opportunity to comment on this study framework and for the productive working relationship that we enjoy with the MIA. With every best regard, I am

Sincerely,

Julia M. Huggins
President, Cigna Mid-Atlantic Region
Vice President, CHLIC

Martin Hale, Kent County

Outline for Maryland Insurance Commissioner meeting on 9/28/15

Background:

Kent County employs approximately 200 people. For FY14, our average employee age was 44.9, and our average member age was 37.7.

We offer 100% paid medical coverage to our workforce and share the costs of dependent coverage with the employee.

In 2004, the cost to medically insure our workforce was approximately 1.3M, eventually doubling by 2009, just 5 years later.

Premium costs were rising so quickly at a time when salary increases were unrealistic due to the economy.

In an effort to save money, we began bidding our medical yearly. 1 vendor would not bid because we were pitting them against each other.

By FY09, the county had begun searching for ways to curb expenses to save the county and the employee's money.

We looked into shifting some premium costs to employees, raising deductibles and co-payments, and lowering the level of coverage offered.

In FY09, we chose a high deductible plan (1200/2400) and fully funded an HRA in an effort to save money. We have had the same 12/24 deductible ever since.

In FY12, we joined the LGIT pool.

Reasons for joining the co-op:

Premium stabilization: While the initial premium was comparable to what we were paying for a fully insured, high deductible plan, the possibility of smaller premium increases was a strong possibility. In fact our premium increase history is as follows:

FY13: 9.87%, FY14: 5.62%, FY15: 2.86%, and FY16: 3.39%.

For the last 2 years, Kent County's premium increases were less than medical inflation.

Transparency: With fully insured plans, we regularly had difficulty obtaining claims history or experience which may or may not support the increases.

Another option not available at the time: On Maryland's Eastern Shore there we only 3 medical insurance vendors able to provide our population with services locally: Care First which did not include Delaware doctors and hospitals, United Health Care and Coventry. CIGNA was another option.

Benefits of self-insurance/ Co-op:

Surplus return: after satisfying a pledged cross share of our surplus to help offset co-op members shortages, the remaining surplus is returned to the county for other uses. Kent County trends out medical usage and budgets estimated surplus in the same year. This allows the county to make decisions about the necessity to raise taxes in real time, not after the fact.

Transparency: requested information is provided quickly, helping us to make decisions based on facts, thereby saving time and money.

Benecon: Great company, knowledgeable staff, impeccable service.

Maryland Bankers Association

Maryland Insurance Administration
Public hearing: Use of Medical Stop-Loss Insurance in Self-Funded Employer Health Plans

September 28, 2015

The Maryland Bankers Association (MBA) respectfully submits this letter of information on the use of medial stop-loss insurance in self-funded plans. Founded in 1896, MBA is the only Maryland-based trade group representing banks in the state. The 116 banks operating in Maryland hold in excess of $120 billion in FDIC-insured deposits in nearly 1,700 branches across the state. The banking industry employs more than 40,000 banking professionals in Maryland. MBA's members include banks of all sizes and charter types including: Maryland state-chartered banks, national banks and thrifts, and state banks chartered outside of Maryland.

The following summary includes: (1) background and description of MBA Benefits Alliance (MBABA); (2) description of the impact of HB 522 as initially drafted on MBABA; and (3) impact of HB 522 as passed by the General Assembly on MBABA.

MBA Benefits Alliance Background:

In development for several years and incorporated in 2013, the MBA Benefits Alliance (MBABA) is a non-stock corporation which facilitates the creation and administration of separate self-funded group health plans for members of the Maryland Bankers Association. This health care alliance was created for Maryland community banks to assist them in managing their largest non-controllable expense – that of employee health insurance.

The MBABA assists Association members to develop and administer the health care benefits they provide to their eligible employees and family members through separately contracted self-funded group health plans, including providing assistance in the areas of claims administration, negotiating with insurers and other service providers, the design of benefits, determining annual funding requirements, calculating contribution amounts and coordinating information between Members and insurers and other service providers.

MBABA creates economies of scale and increased downside protection by buying "wholesale" rather than "retail." MBABA negotiates the administrative fees based on total enrollment. The stop-loss carrier also looks at the program as one group; as long as the carrier meets its profit margin expectations, banks with high claims utilization are protected from unusually high increases.

Banks are extremely deliberate in making health insurance decisions, no less in considering the pros and cons of moving from a fully insured plan to self-funding. A fully insured plan provides banks with a predictable premium every month. In the MBABA program, participating members have separate stop loss contracts and separately funded sub-accounts from which their monthly claims are paid. When entering the program, MBA's members pre-fund their sub-account with three months of expected claims and on-going funding to meet their claims needs each month. While actuarial analysis is done to determine what the expected claims will be, stop loss insurance provides protection for unanticipated health issues leading to high individual or aggregate claims. Because many of MBA's members are publically traded companies, they must manage their balance sheet activity carefully and minimize volatility where possible. Banks weigh the pros and cons of their health insurance options carefully. They want to continue to offer an important employee benefit while also fully understanding the financial requirements and impact of their options. The decision-making process can take several years.

186 Duke of Gloucester Street • Annapolis, Maryland 21401
phone: (410) 269-5977 • fax: (410) 269-1874) • www.mdbankers.com

To date, five MBA member banks are members of the MBABA. Two of those banks have stop loss insurance deductibles of $30,000 and aggregate attachment points of 125%, which are reduced to 120% after the first year in the program. They both joined in 2015. Both of these banks have approximately 40 employees in the plan. Three other banks have more than 40 employees in the plan and their specific deductibles and aggregate attachment points are reflective of their larger employee base. MBABA is currently quoting stop loss deductibles of $25,000 for smaller banks with approximately 25 employees in the plan. Each level of specific stop loss coverage and aggregate attachment points are established by a team of enrolled actuaries based upon the size of the organization.

Impact of House Bill 552 (as Initially Drafted) on MBABA:

As initially drafted, HB 552 / SB 703 – Health Insurance – Medical Stop-Loss Insurance – Small Employers would have increased the minimum attachment points for medical stop-loss insurance issued or delivered in the State from $10,000 to $40,000 for the attachment point and from 110% to 125% for the aggregate attachment point. Policies and contracts issued prior to June 1, 2015 were grandfathered.

The grandfather provision in House Bill 552 would have protected the banks in the program as of the bill's effective date. However, the high stop loss insurance deductibles and aggregate attachment point thresholds in House Bill 552 as introduced would have severely limited the Maryland Bankers Association's ability to achieve the plan's purpose of providing a self-funded health insurance option for our smallest members.

Only members of the Maryland Bankers Association are eligible to join MBABA. The total market today includes 51 community banks and 15 – 20 small service providers to our community bank members.

MBA worked for several years to create this model in Maryland, which is patterned after a similar program in Pennsylvania. We worked with the Maryland Insurance Administration to ensure that the plan is fully compliant with Maryland insurance laws. Additionally, the plan is fully compliant with the Affordable Care Act, ERISA and other federal requirements.

Impact of House Bill 552 (as Amended) on MBABA:

The legislation, as enacted, reduced the attachment point and aggregate attachment point thresholds to $22,500 and 120% respectively. With these changes, MBA did not oppose the legislation as amended. The legislation as enacted requires the Maryland Insurance Administration to conduct a study of the use of medical stop–loss insurance in self–funded employer health plans. MBA was identified as one of the stakeholders to be included in the study.

The MBA is pleased to be a resource for this study. We have created a program that works. Therefore, we believe the current specific deductible and the aggregate attachment point thresholds should not be increased beyond the levels in House Bill 552.

Please let us know if you have any questions.

186 Duke of Gloucester Street • Annapolis, Maryland 21401
phone: (410) 269-5977 • fax: (410) 269-1874) • www.mdbankers.com

The County Commissioners of Kent County

RONALD H. FITHIAN
PRESIDENT
ROCK HALL, MD

WILLIAM W. PICKRUM
MEMBER
CHESTERTOWN, MD

WILLIAM A. SHORT
MEMBER
STILL POND, MD

R. Clayton Mitchell, Jr.
Kent County Government Center
400 High Street
Chestertown, Maryland 21620
TELEPHONE 410-778-4600
FACSIMILE 410-778-7482
E-MAIL kentcounty@kentgov.org
www.kentcounty.com

ERNEST A. CROFOOT
COUNTY ADMINISTRATOR
COUNTY ATTORNEY

THOMAS N. YEAGER
SPECIAL COUNSEL

Outline for Maryland Insurance Commissioner meeting on 9/28/15

Background:

Kent County employs approximately 200 people. For FY14, our average employee age was 44.9, and our average member age was 37.7.
We offer 100% paid medical coverage to our workforce and share the costs of dependent coverage with the employee.
In 2004, the cost to medically insure our workforce was approximately 1.3M, eventually doubling by 2009, just 5 years later.
Premium costs were rising so quickly at a time when salary increases were unrealistic due to the economy.
In an effort to save money, we began bidding our medical yearly. 1 vendor would not bid because we were pitting them against each other.
By FY09, the county had begun searching for ways to curb expenses to save the county and the employee's money.
We looked into shifting some premium costs to employees, raising deductibles and co-payments, and lowering the level of coverage offered.
In FY09, we chose a high deductible plan (1200/2400) and fully funded an HRA in an effort to save money. We have had the same 12/24 deductible ever since.
In FY11, we joined the LGIT pool.

Reasons for joining the co-op:

Premium stabilization: While the initial premium was comparable to what we were paying for a fully insured, high deductible plan, the possibility of smaller premium increases was a strong possibility. In fact our premium increase history is as follows:
FY13: 9.87%, FY14: 5.62%, FY15: 2.86%, and FY16: 3.39%.
For the last 2 years, Kent County's premium increases were less than medical inflation.
Transparency: With fully insured plans, we regularly had difficulty obtaining claims history or experience which may or may not support the increases.
Another option not available at the time: On Maryland's Eastern Shore there we only 3 medical insurance vendors able to provide our population with services locally: Care First which did not include Delaware doctors and hospitals, United Health Care and Coventry. CIGNA was another option.

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Transparency: requested information is provided quickly, helping us to make decisions based on facts, thereby saving time and money.
Benecon: Great company, knowledgeable staff, impeccable service.

Submitted by S. Martin Hale

NOEL'S
Fire Protection LLC

10/13/15

415 South Conococheague Street Suite 100♦ Williamsport, MD ♦ 21795
Phone (240) 366-8287 ♦ Fax (301) 223-8370

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

Dear Commissioner Redmer,

I visited Annapolis during the Legislative Session to meet with legislators on a bill they were considering on the subject of stop-loss insurance for health plans. I understand that the bill that passed requires you to study this subject. My company just switched to a self-funded plan last year, and we purchased stop-loss insurance. I have a strong opinion on this subject.

My concern is the same concern of any other business owner: the cost of health insurance. We founded our company, Noel Fire Protection, with four employees in 2004, and today we have close to 50 employees. We sell fire protection systems – sprinkler systems – from our home base in Washington County throughout Maryland. I'm proud to say that we lasted through the recession and our company is doing well.

We know the importance of health insurance to our employees and have always tried to provide it using standard health insurance policies. However, in September of last year we received a renewal policy with an increase of $50,000. We simply could not accept such a large increase in our operating expenses. If our broker, Alan Schulman, had not provided an alternative to the Care First policy, we would have been forced to cancel the Care First policy and tell our employees that they were on their own.

Because I know there is a health insurance exchange in Maryland, cancelling the policy would have been simple to do, but it would have hurt our employees and their families. I am sure that some of them would not have bothered to buy insurance at all. The self-funded plan that Alan presented allowed us to keep health insurance for our employees, at a reasonable cost to our company.

Although I don't know what changes you may be considering, please don't make it more difficult or expensive for our company to keep our health plan. I do know that businesses like Noel's Fire Protection, LLC need to have this option available. We try to take care of our employees, because they are important to our business success. So I am asking you, with all due respect, to not make it harder than it already is for us to provide this important benefit to our employees.

Feel free to call me if you have any questions about our company, and thank you for your consideration.

Sincerely,

Melissa Noel
Owner
Noel's Fire Protection, LLC

www.pevco.com

Pevco

October 12, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

RE: MIA Hearing September 28, 2015

Dear Commissioner Redmer,

Thank you for the opportunity to testify to the Maryland Insurance Administration on September 28th about my company and our experience with health benefits coverage. I just want to take this opportunity to emphasize a couple of points to you.

First, we are a Maryland manufacturer and currently have about 100 employees. Since our founding in 1978, we have been able to grow and add employees here in Maryland because we had the financial resources to invest in our products. Health benefits coverage is a very significant operating expense for us, and one in which we have been actively engaged in.

This active engagement resulted in our moving from traditional insurance to a self-funded plan several years ago. Frankly, we wondered about the added risk. We must compete for business across the country so it is imperative that we are able to not only control our costs but also manage our liabilities. While there is a greater exposure in self-funding health insurance for our employees, it is a risk that we can accept as long as we have stable and predictable stop-loss insurance. Put simply, the financial protection of stop loss allows us to provide health benefits.

I hope that your study takes into account the need for employers to have this protection at risk levels they can tolerate and does not recommend increasing the financial exposure of employers any further. Companies like ours need this tool. We need it to offer affordable benefits and so we can continue to invest in Maryland.

Thanks again for the opportunity to comment at the hearing on September 28th. Please add these written comments to the hearing record as well.

Sincerely,

Debbie Johansen

Debbie Johansen

cc: The Honorable J.B. Jennings

1401 Tangier Drive, Baltimore, Maryland 21220 Tel: 410.931.6600 800.296.7382 Fax: 410.931.4660

PARKWOOD HOMES

October 19, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

Dear Commissioner Redmer,

My name is Jack Fleury and I am one of the owners of a small family owned company called Parkwood Homes, having offices in Gaithersburg, MD. We have been in business since 1991, and most of our employees have been with us for many years.

I am writing to you in regards to the study that the Insurance Administration is conducting on the use of stop-loss insurance. Our insurance agent, Jon Michael, brought the study to our attention a few weeks ago, and asked me if I would like to send any written comments concerning our experience with using stop-loss so that they can be added to the information in the study.

At Parkwood, we are very loyal to our employees. One of the important ways that we show our loyalty is through offering an affordable, comprehensive health care plan. For approximately ten years we provided health coverage through a fully insured plan, but in the past several years, health care costs have risen so sharply that we were forced to look at other options. So in 2014, Mr. Michael suggested that we look at providing a self-funded plan and use the tool of stop-loss insurance to minimize financial risk. And we chose the Revolution Plans with Benefit Indemnity Group. We are currently covering 21 employees.

I understand from Mr. Michael that a bill concerning stop-loss insurance was passed earlier this year, and that restrictions were placed on the use of stop-loss insurance, such as the raising of the attachment points, which makes it even more challenging to provide self-funded health insurance to cover my employees. He also informed me that other changes may be made in the future to the stop-loss bill that might put further restrictions on the use of stop-loss insurance, and that the study referred to above will be used to help determine if any changes need to be made.

Commissioner, I respectfully ask that no further changes be made to the current bill that will add additional restrictions in using the tool of stop-loss insurance. Our group is very careful about our medical expenses, and we like using the self-funded plan in conjunction with stop-loss insurance because it is more affordable and allows us to educate our employees on the benefits of making intelligent medical choices. Further, it allows both our employees and us, as the employer, to play an active role in controlling medical and health insurance premium costs.

I would be happy to speak with you if you have any questions. Thank you for your consideration.

Very truly yours,

Jack Fleury

The Honorable Ronald N. Young
The Honorable Michael J. Hough
The Honorable Carol L. Krimm
The Honorable Karen Lewis Young
The Honorable William G. Folden

352 MAIN STREET, #300 | GAITHERSBURG, MD 20878 | P: 301.921.9361 | F: 301.947.0964

PKS & Company, P.A.
Pigg, Krahl & Stern
Certified Public Accountants
& Advisors to Business

Andrew M. Haynie, CPA
Susan P. Keen, CPA
Michael C. Kleger, CPA
Jeffrey A. Michalik, CPA
Daniel M. O'Connell II, CPA
John M. Stern, JR., CPA

www.pkscpa.com

Salisbury
1801 Sweetbay Drive
P.O. Box 72
Salisbury, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City
12216 Ocean Gateway
Suite 800
Ocean City, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes
1143 Savannah Road
Suite 1
Lewes, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

Members of:

American Institute of
Certified Public Accountants

Maryland Association of
Certified Public Accountants

Delaware Society of
Certified Public Accountants

PKF International

October 9, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

(via al.redmer@maryland.gov)

RE: Town Hall Meeting June 22, 2015
Stop-loss Insurance

Dear Commissioner Redmer,

As Managing Partner of a public accounting firm serving businesses throughout the Eastern Shore, I am writing to you on the subject of stop-loss insurance. I attended the town hall meeting held by the Maryland Insurance Administration in Salisbury on June 22nd, and I appreciate your effort to learn the views of Maryland citizens on important insurance issues. Stop-loss insurance is an important tool for our business, and also for many of our business clients throughout the Eastern Shore.

PKS & Company, P.A. has 65 employees. It is essential that we provide a competitive compensation package in order to maintain the high quality we expect from our workforce. One of the most important components of that compensation package is health insurance.

You are familiar, I'm sure, with the volatility that has burdened health insurance costs in recent years. As an employer, and speaking also for the employers that we represent, we need stability in all of our operating costs. Several years ago, we decided to move from a standard health insurance policy to a self-funded approach. That approach can only work if it is accompanied by appropriate stop-loss insurance. We were concerned that the Maryland General Assembly passed a bill earlier this year that would make stop-loss insurance less flexible as a component of a self-funded plan. I understand that the bill also calls for a study by your office that may result in further restrictions to stop-loss insurance.

The purpose of this letter, therefore, is to advise you of the critical importance of this tool to our company and many other businesses who use it, and also to ask that no further restrictions be added at this time. I frankly don't understand why

legislators would want to make it more difficult or more expensive for us to provide this important employee benefit. If, indeed, there may be valid policy reasons for any further changes, I suggest that a thorough analysis of the actual use of stop-loss insurance be conducted by your office. I am happy to share our experience with you if you wish.

Finally, it's worth noting that the Congress recently adopted a change to the Affordable Care Act that would permit employers like us, with between 50 and 100 employees, to remain in insured plans that are comparable to our current self-funded plan. That's a good thing, and I have been told that your office has authorized this change in Maryland. That is the kind of insurance policy that is helpful to both employers and employees, and I commend your decision. I hope you will also recognize the importance of self-funding to employers like PKS who try to do the best before their employees.

Thank you for your consideration.

Daniel M. O'Connell II, CPA/PFS, CVA
Managing Partner

cc: The Honorable Mary Beth Carozza (Marybeth.carozza@house.state.md.us)
The Honorable Sheree Sample-Hughes (sheree.sample.hughes@house.state.md.us)

October 7, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, Maryland 21202

Dear Commissioner Redmer,

It was a pleasure meeting you at the meeting you hosted in Baltimore City on August 10, 2015. As you continue your study process pursuant to HB 522, I wanted to take this opportunity to reiterate my comments in this regard.

As a small business owner in Baltimore City, I am necessarily concerned with the cost of health insurance and the availability of health insurance options. Sammy's Trattoria has always been a family business and we understand the importance of health insurance, both for our family and for our employees.

I am asking that you not make it more difficult or expensive for small businesses like ours to obtain health insurance plans in Maryland. I know that businesses like Sammy's Trattoria need to have this option available. We try to take care of our employees, because they are vital to our business success. It would be extremely detrimental to employees of small businesses if providing health insurance became prohibitively expensive for employers. I am asking you, with all due respect, to not make it harder than it already is for us to have the option to provide this important benefit to our employees.

Feel free to call me if you have any questions about our company, and thank you for your consideration.

Sincerely,

Sam Curreri

cc: Delegate Cheryl Glenn
cc: Delegate Talmadge Branch

4834-9730-2825, v. 1

Maryland Insurance Administration
Stop-Loss Insurance Study
Comments
Submitted 16 October 2015

The ***Maryland Women's Coalition for Health Care Reform*** appreciates the opportunity to provide comments on the study of stop-loss insurance in self-funded employer plans as called for under Chapter 494 of Maryland State Law 2015. The Coalition is a nonpartisan, nonprofit statewide alliance of thousands of individuals and 100 organizations with a mission to advance health equity through access to high-quality, comprehensive and affordable health care for all Marylanders. It is through that lens that we wish to specifically address the request for comments on "... the consumer protections in medical stop-loss insurance policies and contracts and the desirability of maintaining or adjusting the current statutory consumer protections." We believe that there are serious issues that must be addressed to ensure that those consumers who participate in self-funded plans have the same protections and quality of coverage as those in the individual and small group market.

In the Coalition's 2015 General Assembly testimony on HB552 we cited two specific areas should be addressed. These remain a high priority and include provisions that require the:

- Prohibition of early termination or rescission other than for fraud and intentional misrepresentation.
- Carrier to honor any claim which the employer is legally obligated to pay.

In addition, we believe that **stronger disclosure requirements and greater transparency are absolutely essential**. Consumers, who participate in these plans based upon the decision of their employers, must have a full understanding of the

specific terms of the plan and the implications for themselves and their families. In this area we believe that there should be:

- Disclosure requirements that include: (1) all liabilities that may accrue to the employer; and (2) any conflict of interest on the part of the seller of the policy or contract.
- Transparency relating to the collection and use of individualized demographic and health data with an opt-in requirement for individuals.

To this latter point, we were particularly concerned by the testimony at the Maryland Insurance Administration's September 29 hearing about employers' current access to, and use of, individualized medical histories. We recognize the MIA's regulatory limitations as regards the issues raised. However, the potential negative impact on consumers is one that we believe would be of concern to others. Therefore, we take this opportunity to lay out what we see as some of the relevant issues.

At the hearing, one of the scenarios laid out to highlight the positive aspects of self-funded plans was the implementation of an incentive program to promote annual checkups. While we would agree that the goal is worthy, it illuminates the issues around consumer privacy and protections and illustrative of these, and related to it, are the concerns being raised about the increasing use of personal data to inform the design and application of wellness programs. These are coming under increasing criticism for the lack of privacy protections with the issues being explored in recent articles in Kaiser Health News (KHN)[1]. On September 30, KHN cited a number of suits being brought by the Equal Employment Opportunity Commission (EEOC) against wellness programs on the basis of employment discrimination. It then cites an EEOC proposal to strengthen consumer protections. Advocates, however, point out, that "the proposal includes a large loophole: It allows employers to get individual data provided to the wellness programs if needed to administer their health plans." The article goes on to point out

[1] *Privacy Advocates Urge Stronger Protections of Employee Health Data*. Susan Appleby, September 30, 2015 Kaiser Health News http://khn.org/news/privacy-advocates-urge-stronger-protection-of-employee-health-data/

advocates' concerns that, "the EEOC hasn't defined clearly what 'administer' means or why, in any case, the information would be needed."

We believe this reinforces the need for stringent consumer protections with strict regulation on the use, and sharing, of individualized data with self-funded plans. It also calls for greater transparency, with the ability for consumers to op-in should they agree to have their information released to their employer and/or the plan administrator.

Under the Affordable Care Act, consumers in self-funded plans do benefit from many of the protections afforded to those in the individual and small group market. Examples include the ban on annual and lifetime limits and discrimination based on pre-existing conditions. However, there is, as evidenced in the EEOC cases, the opportunity to circumvent these with wellness programs. We believe this also applies to self-funded plans, as evident in the September 29 hearing testimony. In addition, employees in self-funded plans are already at a disadvantage over those who are covered by Qualified Health Plans, because the former plans are not required to provide the Essential Health Benefit package. Without adequate transparency and protections employees in self-funded plans will potentially be at an even greater disadvantage than other Marylanders.

We would ask the Maryland Insurance Administration to take these and other consumer protection issues into consideration as it prepares its analysis of medical stop-loss insurance in self-funded employer health plans.

Again, the Coalition appreciates the opportunity to provide these comments and would welcome the opportunity to work to ensure that consumers' privacy and rights are protected and in these plans

Submitted by:
Leni Preston, Chair
leni@mdchcr.org

Nick Cavey -MDInsurance- <nick.cavey@maryland.gov>

Re: Yesterday's oral testimony

1 message

Nancy Egan -MDInsurance- <nancy.egan@maryland.gov> Tue, Sep 29, 2015 at 8:46 PM
To: Tom Curtin <Tomc@mdmunicipal.org>
Cc: Candace Donoho <CandaceD@mdmunicipal.org>, Andrea Mansfield <AMansfield@mdcounties.org>, Nick Cavey <nick.cavey@maryland.gov>

thanks Tom.

Nancy J. Egan, Esq.
Director of Government Relations
Office of the Commissioner
Maryland Insurance Administration
200 St. Paul Place
Baltimore Md 21202
New e-mail address: nancy.egan@maryland.gov
410-468-2488 Fax: 410-468-2020
Cell: 443-604-9599
www.insurance.maryland.gov

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On Tue, Sep 29, 2015 at 3:58 PM, Tom Curtin <Tomc@mdmunicipal.org> wrote:

> Hi Nancy,
>
> Thank you for the opportunity to speak. Below is a short statement from Mr. Bowen on the Town of Middletown's experience in the co-op, along with answers to some specific questions I asked in my survey. I'll continue to gather information for the MIA study.
>
> Thanks again,
>
> Tom
>
> ---
>
> **Andrew J. Bowen**
>
> **Town Administrator**

31 West Main Street

Middletown, MD 21769

abowen@ci.middletown.md.us

301.371.6171 Ext. 12 (Office)

301.371.6474 (Fax)

240.674.8937 (Cell)

The Town moved to the co-op due to increasing cost of health insurance. The cost savings was not only enough to cover the cost of the health insurance but also allowed the Town to fund the employees HSA accounts to cover the deductible. In addition, the cost savings over the past 3 years has allowed the Town to provide additional coverages for the employees for vision and dental. The employees love the new insurance, easier to use, wellness programs, and newsletters that help inform our employees. The key to this system is that it benefits both the employer and employee to monitor their own health because it saves money for both. It has truly been a win-win for the Town, its employees, and taxpayers.

- When did you join the co-op and why?

  The Town joined the co-op in 2011 to try and control better the cost of health insurance to the Town. Previous increase rates were increasing on the order of 25%-35% each year.

- How many employees are covered, and what is the average age of your covered members?

  13 FTE. 46 years old is our average age.

- What health insurance program/coverage did you have before?

  CareFirst BlueCross BlueShield

- What has been your average cost savings? How have you used this money?

  Between $17,000-$23,000 each year. Not counting the very low percentage increase in premiums to the employees. The Town Board funds a wellness program, about $2,000 each year and the rest goes back in the General Fund to provide services to our residents. In addition, the Town has increased coverage for vision and dental with the savings.

- Can you speak to general coverage (better than before, same, less)?

  Much, much better! Less paper work, faster processing, and the key feedback on the group.

- Did you receive money back at the end of the year because claims came in lower than expected?

Yes.

- What has been your general experience with claims administration? (compared with fully insured?)

  Better, more responsive, and quicker.

- Have you had any employee feedback about the program?

  The employees, of course, love having lower health insurance rates and they like the wellness programs.

- Are you likely to stay in the co-op?

  Absolutely!

From: Nancy Egan -MDInsurance- [mailto:nancy.egan@maryland.gov]
Sent: Tuesday, September 29, 2015 9:50 AM
To: Candace Donoho; Andrea Mansfield; Tom Curtin
Subject: Yesterday's oral testimony

First, thank you for providing the panel at yesterday's public hearing. I thought it went well yesterday. I was sorry that there was not more interest from the public. Could I obtain a copy of the oral comments by Kent County and the town of Middletown? I thought it would be nice to include them on the website.

Thanks.

Nancy

Nancy J. Egan, Esq.
Director of Government Relations

Office of the Commissioner
Maryland Insurance Administration
200 St. Paul Place
Baltimore Md 21202
New e-mail address: nancy.egan@maryland.gov
410-468-2488 Fax: 410-468-2020

Cell: 443-604-9599
www.insurance.maryland.gov

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Worthington Manor
GOLF CLUB
An Ault-Clark Signature Course

October 14, 2015

The Honorable Alfred W. Redmer, Jr.
Commissioner
Maryland Insurance Administration
200 Saint Paul Place
Suite 200
Baltimore, MD 21202

Dear Commissioner Redmer,

I am writing to you regarding the study that you are conducting on stop-loss insurance. My name is Nancy Devers and I am the Comptroller at Worthington Manor Golf Club in Urbana, MD., where we have been in business in Maryland since 1998.

For our small company (7 full-time employees) the use of a traditional health plan became too expensive, so our insurance agent advised us about using a self-funded plan. So in June of 2014 we switched from a standard health plan to a self-funded plan using stop-loss insurance, as this seemed to make the most sense in the current market. And indeed, we have saved money by choosing this option.

My understanding is that there may be further changes made to the stop-loss bill, and this concerns me. Health care costs eat up a significant amount of our revenue, but by utilizing the self-funded plan option and using stop-loss insurance to mitigate our risk, we are better able to provide this important benefit to our employees. And we would like to continue to do so, but if there are further changes to the stop-loss bill which will add even more restrictions it might make it impossible.

So, I am respectfully asking that there be no further changes made to the stop-loss bill which would reduce our ability to use stop-loss insurance with our self-funded insurance plan.

Thank you for your consideration. Please do not hesitate to call me if you have questions.

Sincerely,

Nancy Devers
Comptroller

cc: The Honorable Ronald N. Young
The Honorable Michael J. Hough
The Honorable Carol L. Krimm
The Honorable Karen Lewis Young
The Honorable William F. Folden

8329 Fingerboard Road • Urbana Maryland 21704
www.worthingtonmanor.com • 301-874-5400 • Fax 301-874-2655

TRANSAMERICA®

Transamerica Life Insurance Company
Transamerica Premier Life Insurance Company
Administrative Office
1400 Centerview Drive | P. O. Box 8063
Little Rock, AR 72203.8063

Horace Garfield, CLU, RHU
Direct: 502.560.3398

horace.garfield@transamerica.com

September 21, 2015

VIA Email: nick.cavey@maryland.gov

Commissioner Al Redmer
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, Md. 21202

Re: Request for comments in connection with study of medical stop-loss insurance

Dear Commissioner Redmer:

Transamerica Life Insurance Company and Transamerica Premier Life Insurance Company ("Transamerica") offer the following information in response to the Maryland Insurance Administration's ("MIA") invitation to comment in connection with a study of medical stop-loss insurance conducted pursuant to Chapter 494 of the Laws of Maryland 2015. This is basic information about the role stop loss insurance plays for employers that self-fund health benefits for their employees. Transamerica hopes this will be helpful to the MIA as a starting point in conducting its study.

We also note that in late 2014, the MIA conducted a stop loss insurance survey. In response to this survey, all stop loss insurers, including Transamerica, submitted detailed information about their stop loss business in Maryland from 2009 through 2013. The survey results should provide data to the MIA that will be useful in connection with the current study.

The Nature of Self-Funding

Self-funding is an alternative funding method for an employer to provide health benefits to employees and their dependents. Unlike traditional health insurance, a self-funded employer bears the financial responsibility for claims under the health plan.

An employer's decision to self-fund its employee health plan is based on several factors and is normally made with the help of advisors such as third party administrators ("TPAs").

Although self-funded health plans are not regulated by the states, they are subject to extensive regulation under ERISA, and the employer is responsible for compliance with ERISA requirements. Also, many of the Affordable Care Act requirements for traditional health insurance apply to self-funded health plans.

How Self-Funding works

The employer typically hires a TPA to help develop and administer the self-funded plan, including processing of claims under the plan. To manage claim costs, the TPA typically provides access to a preferred provider network for the plan participants. The TPA also may arrange for other cost controls, such as case managers for large claims and pharmacy benefit managers. These measures are implemented by the employer's health plan. The stop loss insurance carrier does not participate in decisions at the level of the employer's plan.

The Role of Stop Loss Insurance

Many self-funded employers purchase Stop Loss insurance (also known as Excess Loss insurance) for protection against very large claims under the health plan. The employer and its plan remain liable for payment of all claims under the plan, even when Stop Loss insurance is purchased. Stop Loss coverage is typically purchased for one year at a time.

Some of the differences between stop loss and traditional health insurance are explained in more detail below.

Stop Loss coverage is provided to employers; it does not insure the individual employees or their dependents.

Stop loss insurance is issued to the employer, as plan sponsor of the self-funded plan, or, in some cases, to the plan.

Stop loss benefits are paid to the employer, not to employees or health care providers. Employees and dependents are covered by the self-funded plan, not the stop loss insurance. The stop loss insurance company does not participate in the plan's benefit decisions. When a stop loss claim is submitted, the stop loss insurer reviews the plan's benefit payments that generated the claim, to make sure the benefits were properly payable under the terms of the plan, and to determine if the benefits meet the "Incurred" and "Paid" parameters of the stop loss coverage (discussed below).

The following are examples of stop loss policy provisions clarifying that the employees and dependents covered under the self-funded plan ("Covered Persons") have no coverage under the stop loss policy and can make no claims against the stop loss insurance company:

> **LIABILITY** The Company will have neither the right nor the obligation under this Policy to directly pay any Covered Person or provider of professional or medical services. The Company's sole liability is to the Insured [the employer], subject to the terms and conditions of this Policy. Nothing in this Policy shall be construed to permit a Covered Person to have a direct right of action against the Company. The Company will not be considered a party to the Plan of the Insured, or to any supplement or amendment to it.
>
> **PARTIES TO THE POLICY** The parties to this Policy are the Insured [employer] and the Company. The Company's sole liability under this Policy is to the Insured. This Policy does not create any right or legal relation between the Company and a Covered Person under the Plan.

The role of the employer's TPA

Typically the TPA for the plan will process the claims under the plan and submit any stop loss claims to the stop loss insurance company. The TPA is retained by the plan, and is acting on behalf of the plan in performing these functions. The following are typical stop loss policy provisions clarifying the relationship between the employer (the "Insured") and the TPA:

> This Policy will not be deemed to make the Company a party to any agreement between the Insured and the Third Party Administrator.
>
> **THIRD PARTY ADMINISTRATOR** The Insured may retain a Third Party Administrator to act as an agent for the Insured in performing any or all of the duties as designated by the Insured. Without waiving any of its rights under this Policy, and without making the designated Third Party Administrator a party to this Policy, the Company agrees to recognize the Third Party Administrator as an agent of the Insured. The Insured will immediately notify the Company in writing if the agreement between the Insured and the Third Party Administrator terminates.

Incurred and Paid requirements

A key concept in stop loss coverage is the "benefit period." This is the period of time specified in the stop loss policy in which a Covered Expense must be Incurred by the Covered Person and Paid by the self-funded plan to be eligible for reimbursement. An expense is "Incurred" when the medical service is rendered, and "Paid" by the plan when a check is issued by the plan. A typical benefit period would be "12/15," which means that the expense must be Incurred within a twelve month policy period and Paid within that period or within three months after that period. Such a benefit period might be described in the stop loss policy as follows:

Benefit Period: Covered Expenses Incurred from 01/01/15 through 12/31/15, and Paid from 01/01/15 through 3/31/16.

The following table illustrates this 12/15 option:

Incurred Period														
Jan. 2015	Feb. 2015	Mar. 2015	Apr. 2015	May 2015	June 2015	July 2015	Aug. 2015	Sept. 2015	Oct. 2015	Nov. 2015	Dec. 2015			
Paid Period														
Jan. 2015	Feb. 2015	Mar. 2015	Apr. 2015	May 2015	June 2015	July 2015	Aug. 2015	Sept. 2015	Oct. 2015	Nov. 2015	Dec. 2015	Jan. 2016	Feb. 2016	Mar. 2016

Payments under the plan must satisfy both the Incurred and Paid requirements in order to be eligible for reimbursement under stop loss coverage.

Options for the benefit period under a stop loss policy can vary depending on the needs and budget of the employer. The most expensive option is called a "Paid" contract, under which expenses are eligible for reimbursement if they are Paid by the plan within a specified 12-month period, regardless of when they are Incurred.

Components of stop loss: Specific and Aggregate

There are two components to stop loss coverage: Specific and Aggregate. Specific coverage provides protection for the self-funded plan against high expenses for any one individual. Specific stop loss benefits are payable when the Incurred and Paid claims for a particular Covered Person during the benefit period exceed the Specific deductible, or "attachment point," which is specified in the policy. In Maryland, the Specific attachment point must be at least $22,500. For a large employer, the Specific attachment point could be as high as $300,000. Typically there is no maximum annual reimbursement under Specific coverage.

Aggregate coverage is designed to provide a ceiling on the total dollar amount of eligible expenses that the plan would pay for a benefit period. Aggregate benefits are payable when a large number of employees have claims under the plan, and the total amount of such claims during the benefit period exceeds the Aggregate deductible or attachment point. In Maryland, the Aggregate attachment point must be equal to at least 120% of the self-insured plan's expected claims. In calculating the plan's expenses for purposes of Aggregate coverage, only amounts up to the Specific attachment point for each Covered Person are counted. Amounts in excess of the Specific attachment point are reimbursed under the Specific coverage. For Aggregate coverage, a typical maximum annual reimbursement is $1,000,000.

The Market for Stop Loss Insurance is very competitive

Employers generally hire a broker to solicit proposals for stop loss from several insurers. The pricing and terms of stop loss coverage are negotiated with employers and their advisors. The process of soliciting proposals and negotiation of stop loss terms helps insure that employers obtain competitive stop loss rates.

Regulation of Stop Loss

Many states, like Maryland, impose requirements on stop loss insurance. These requirements typically include minimum Specific and/or Aggregate attachment points. The primary purpose of these minimums is to make sure that the employer retains a significant part of the risk for payment of claims under its plan, so stop loss does not function like traditional health insurance.

Chapter 494 of the Laws of Maryland 2015 enacts several additional requirements for stop loss insurance issued to small employers, including a disclosure of the terms of coverage. Currently Maryland defines "small employer" as an employer with 50 or fewer employees. Beginning on January 1, 2016, the definition of "small employer" in Maryland will expand to include employers with 51-100 employees. The recent legislation makes the Maryland requirements for small employer stop loss among the most stringent state requirements.

If you have any questions, please feel free to contact me, Diana Marchesi or Maria Iannatuono.

Sincerely,

Horace Garfield by MA

Horace Garfield,
Vice President Transamerica Stop Loss

cc: Mr. Nick Cavey
Assistant Director of Government and External Relations, Maryland Insurance Administration

Diana Marchesi
Maria Iannatuono